Business Wire
A Berkshire Hathaway Company

December 04, 2009 02:35 PM Eastern Time

Fitch Rates Bernalillo County, NM's GO Bonds 'AA+'

AUSTIN, Texas--(BUSINESS WIRