COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2009

As management of the County of Bernalillo (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The government-wide assets of the County exceed its liabilities as of June 30, 2009 by $574,469,993, an increase of $20,324,978 or a 3.7% increase. Of this amount, $358,917,738 is invested in capital assets, net of related debt. Of the remaining balance, $127,980,308 is restricted for specific purposes and $87,571,947 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- As of June 30, 2009, the County's governmental activities and business type activities have net assets of $570,111,848 and $4,358,145 respectively.

- The fund balance in the County's general fund increased from $171,886,811 in FY08 to $175,658,155 in FY09, an increase of $3,771,344 or a 2.2% increase. Of this amount, $66,297,457 or 37.7% of the general fund is for the DFA required reserve and $42,978,698 or 24.5% is for subsequent years' expenditures.

- The County was able to maintain adequate reserves in the amount of $66,297,457 as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY10.

- The County, as part of its ERP implementation, consolidated its grant funds into one fund and also consolidated a majority of its capital construction funds into one fund which are now classified as major funds respectively.

- During the year, the County sold $10,000,000 of General Obligation Bonds (Series 2009). This included $7,000,000 for roads, $1,000,000 for library books and $2,000,000 for ADA facilities improvements. Also, the County issued $10,000,000 of Gross Receipts Tax Revenue Bonds, Series 2009, with an average interest rate of 2%, to refinance the County's outstanding Gross Receipts Tax Refunding Revenue Bonds, Series 2008, originally issued in the principal amount of $11,000,000. In addition, the County issued $42,200,000 of Gross Receipts Tax Revenue Bonds, taxable series 2008A.

- The County has $456,963,680 in available bonding capacity or 81.74% of allowable bonding capacity per the New Mexico State Constitution (see page 159).

- The County property valuations increased 5.9% from $13.19 billion in FY08 to $13.97 billion in FY09 (see page 150).

- The County maintained its AAA rating with Standard & Poor's Rating Service, Aa1 rating with Moody's Investors Service, Inc. and AA+ rating with Fitch Ratings for its General Obligation Bonds. In addition, the County maintained its AAA rating with Standard & Poor's Rating Service for its Gross Receipt Tax Revenue Bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. For example, property taxes are recognized as revenues in the year in which they are levied. The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The statement of activities presents information showing how the County's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements differentiate functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public works, public safety, health and welfare, culture and recreation and interest on long-term debt. The business-type activities of the County include Solid Waste, Bernalillo Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. The government-wide financial statements can be found on pages 29-30 of this report.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the current fiscal period. Such information may be useful in evaluating a government's near-term financing requirements. 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 County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the General fund, the County maintains twenty-eight other individual governmental funds of which seventeen are classified as Special Revenue funds, eight are classified as Debt Service funds, and three are classified as Capital Projects funds. Information for the General fund, the TRAN Debt Service fund, the Capital Construction fund and the Grants fund, all of which are considered to be major funds, are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General fund. A budgetary comparison statement for the General fund is presented on pages 35 and 36. In addition, the County adopts an annual budget for other non-major funds. A budgetary comparison statement is presented in the aggregate and individually for all those funds.

The basic governmental fund financial statements can be found on pages 31-36 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as b*usiness-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Solid Waste, Bernalillo County Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. An *Internal service fund* is used to account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities. Because the services provided by the Risk Management fund predominantly benefit governmental rather than business-type functions, this fund is included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on page 40 this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 42-72 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found on pages 73-119 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's governmental-wide net assets exceed liabilities by $574,469,993 for the fiscal year ending June 30, 2009. By far the largest portion of the County's net assets (62 percent) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any debt used to acquire those assets, which is still outstanding. In the prior year, the County's investment in capital assets was 56% of net assets. The County uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Bernalillo Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	$ 451,853,691	$ 391,073,628	$ 3,727,388	$ 3,083,259	$ 455,581,079	$ 394,156,887
Capital assets	550,648,172	537,084,721	4,682,057	5,534,006	555,330,229	542,618,727
Total assets	1,002,501,863	928,158,349	8,409,445	8,617,265	1,010,911,308	936,775,614
Liabilities:						
Long-term liabilities	310,277,990	261,412,153	2,620,741	2,835,693	312,898,731	264,247,846
Other liabilities	122,112,025	117,549,460	1,430,559	833,293	123,542,584	118,382,753
Total liabilities	432,390,015	378,961,613	4,051,300	3,668,986	436,441,315	382,630,599
Net Assets:						
Invested in capital assets, net of related Debt	356,558,834	308,271,760	2,358,904	2,839,330	358,917,738	311,111,090
Restricted	127,980,308	146,792,506	-	-	127,980,308	146,792,506
Unrestricted	85,572,706	94,132,470	1,999,241	2,108,949	87,571,947	96,241,419
Total net assets	$ 570,111,848	$ 549,196,736	$ 4,358,145	$ 4,948,279	$ 574,469,993	$ 554,145,015

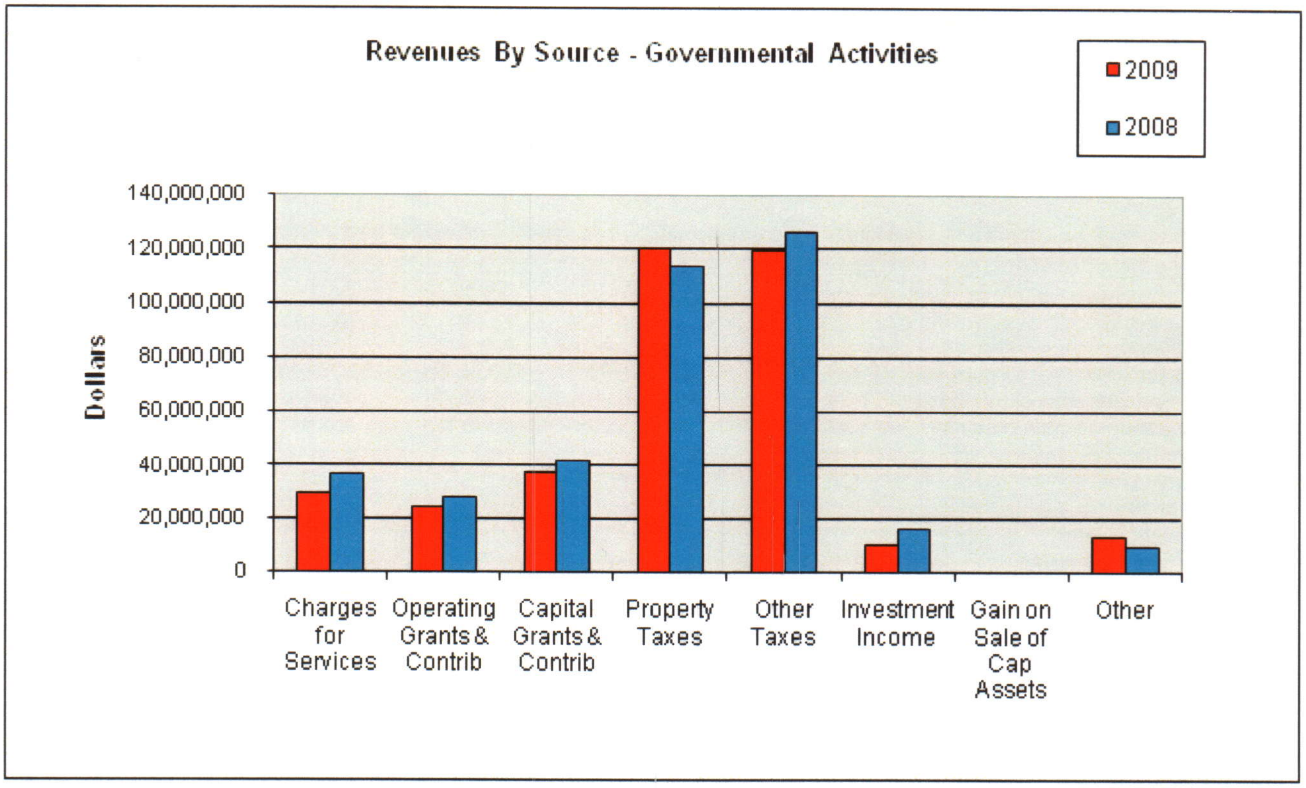
Restricted net assets in the amount of $127,980,308 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $87,571,947 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, and for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities during the year increased the County's net assets by $20,915,112 in FY09 as compared to $73,478,367 in FY08.

County of Bernalillo's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$29,818,073	$36,526,325	$6,332,394	$5,982,619	$36,150,467	$42,508,944
Operating grants and contributions	24,751,326	28,140,881	327,781	498,482	25,079,107	28,639,363
Capital grants and contributions	37,884,782	41,992,908	482,179	433,981	38,366,961	42,426,889
General revenues:						
Property taxes	120,069,963	113,789,778	-	-	120,069,963	113,789,778
Other taxes	119,743,475	126,144,704	-	-	119,743,475	126,144,704
Investment income	10,865,039	16,046,244	45,191	83,879	10,910,230	16,130,123
Gain on sale of capital assets	296,236	-	33,858	-	330,094	-
Other	13,317,702	9,525,633	712,172	383,895	14,029,874	9,909,528
Total revenues	356,746,596	372,166,473	7,933,575	7,382,856	364,680,171	379,549,329
Expenses:						
General government	69,898,098	45,609,786	-	-	69,898,098	45,609,786
Public works	50,092,431	52,518,685	-	-	50,092,431	52,518,685
Public safety	156,911,320	143,867,733	-	-	156,911,320	143,867,733
Health and welfare	31,911,866	28,083,075	-	-	31,911,866	28,083,075
Culture and recreation	11,426,758	12,637,946	-	-	11,426,758	12,637,946
Interest on long-term debt	15,591,011	15,585,987	-	-	15,591,011	15,585,987
Solid Waste	-	-	5,215,029	4,910,418	5,215,029	4,910,418
Housing Authority	-	-	1,576,798	860,653	1,576,798	860,653
Seybold Village	-	-	320,744	235,027	320,744	235,027
Juvenile Detention Center	-	-	960,180	923,826	960,180	923,826
El Centro Familiar	-	-	450,958	426,170	450,958	426,170
Total expenses	335,831,484	298,303,212	8,523,709	7,356,094	344,355,193	305,659,306
Increase (decrease) in net assets before transfers	20,915,112	73,863,261	(590,134)	26,762	20,324,978	73,890,023
Transfers in (out)	-	(384,894)	-	384,894	-	-
Increase (decrease) in net assets	20,915,112	73,478,367	(590,134)	411,656	20,324,978	73,890,023
Net assets –beginning	549,196,736	475,718,369	4,948,279	4,536,623	554,145,015	480,254,992
Net assets – ending	$570,111,848	$549,196,736	$4,358,145	$4,948,279	$574,469,993	$554,145,015



Governmental Activities revenues decreased by $15.5 million from $372.2 million in FY08 to $356.7 million in FY09, a decrease of 4.2%. Key elements in the decline of governmental activities revenues are as follows:

- Program revenues charges for services decreased by $6.7 million from $36.5 million in FY08 to $29.8 million in FY09, an 18.4% decrease. The majority of the decrease was attributed to $4.5 million contributed and $3.5 million still due by the City of Albuquerque in FY08 to offset operational costs for Metropolitan Detention Center (MDC) operations versus no contributions in FY09. In addition, the decrease can also be attributed to a $1.5 million decrease in fees at the MDC related to commissary sales and to the state "feed and care of parole violators" program. Also, $679 thousand for "state criminal alien assistance program" and $250 thousand for the community custody program (CCP) DWI service was reported in this category in FY08 and reported in the miscellaneous category in FY09. The decrease was offset by an increase in fees collected for housing inmates at the Regional Correctional Center as a result of an increase in the man day rate charge and an increase in the annual man day grantee in FY09.

- Program revenues operating grants and contributions decreased by $3.4 million from $28.1 million in FY08 to $24.7 million in FY09, a 12.1% decrease. A portion of the decrease was attributed to $900 thousand in donation revenue for the Department of Substance Abuse program reported in this program in FY08 and no donation revenue reported in this program in FY09. Also, in FY09 operating revenue for the DWI program decreased by $800 thousand, operating revenue for Emergency Medical Services decreased by $100 thousand, and operating revenue for the Fire Districts decreased by $100 thousand. In addition, there was a decrease in funding from Housing and Urban Development (HUD) of $1.2 million for the County's Section 8 Voucher program.

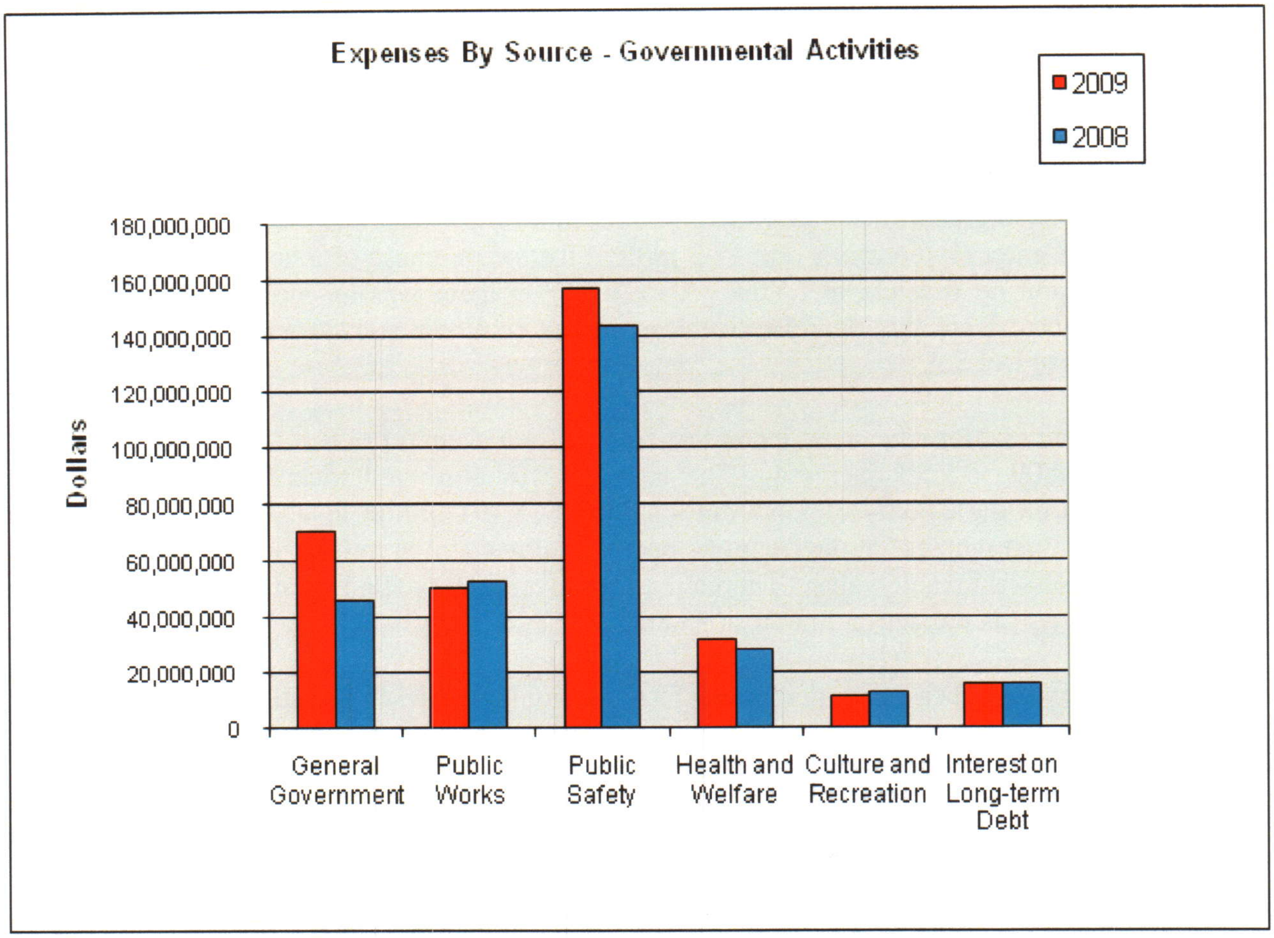
- Program revenues capital grants and contributions decreased by $4.1 million from $42.0 million in FY08 to $37.9 million in FY09, a 9.8% decrease. A significant portion of the decrease was attributed to a decrease of $7.0 million in revenues for construction related to the South Valley Utilities project in FY09. In addition, there was an increase in revenue in FY08 of $1.3 million related to the construction of the Metropolitan Assessment and Treatment Service (MATS) transitional housing and intake area facility, $1.1 million for the construction of the Vista Grande Community Center Gymnasium, and $2.3 million for the purchase of a helicopter for the Sheriff's Department and no revenue in FY09. Also, in FY09 there was an increase of $7.5 million in funding received from the New Mexico Department of Economic Development for the Fidelity project at Mesa Del Sol.

- General revenues property taxes increased $6.3 million from $113.8 million in FY08 to $120.1 million in FY09, a 5.5% increase. The increase was attributed to an increase in the taxable valuation within the County of $785 million from $13.191 billion in FY08 to $13.976 billion in FY09 and a slight increase in the County's operational residential mill levy from 6.183 to 6.184 per $1,000 of assessed taxable value. The increase in revenue was slightly offset by a decrease in the current property tax collection rate from 95.86% in FY08 to 95.39% in FY09.

- General revenues other taxes decreased $6.4 million from $126.1 million in FY08 to $119.7 million in FY09, a 5.1% decrease. The decrease was primarily attributed to a decrease of $6.1 million in gross receipts tax revenue as a result of the decline in the state economy in FY09. In addition, there was a decrease in motor vehicle tax revenue of $719 thousand and an increase in gasoline taxes of $465 thousand.

- General revenues investment income decreased $5.1 million from $16.0 million in FY08 to $10.9 million in FY09, a 31.9% decrease. The decrease was attributed to a lower rate of return on investment in FY09 as a result of the downturn in the economy due to the nation-wide recession. In addition, our mark to market investment value declined by $2.8 million.

- Other revenues increased $3.8 million from $9.5 million in FY08 to 13.3 million in FY09, a 40.0% increase. A portion of the increase was attributed to $1.4 million recognized as miscellaneous revenue for the write-off of capital lease payable related to debt forgiveness by the state of New Mexico for voting machines. In addition, $1.7 million was recognized as miscellaneous revenue to capitalize non-cash donations of infrastructure, land, art, and two vehicles.



Governmental activities expenses increased by \$37.5 million from \$298.3 million in FY08 to \$335.8 million in FY09, an increase of 12.6%. Key elements in the increase in governmental activities expenses are as follows:

- General government expenses increased by \$24.3 million from \$45.6 million in FY08 to \$69.9 million in FY09, a 53.3% increase. A portion of the increase was attributed to \$4.8 million in expenses incurred to maintain the new ERP financial system that was implemented in FY08 and was "go live" at the beginning of FY09. Also, \$3.5 million of the increase was due to a salary and fringe benefit increase of 5% for blue collar employees and 4% across the board for all other County employees. In addition, an increase of \$3.0 million in Bureau of Election expenses was a result of a major general election held in FY09. Also, in FY09 there was \$7.5 million in expenses incurred for the Fidelity project at Mesa Del Sol and \$1 million in non-capital expenditures for the Middle Rio Grande Conservancy District Albuquerque West Levee improvement project. In addition, in FY09 there was an increase in compensated absences expenses of \$2.3 million, an increase in deferred charge refunding expenses of \$1.1 million, and an increase in Valuation Fund expenses of \$800 thousand.

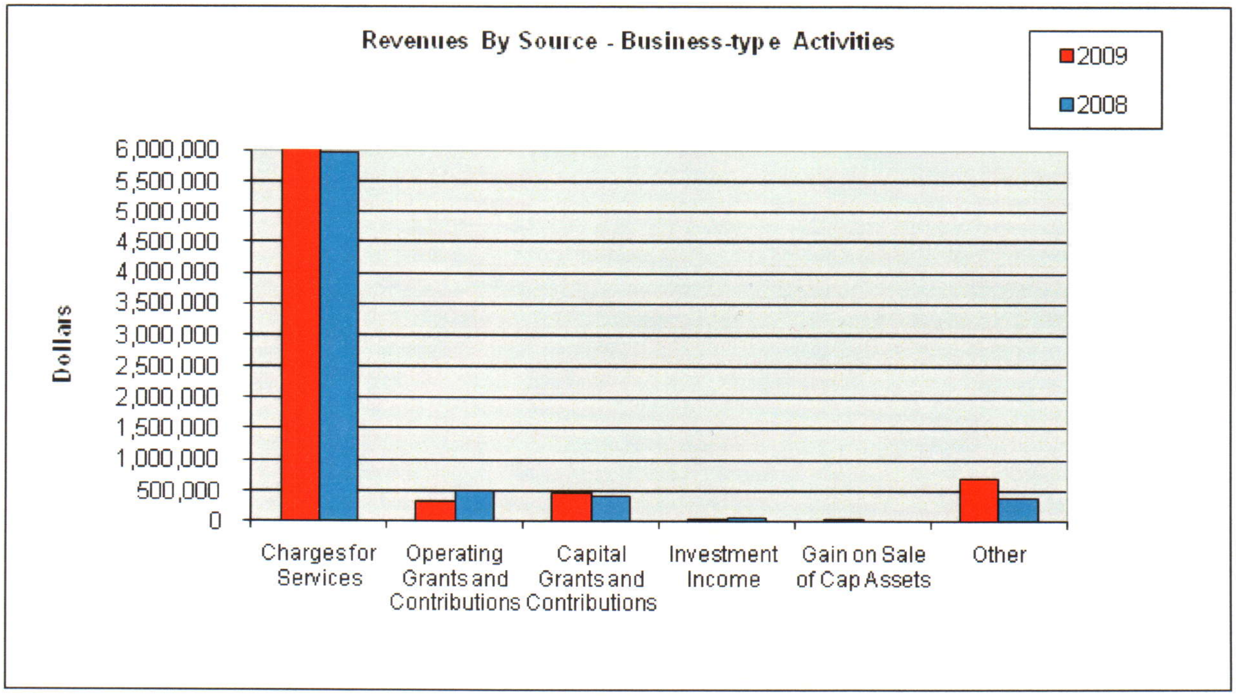
- Public works expenses decreased by \$2.4 million from \$52.5 million in FY08 to \$50.1 million in FY09, a 4.6% decrease. The decrease was attributed to less in capital outlay for others expenses in the public works category in FY09.

- Public safety expenses increased by $13.0 million from $143.9 million in FY08 to $156.9 million in FY09, a 9.0% increase. The majority of the increase was attributed to a $4.5 million increase in salary and fringe benefits as a result of a pay increase of 5% for blue collar employees and 4% across the board increase for all other County employees and an increase of $5.6 million in compensated absences expenses in FY09. In addition, there was an increase of $5.6 million in expenses for housing inmates at the Regional Correctional Center as a result of an increase in the man day rate charge and an increase in the annual man day grantee in FY09.

- Health and welfare expenses increased by $3.8 million from $28.1 million in FY08 to $31.9 million in FY09, a 13.5% increase. The increase was attributed to expenses incurred for correctional medical services at the Metropolitan Detention Center and reported in the Health Care GRT fund.

- Culture and recreation expenses decreased by $1.2 million from $12.6 million in FY08 to $11.4 million in FY09, a 9.5% decrease. The decrease was attributed to a decrease of $1.0 million in grant related expenses and a decrease of $364 thousand in compensated absences expenses.

Business-type activities. Business-type activities net assets decreased by $590,134 during the current fiscal year. During the year, the Regional Juvenile Detention Center had more program revenue than program expenses resulting in an increase in net assets of $98,668. The Solid Waste fund, the Bernalillo County Housing Authority, the Seybold Village Handicapped Project, and the El Centro Familiar incurred losses of $517,337, $38,495, $72,376, and $60,594 respectively before capital contributions and operating transfers in. These losses represent the degree to which ongoing program expenses have outstripped ongoing program revenues. Overall, the business-type activities experienced a $1,326,286 operating loss (program revenues less expenses) before non-operating revenues of $736,152.



Business-type activities revenue increased from $7.383 million in FY08 to $7.933 million in FY09, a 7.4% increase. Key elements in the increase of business-type activities revenue are as follows:

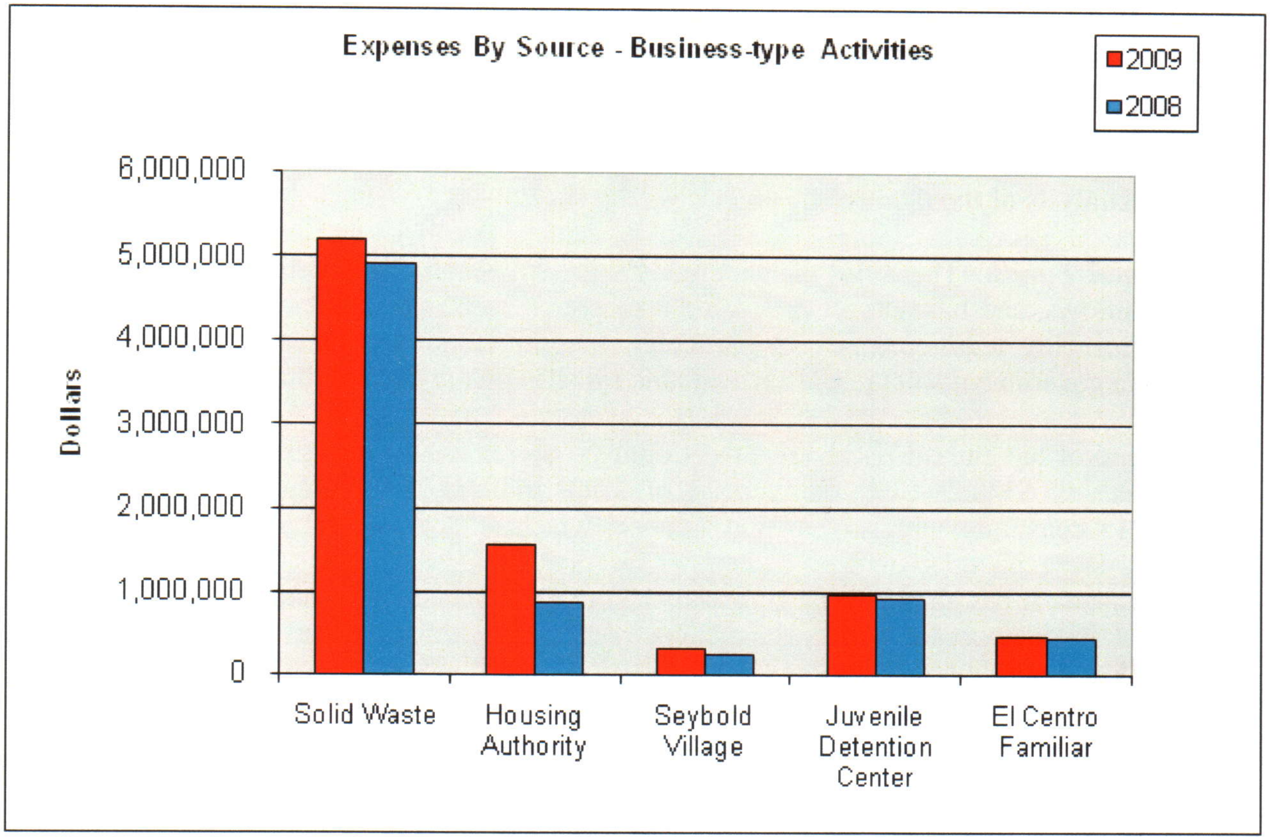
- Revenue program charges for services increased from $6.0 million in FY08 to $6.3 million in FY09, a 5.8% increase. The increase was primarily attributed $122 thousand more in solid waste fee collections in FY09 than in FY08 and $200 thousand more in charges for services generated at the Regional Juvenile Detention Center.

- Revenue program operating grants and contributions decreased from $498,482 in FY08 to $327,781 in FY09, a decrease of 34.2%. The majority of the decrease was primarily attributed to a decrease of $124 thousand is County contributions in the Housing Authority and $56 thousand less in HUD operating subsidy in the Seybold Village Handicapped Project.

- Revenue program capital grants and contributions increased from $433,981 in FY08 to $482,179 in FY09, an increase of 11.1%. The increase was primarily attributed to an increase of $39 thousand in HUD-PHA capital grant revenue in the Seybold Village Handicapped Project and an increase of $11 thousand in home rehab grant revenue in the Housing Authority in FY09.

- General revenues investment income decreased from $83,879 in FY08 to $45,191 in FY09, a decrease of 46.1%. The decrease was attributed to a lower rate of return on investments in the Housing Authority, the El Centro Familiar, and the Seybold Village Handicapped Project as a result of the volatile investment market due to the downturn in the economy and the nation-wide recession in FY09.

- Other revenues increased from $383,895 in FY08 to $712,172 in FY09, an increase of 85.5%. The increase was primarily attributed to $289 thousand in general fund subsidy recorded as other revenue and contractual expense in the Housing Authority for HUD reporting purposes. Also, $200 thousand was recorded in the Seybold Village Handicapped Project and the El Centro Familiar "other revenue" category to record due from other funds.



Business-type activities expenses increased from \$7.3 million in FY08 to \$8.5 million in FY09, a 16.4% increase. Key elements in the increase are as follows:

- Solid Waste expenses increased from \$4.9 million in FY08 to \$5.2 million in FY08, a 6.1% increase. A significant portion of the increase was attributed to the increase in fees paid to Waste Management to bill and collect for solid waste services provided by the County.

- Housing Authority expenses increased from \$861 thousand in FY08 to \$1.6 million in FY09, an 83.2% increase. As a result of additional grant funds received, the increase was primarily attributed to an increase in contractual service expenses of \$328 thousand and an increase in other services and charges of \$476 thousand related to home rehabilitation projects under the home rehab program in FY09.

- Seybold Village expenses increased from \$235 thousand in FY08 to \$321 thousand in FY09, a 36.6% increase. The increase was primarily attributed to an increase in depreciation expense as a result of decreasing this programs depreciable asset useful life in FY 09 from 40 years to 25 years to be consistent with the County-wide policy related to depreciation of assets.

- Juvenile Detention Center expenses increased from \$924 thousand in FY08 to \$960 thousand in FY09, a 3.9% increase. The increase was attributed to slight increases in salaries and wages, materials and supplies and other services and charges.

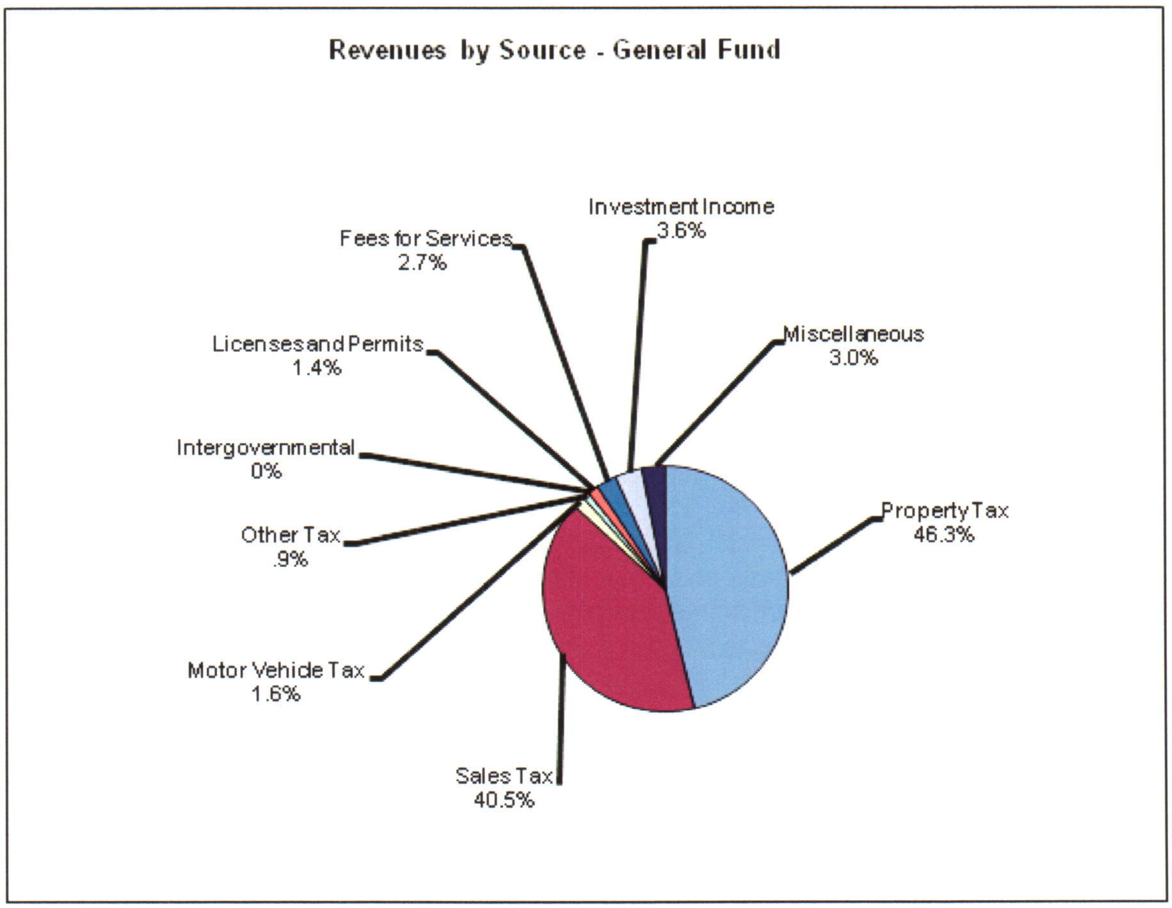
- El Centro Familiar expenses increased from $426 thousand in FY08 to $451 thousand in FY09, a 5.9% increase. The increase is primarily attributed to an increase in salaries and wages and depreciation expense.

Financial Analysis of the County's Funds

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $348,280,330, an increase of $54.0 million. Approximately 67.2% of this total, $234,197,913 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to DFA 3/12 reserve requirement $66,297,457, 2) $24,374,864 in encumbrances to liquidate contracts and purchase orders of the prior period, 3) $21,070,595 to pay debt service, and 4) $2,339,501 for a variety of other restricted purposes.

General Fund. The County's general fund balance increased $3,771,344 during the current fiscal year. Key factors in this growth are based on the increase in local taxes from the previous year combined with less than expected incurred expenditures during the year.



General Fund revenues decreased $13.7 million from $240.1 million in FY08 to $226.4 million in FY09, a decrease of 5.7%. Key elements in the decline of General Fund revenues are as follows:

- Property tax revenue increased by $4.3 million or 4.3% from $100.4 million in FY08 to $104.7 million in FY09. The increase was attributed to an increase in the taxable valuation within the County of $785 million from $13.191 billion in FY08 to $13.976 billion in FY09 and a slight increase in the County's operational residential mill levy from 6.183 to 6.184 per $1,000 of assessed taxable value. The increase in revenue was slightly offset by a decrease in the current property tax collection rate from 95.86% in FY08 to 95.39% in FY09.

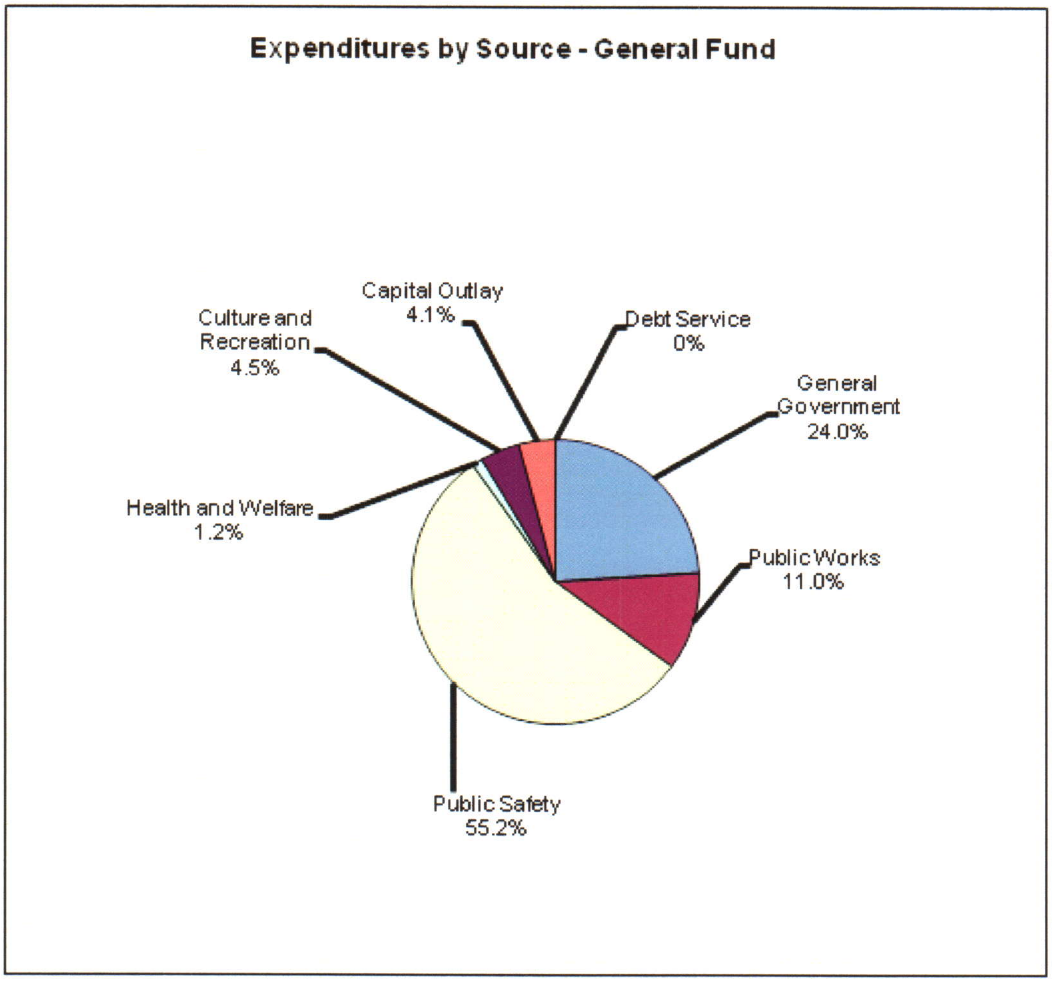
- Gross receipts tax revenue (GRT) decreased by $4.1 million from $95.8 million in FY08 to $91.7 million in FY09, a 4.3% decrease. The decrease was attributed to a decline in the state economy. As was the case for the state, the County slipped into a recession in FY09. This is reflected by an overall decrease of 9.1% in taxable gross receipts reported by the state for Bernalillo County during the year from $33.9 billion in FY08 to $30.8 billion in FY09.

- Fees for services decreased by $13.2 million from $19.2 million in FY08 to $6.0 million in FY09, a 68.7% decrease. The majority of the decrease was attributed to $4.5 million contributed and $3.5 million still due by the City of Albuquerque in FY08 to offset operational costs for MDC operations versus no contribution in FY09. The decrease was also attributed to a $1.5 million decrease in fees collected at the MDC in the amounts of $404 thousand for commissary sales and $1.1 million for the state "feed and care of parole violators" program. In addition, $679 thousand for the "state criminal alien assistance program" and $250 thousand for community custody program (CCP) DWI service was reported in this category in FY08 and reported in the miscellaneous category in FY09.

- Investment income decreased $3.3 million from $11.5 million in FY08 to $8.2 million in FY09, a decrease of 28.7%. The decrease was attributed to a lower rate of return on investments in FY09 as a result of the downturn in the economy due to the nation-wide recession.

- Miscellaneous revenue increased $3.2 million from $3.7 million in FY08 to $6.9 million in FY09, an increase of 86.5%. The increase was attributed to the allocation of $1.9 million of unallocated revenue from FY07 and FY06 to the appropriate funds and revenue line items in FY08, which did not occur in FY09. Also, the increase was attributed to $500 thousand in inter-fund revenue used for the CCP DWI service at MDC. In addition, $822 thousand for the state "feed and care of parole violators" program was reported in this category in FY09 and reported in the fees for services category in FY08.

General Fund expenditures increased $8.7 million from $198.2 million in FY08 to $206.9 million in FY09, a 4.4% increase. Key elements in the increase in General Fund expenditures are as follows:



- General government expenditures increased by $11.8 million from $37.8 million in FY08 to $49.6 million in FY09, a 31.2% increase. A portion of the increase was attributed to costs incurred of $4.8 million to maintain the new ERP system that was implemented in FY08 and went "live" at the beginning of FY09. Also, $3.5 million of the increase was due to a salary and fringe benefit increase of 5% for blue collar employees and 4% across the board for all other County employees. In addition, an increase of $3.0 million in Bureau of Election expenditures was a result of a major general election held in FY09.

- Public Works expenditures increased by $2.1 million from $20.7 million in FY08 to $22.8 million in FY09, a 10.1% increase. The majority of the increase was attributed $1.5 million in expenditures due to a salary and fringe benefit increase of 5% for blue collar employees and 4% across the board for all other County employees. Also, $500 thousand of the increase was attributed to utility costs.

- Public Safety expenditures increased by $4.5 million from $109.7 million in FY08 to $114.2 million in FY08, a 4.1% increase. The majority of the increase was attributed to a salary and fringe benefit increase of 5% for blue collar employees and 4% across the board for all other County employees.

- Capital outlay expenditures decreased by $9.7 million from $18.3 in FY08 to $8.5 million in FY09, a decrease of 53.0%. The decrease was primarily attributed to costs associated with the implementation of the County's new ERP system with occurred in FY08. In FY08, costs for the ERP system totaled $11.4 million versus costs in FY09 of only $766 thousand. Also, $1.2 million in costs associated with the Edith Phase II project occurred in FY08 and no expenditures occurred in FY09. In FY09 capital outlay expenditures included $1.6 million for the renovation of the Downtown Public Safety Complex, $435 thousand for the Ambassador Romero Park, $100 thousand for the Paradise Hills Pool, $119 thousand for the Rio Bravo Park Tennis Courts, $60 thousand for the North Domingo Baca Tennis Courts, $15 thousand for the Mountain View Community Center, $3.2 million for County vehicles, $484 thousand for Machinery and Equipment, $336 thousand for computer software, and $424 thousand for DP Equipment.

TRAN Debt Service Fund. The TRAN Debt Service Fund is used to account for monies that will be used to pay short-term Tax Revenue Anticipation Notes (TRAN) issued by the County during the year. The notes are not general obligations of the County, but are payable solely out of the anticipated revenues that have been pledged for the payment thereof. The full faith and credit of the County is not pledged to the payment of the notes. TRAN proceeds allow the County to reduce fluctuations in cash flow due to the fact that certain revenues, especially property taxes, are not received evenly each month.

The TRAN Debt Service Fund decreased from $858,501 in FY08 to $738,696 in FY09, all of which is reserved for the payment of debt service. The fund balance decrease was attributed to less pledged revenues transferred to the fund versus the amount of debt service due for FY09.

Grants Fund. The Grants Fund accounts for various federal, state and other grant funding sources received by the County. The grants are restricted to specific purposes as agreed to between the County and the funding source as enumerated in the grant agreement/contract. Grants related to the County's Housing Department are accounting for in the Housing Funds.

In FY09 the County, as part of its ERP implementation, consolidated its grant funds into one fund which is now designated as a major fund on its financial statements.

The Grants Fund decreased from $478,881 in FY08 to $59,620 in FY09, all of which was unreserved. The fund balance decrease was attributed to a transfer of $427,132, designated as "donations", to the General Fund.

A more detailed analysis will be made in FY10 when the new grant fund structure provides information for two consecutive years.

Construction Fund. The Construction Fund accounts for various construction projects related to road projects, storm sewer systems, acquiring of library books and library resources, remodeling required by the Americans with Disabilities Act, acquisition of land for expanding parks and recreational facilities, constructing and equipping sheriff's sub-stations, improvement of facilities for the County Public Health Department, and other projects. Financing for these projects is provided by general obligation bonds, gross receipts tax revenue bonds and earnings from the investment of those monies.

In FY09 the County, as part of its ERP implementation, consolidated a majority of its capital construction funds into one fund which is now designated as a major fund on its financial statements.

The Construction Fund increased from $54,544,602 in FY08 to $97,498,961 in FY09, of which $90,816,050 was unreserved. The fund increase was attributed to the County's sale of $10,000,000 of General Obligation Bonds (Series 2009) in June of FY09. This included $7,000,000 for roads, $1,000,000 for library books and $2,000,000 for ADA facilities improvements. In addition, the County issued $42,200,000 of Gross Receipts Tax Revenue Bonds (taxable Series 2008A) for the purchase of a building which has not occurred.

A more detailed analysis will be made in FY10 when the new construction fund structure provides information for two consecutive years.

Additional comparison of General, Special Revenue, and Debt Service Fund revenue and expenditures of prior years can be found in the statistical section of this report.

Special Revenue funds. As of the end of fiscal year 2009, the County's Special Revenue funds reported combined ending fund balances of $36,399,075, an increase of $6,884,256. Of the fund balance, $20,305 is reserved for inventory, $1,555,936 is reserved for encumbrances, and the remaining fund balance of $34,822,834 is unreserved undesignated. Key elements in the growth of the total special revenue fund balance are as follows:

- A significant portion of the increase was due to a $6.3 million increase in the fund balance of the Health Care GRT Fund from $10.1 million in FY08 to $16.4 million in FY09, a 62.3% increase. In FY09, this fund generated $10.2 million in revenues, expenditures of $6.6 million and other financing resources of $2.7 million.

- An additional portion of the increase was due to a $1.3 million increase in the fund balance of the Valuation Fund from $5.9 million in FY08 to $7.2 million in FY09, a 22.0% increase. The increase was a result of appraisal fee collections of just over $5.1 million and expenditures of $3.8 million. Appraisal fee revenues increased by $220 thousand from the prior year and can be attributed to increased property tax collections in FY09.

- The increase was offset by a decrease of $1.3 million in the fund balance of the Environmental Health Fund from $4.0 million in FY08 to $2.7 million in FY09, a decrease of 32.5%. The decrease was a result of $3.3 million in other financing uses applied for $1.7 million in debt service payments for the 1999 GRT Revenue Bond and $1.6 million to reimburse the general fund for prior year debt service payments. In addition, revenues exceeded expenditures by $1.9 million in FY09.

Debt Service funds. As of the end of fiscal year 2009, the County's Debt Service funds reported combined ending fund balances of $20,331,899, an increase of $1,829,636. All of the fund balance was reserved to pay debt service. Key elements of the increase in the total fund balance are as follows:

- The increase was attributed in part to an $834 thousand increase in the General Obligation Bonds Debt Service Fund from $694 thousand in FY08 to $1.5 million in FY09. This was attributed to more revenue from property taxes and interest income than expenditures for debt service requirements.

- The remainder of the increase was attributed to an increase of $1 million in the other debt service funds fund balance in FY09 due to more revenue from other financing sources and interest income than expenditures for debt service requirements.

Capital Projects funds. As of the end of fiscal year 2009, the County's Capital Project funds reported combined ending fund balances of $17,593,924, a decrease of $933,765. During the year, as capital projects are completed, the cost of the projects are reclassified as capital assets and removed from the capital project fund. Of the fund balance, $610,148 is reserved for encumbrances and the remaining fund balance of $16,983,776 is unreserved undesignated. Key elements of the decrease in the total fund balance are as follows:

- The majority of the decrease was attributed to a decrease of $909 thousand in the Open Space Fund from $12.3 million in FY08 to $11.4 million in FY09, a 7.4% decrease. The majority of the decrease was in large part due to property tax revenue of $1.4 million and capital outlay expenditures of 1.9 million. There were also operating expenditures of $395 thousand in the public works category.

- The remainder of the decrease was attributed to a decrease of $25 thousand in the Impact Fee Fund balance as expenditures exceeded impact fee revenue and interest income in FY09.

Proprietary funds. The County proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of these funds have been discussed in the business-type activities section of the MD&A.

Budgetary Highlights Original Budget – Final Budget Comparison.

General Fund. General fund total original budgeted revenues increased $3.9 million or by 1.8% from $214.8 million to $218.7 million (final). General fund total original budgeted expenditures increased $9 million or by 3.6% from $248.1 million to $257.1 million (final). Significant changes between the original budget and the final amended budget are summarized as follows:

- The investment income original revenue budget increased $597 thousand from $3.9 million to $4.5 million. The increase was attributed to additional budget for a Tax Revenue Anticipation Note (TRAN) premium on a TRAN Bond issued in December 2008.

- The miscellaneous income original revenue budget increased $3.4 million from $4.2 million to $7.6 million. The increase was primarily attributed to additional budget for projected property management lease revenue of $2,300,000 and additional budget for projected revenue of $1.1 million for the Department of Substance Abuse program.

- The information technology original expenditure budget decreased $783 thousand from $13.7 million to $12.9 million. The decrease was attributed to the transfer of budget to the Construction Fund for the ERP project.

- The general county original expenditure budget increased $1.8 million from $35.2 million to $37.0 million. The increase was primarily attributed to $4.2 million budgeted for employee pay raises and $2.1 million budgeted for operating expenses for the building located at 500 Marquette. In addition, $3.8 million was reclassified to the capital outlay category for $1.8 million in renovations of the old court house building located at 415 Tijeras, for $1.1 million in Sheriff's replacement purchases and for $900 thousand in general replacement purchases. Also, $700 thousand was reclassified to the Construction Fund for the Ambassador Romero Park project, the Sunset/Trujillo project and for tennis court renovation projects. An additional amount of $555 thousand was reclassified to the Construction Fund for pool renovations.

- The clerk original expenditure budget increased by $1.1 million from $5.4 million to $6.5 million. The increase was attributed to an increase in the budget for the Bureau of Elections for the major general election held in FY09.

- The fleet-facilities management original expenditure budget increased by $661 thousand from $13.6 million to $14.3 million to cover operating costs for the Downtown Public Safety Complex.

- The department of substance abuse (DSAP) original expenditure budget increased by $993 thousand from zero to $993 thousand. The increase was attributed to the establishment of the DSAP program in the general fund in FY09.

- The capital outlay original expenditure budget increased by $3.5 million from $15.1 million to $18.6 million. The increase was attributed to the establishment of $8.1 million in projects resulting in $1.8 million for the construction of the Sheriff's training center located at the old court house building located at 415 Tijeras, $1.1 million for the expansion of the Metropolitan Detention Center (MDC) warehouse, $3.5 million for the renovation of the Downtown Public Safety Complex, $980 thousand for the ERP project, and $555 thousand for the renovation of County pools. In addition, direct asset purchases budget decreased by $4.4 million due to reclassification to the projects detailed above.

TRAN Debt Service Fund. TRAN Debt Service Fund total original budgeted revenues and total original budgeted expenditures did not change during the fiscal year.

Grants Fund. An original and final budget is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Construction Fund. An original and final budget is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Budgetary Highlights – Budget to Actual

General Fund. General Fund revenues exceeded budgetary estimates by $9,813,893 or by 4.5%. General Fund expenditures were less than budgetary estimates by $55,318,300 or by 21.5% thus eliminating the need to draw upon existing fund balance. During the year the County incurred an excess of revenues over expenditures and other financing sources in the amount of $10,976,917. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of $9,822,291. The budget projections estimated a 95% collection rate of current property taxes within the County as of June 30, 2009. The actual collection rate was 95.39%. The significant reason for the positive variance was that current property tax collections were $8,308,684 greater than budget (9.2% of budget) which was reflective of the 5.9% increase in the assessed taxable property valuation from the 2008 assessed taxable valuation which was higher than expected. In addition, delinquent tax collections, interest on current and delinquent tax collections, and penalties on current and delinquent tax collections exceeded projections by $1,513,607.

- Gross receipt tax (GRT) revenue had a negative variance of $2,205,452. The variance was primarily attributed to the decline in the state economy. As was the case in the state, the County slipped deep into a recession in FY09, which was greater than expected.

- Intergovernmental revenue had a negative variance of $1,142,429. The variance was primarily attributed to budgeted revenue for the "state criminal alien assistance program" (SCAAP) and the community custody program (CCP) DWI program reported in this category but actual revenue reported in the miscellaneous category.

- Licenses and permits revenue had a negative variance of $1,500,532. The variance was primarily attributed to a decrease of $1,381,791 in building/zoning fees and $325,484 in construction permits that is reflective of the weak construction sector in 2009 and the weak housing construction industry in the Albuquerque MSA area.

- Fees for services revenue had a positive variance of $1,284,953. The increase was primarily attributed to $1,097,408 million in clerks fees realized but not budgeted in FY09. In addition, there were higher than expected MDC feed/care of prisoner fees of $375,945, Sheriff's Office court security fees of $53,811, Sheriff's overtime reimbursement of $69,582, Juvenile Detention Youth Service Center school nutrition fees of $27,391 and fire inspection fees of $23,460. The revenue was offset by lower than expected revenue from CCP fees of $143,876 and commissary commission fees of $282,854.

- Investment income revenue had a positive variance of $5,682,479. The increase was in part attributed to a conservative budget estimate made by the County Treasurer as part of the biennial budget process. It can also be attributed to additional revenue to invest as a result of increased property tax revenue in FY09. Even though the economy was in a recession in FY09, the County was able to exceed its budgeted estimate as a result of excellent investment management performed by the County Treasurer and an investment committee which oversees investment strategy monthly.

- Miscellaneous revenue had a negative variance of $2,502,883. The decrease was attributed to less than expected revenue related to rental revenue, general revenue and non-grant reimbursements.

- Risk Management expenditures had a positive variance of $2,133,489. The variance was attributed to lower property insurance premiums of $1,720,082, less than expected insurance deductibles of $148,253, and less than expected expenditures for Law Enforcement Officer Liability claims in the amount of $733,602.

- Information Technology expenditures had a positive variance of $1,802,044. The variance was attributed to less than expected expenditures for ERP of $947,473, lower costs for information application services of $686,049, less costs for administrative and core services of $62,560 and lower than expected cost for IT records management of $105,962.

- General County expenditures had a positive variance of $30,407,852. The variance was primarily attributed to $10,705,511 in budgeted expenditures for salary contingency that did not materialize and $11,837,133 budgeted expenditures for contingency that did not occur. Also, there were less than expected expenditures of $2,841,975 for contractual services and $2,371,636 less than expected expenditures for the rental building and land line item. In addition, there were less than expected expenditures for city mandates of $1,564,136, budgeted expenditures of $200,000 for insurance fleet replacement that did not occur, budgeted expenditures of $272,752 for project match that did not materialize, and $231,100 less than expected expenditures for claims and judgments.

- Fleet-Facilities Management had a positive variance of $1,913,906. The variance was attributed to less than expected costs of $1,146,217 for fleet facilities administration which was primarily related to utility costs, less than expected expenditures of $796,589 for vehicle gas and oil and less than expected costs of $368,335 for building maintenance and repair. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- Metropolitan Detention Center (MDC) expenditures had a positive variance of $4,628,897. A significant portion of this variance was attributed to $3,051,000 of budgeted funds for regular salaries and overtime that did not materialize and less than expected expenditures of $3,378,338 for contractual services. In addition, there were more than expected expenditures of $1,135,638 for radio maintenance and repair. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- Sheriff expenditures had a negative variance of $1,710,725. The majority of the variance was attributed to $1,870,000 in salary and fringe benefits that were greater than expected. The remainder was attributed to less than expected costs in various operating line items.

- Capital outlay expenditures had a positive variance of $10,294,061. The variance was primarily attributed to less than expected direct asset purchases of $5,768,274 for County vehicles. In addition, the variance can be attributed to less than expected expenditures of $1,061,842 for the MDC warehouse expansion; less than expected expenditures of $1,467,693 for the renovation of the Sheriff's training center and less than expected expenditures of $2,049,484 for the renovation of the Downtown Public Safety Complex.

- Principal debt service expenditures had a positive variance of $1,061,727. The variance was attributed to budgeted expenditures for loan payments that did not materialize.

TRAN Debt Service Fund. There was no revenue to budget and expenditure to budget variations for this fund.

Grants Fund. A budget to actual statement is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Construction Fund. A budget to actual statement is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of June 30, 2009 amounts to $555,330,229 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. Each year the Board of County Commissioners updates the Capital Improvements Program (CIP) in order to plan both long and short range financing for the County's capital projects. The CIP process provides for the development and submittal of requests for the annual and six-year requests for the Capital Improvements Program. A wide range of public facilities and equipment is considered in the CIP. There are statutory requirements that provide for design, construction, major repair, reconstruction or replacement of facilities such as buildings, jails, courthouses, roadways, bridges, parks, and some heavy equipment. The County can use several types of funding for the CIP that includes General Obligation Bonds, Revenue Bonds, Special Assessment District Bonds, Federal grants and State grants and appropriations.

Citizen involvement is solicited to determine and prioritize the needs of the County by holding public meetings. The Board of County Commissioners holds periodic advertised meetings at various locations within each commission district to solicit public input and discuss the public's requests. Capital improvement projects selected by the Board and adopted in the CIP that are to be funded by general obligation bonds are placed on the ballot in the next general election. The general obligation bond schedule is based on a two-year cycle and issuance is currently limited to $20,750,000 dollars by the Board of County Commissioners in order to maintain the same property tax rate. Other Capital improvement projects are included in the State of New Mexico Infrastructure Program for funding consideration. Major capital asset events during the current fiscal year included the following:

- Improvements to Edith Boulevard were completed in FY09. Improvements include reconstruction of Edith from Candelaria to Montano. The project widened the existing two-lane roadway to a five-lane facility with curb, gutter, sidewalks, bike facilities and new storm drainage.

- Construction of the South Valley Health Commons complex was completed in FY09. The new complex will provide facilities for First Choice Community Healthcare, NM Department of Health and its Women, Infants and Children Program, and UNMH's Family Practice and Psycho-Social Rehabilitation Programs.

- ERP Phase II/Budget Preparation implementation was completed in FY09. It is a budget preparation module which includes base budget formulation, capital and operational appropriation requests, and long-term capital planning.

- Construction began on the East Mountain Co-Located Sheriff, Fire and Emergency Operation Center. The facility will serve as a full-service public safety facility with joint use area that include a staging area for any emergency responder such as weather, HAZMAT incidents, wildfires, and incidents of search and rescue.

- Renovation of the Downtown Public Safety Complex was completed in FY09. It will house the MDC Charter School, the Day Jail Component, the Community Custody Program, the Addiction Treatment Program, the Highland Program, the Community Case Management Team, the Meth Crisis Team, and the following units from the Sheriff's Division – Civil & Traffic Division, Cold Case, White Collar, Internal Affairs, and SORT.

- Construction on the Metropolitan Assessment and Treatment Service (MATS) transitional housing facility and intake area was completed in FY09. It is an 82 bed facility that provides short-term detoxification services for Bernalillo Residents. It also includes a 50-bed 4 to 6 month transitional housing facility. Services also include access to case management, referrals to continued treatment opportunities and other supportive services.

- The Fisher Smith Memorial Gymnasium was completed in FY09. It is approximately 19,758 square feet and is primarily used by the East Mountain High School and Bernalillo County Parks & Recreation. The gymnasium can be used for competitive basketball, volleyball, physical education classes, children's programs and adult community athletic programs.

- Final design commenced on the Eubank Boulevard Reconstruction in FY09. The improvements will include a new four lane roadway and bike lanes.

- Renovations commenced at the old court house building located at 415 Tijeras. It will house the Sheriff's Training Center and various County departments will be relocated to this building in FY10.

- Renovations to the Hiland Theater continued in FY09. Eventually, the theater will be reopened and used for various community and school activities as well as live performances from local theater groups.

County of Bernalillo's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$128,093,610	$126,161,702	$ 563,033	$ 639,444	$128,656,643	$126,801,146
Buildings	186,668,203	169,298,644	3,940,974	4,577,349	190,609,177	173,875,993
Machinery and equipment	26,205,317	12,399,882	178,050	317,213	26,383,367	12,717,095
Land improvements	606,555	-	-	-	606,555	-
Infrastructure	179,640,069	161,043,915	-	-	179,640,069	161,043,915
Leasehold improvements	2,272,654	2,401,189	-	-	2,272,654	2,401,189
Construction in progress	24,980,977	63,704,927	-	-	24,980,977	63,704,927
Art	2,180,787	2,074,462	-	-	2,180,787	2,074,462
Total	$550,648,172	$537,084,721	$4,682,057	$5,534,006	$555,330,229	$542,618,727

Additional information on the County's capital assets can be found in note IV-C. on pages 57-58 of this report.

Debt administration. The Bernalillo County Budget and Finance Division has analyzed the existing debt position of the County and has assessed the impact of future financing requirements on the County's ability to service additional debt. Review and analysis of the County's debt position is performed to provide a capital financing plan for infrastructure and other improvements. Long-term financing projections are linked with economic, demographic and financial resources expected to be available to repay the debt. Decisions regarding the use of debt are based upon a number of factors including, but not limited to, the long-term needs of the County and the amount of resources available to repay the debt. The debt policy is not expected to anticipate every future contingency in the County's capital program or future operational needs. Sufficient flexibility is required to enable County management to respond to unforeseen circumstances or new opportunities, when appropriate.

The County will maintain direct tax supported debt at a manageable level that takes into account economic factors including population, assessed valuation, and other current and future tax-supported essential needs. The decision to issue bonds, by either competitive or negotiated sale, is based upon which alternative will provide the County with lower costs. The Board of County Commissioners decides on an issue-by-issue basis which method of sale would be most appropriate. The County encourages the use of competitive sales for all issues unless circumstances dictate otherwise. Negotiated sales are considered if the sale is a complex financing structure. If a negotiated sale is anticipated, the Budget and Finance Division and County Bond Counsel establish a list of pre-qualified underwriters.

General Obligation Bonds. At the end of the current fiscal year, the County had total general obligation debt outstanding of $102,080,000. The County has outstanding general obligation bonds for capital facilities including road improvements, storm drain improvements, library books, public safety improvements and park facility improvements. General obligation bonds are backed by the full faith and credit of the County government and are supported by ad valorem taxes. The tax rate depends upon debt service schedules and property valuation and is set by the New Mexico Department of Finance and Administration. In fiscal year 2009, this tax is approximately $0.880 per $1,000 of assessed taxable value in ad valorem taxes to support general obligation bonds, which constitute direct and general obligations of the County. These bonds have retirement dates ranging from February 1, 2010 through August 1, 2027. The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the County's debt position. The State's Constitution provides for a legal debt limit of four percent (4.0%) of taxable valuation. The ratio for the County is less than one percent (0.73%) of the $14 billion taxable value of property within Bernalillo County, as of June 30, 2009. The County may currently issue up to an additional $457.0 million of general obligation bonds. The net general bonded debt per capita is $154.31. The lowest per capita amount in the last ten fiscal years was $112.84 in fiscal year ended June 30, 2002. The County's ratings on uninsured general obligation bonds as of June 30, 2009 were:

- Moody's Investors Service, Inc. - Aa1
- Standard & Poor's Rating Service - AAA
- Fitch Agency - AA+

Revenue Bonds. At the end of the current fiscal year, the County had total revenue bond debt outstanding of $205,445,000. The County has nine outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 1999 series, the 2002 series, the 2005 partial refunding series, the 2008 refunding series, the 2008A series, and the 2009 series. These bonds are payable from net pledged gross receipt tax revenues. Although the bonds are general obligations of the County, the County intends to pay the bonds solely from the net pledged revenues. The pledged revenue coverage of gross receipts tax revenues to debt service requirements is 3.50. The lowest pledged revenue coverage in the last nine fiscal years was 2.19 in fiscal year 2002. These bonds have retirement dates ranging from October 1, 2009 through April 1, 2027. Standard and Poor's has rated the County's revenue bonds AAA.

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
General obligation bonds	$ 102,080,000	$ 98,835,000	$ -	$ -
Revenue bonds	205,445,000	170,005,000	1,655,000	1,700,000
Total	$307,525,000	$268,840,000	$1,655,000	$1,700,000

As presented above, the County's total outstanding bond debt increased by $38,640,000 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV.F on pages 60-63 of this report and in the statistical section of this report.

Economic Factors and Next Year's Budgets and Rates

The County's Board of Commissioners and Manager considered many factors when setting the fiscal year 2010 budget. According to forecasts by the University of New Mexico's Bureau of Business and Economic Research, the outlook for the New Mexico economy is not very good. The recession which began at the end of 2008 will become a little deeper in the third quarter of 2009 before easing off slightly in the fourth quarter and hanging on through the first quarter of 2010. For the year employment growth will decline 2.4 percent, followed by an increase of only 0.7 percent in 2010. The rate of unemployment is expected to reach 6.8 percent in 2009 and 7.5 percent in 2010 before gradually sliding to 6.2 percent by 2014. New Mexico personal income growth will be slow in 2009 and 2010, reaching only 2.4 percent and 3.0 percent in those two years, respectively. Growth will then increase gradually, reaching 5.0 percent by 2014.

The outlook for the Albuquerque MSA economy is grim in the near term. The recession, already three quarters old, will continue for another three quarters. Nonfarm employment growth is expected to post a 3.5 percent decline during the third quarter of 2009, followed by a 2.9 percent drop during the four quarter. For the year, employment is expected to decline 2.8 percent. Recovery is expected to begin in the second quarter of 2010 with employment growth reaching 2.1 percent by the fourth quarter of the year. Overall, employment growth will post a 1.0 percent gain in 2010 and then climb to 2.0 percent and remain there through 2014. Albuquerque MSA personal income growth will attain 1.9 percent this year and 3.2 percent in 2010 and rise to near 4.5 percent in 2011.

The Albuquerque MSA economy lost 12,667 (net) jobs between the second quarter of 2008 and the second quarter of 2009. Among the various sectors, construction took the biggest hit, posting a net employment drop of 4,800. Total housing unit authorizations were down 62.2 percent in the City of Albuquerque and 11.0 percent in the City of Rio Rancho. The construction sector is expected to return in strength in 2010 and remain there through 2014, with increases of approximately 3.0 percent annually. Housing construction is expected to be a big part of that, with total housing unit authorizations in the City of Albuquerque doubling in 2010 and doubling again in 2011.

The manufacturing sector lost 2,933 jobs, a 13.1 percent drop. This can be attributed to the closing of the Intel Fab 11 plant last winter and the closing of Eclipse Aviation. There were also layoffs at Emcore and Aero Mechanical industries and the closing of the Sparton microchip plant and Solo Cup. This sector will continue to remain down through 2009 and 2010 with employment declines of 12.5 percent and 5.2 percent, respectively. General Electric plans to close its South Valley jet engine parts manufacturing plant in 2010, with the loss of 400 jobs. In 2011 the manufacturing sector will return to expansion mode with employment growth averaging 4.0 percent annually through 2013. Continued hiring at Schott Solar, and also at Signet Solar and Solar Array Ventures, along with General Mills will aid the expansion.

The retail trade sector lost 2,433 jobs, including multiple store closing. The leisure and hospitality sector also took a large hit with the loss of many jobs.

The recovery is expected to begin in the second quarter of 2010 with employment growth reaching 2.1 percent by the fourth quarter of the year. Employment growth will increase by 1.0 percent in 2010 and then climb to 2.0 percent and remain there through 2014. Personal income growth will only be 1.9 percent this year and 3.2 percent next year and will increase to 4.5 percent in 2011. The rate of unemployment will climb to 8.3 percent in 2010 and gradually decline to 6.0 percent in 2014.

Strength in the economy over the next few years will be in the educational and health services sector, with employment increases every year in excess of 3.0 percent in 2009 through 2011, and 2.5 percent thereafter. The University of New Mexico, in partnership with Plano Medical Partners of Texas, plans to break ground later this year for a major teaching hospital in Rio Rancho, employing as many as 1,000. Presbyterian Health Systems is also planning to build a large west side hospital in the City of Rio Rancho.

The professional and business services sector is expected to make a contribution to growth beginning in 2010. A technical support center operated by Hewlett-Packard is expected to open in December 2009 with employment of 1,350 employees and eventually employing up to 1,800. Also, Fidelity Investments will be hiring hundreds of employees in 2009 and 2010 at its Mesa Del Sol human resources outsourcing center.

Thus, the Albuquerque MSA economy faces a fairly severe recessionary period for the next three quarters, but will recovery rapidly beginning in the second quarter of 2010.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy County Manager for Budget and Finance, One Civic Plaza, NW – 10th Floor, Albuquerque, New Mexico 87102.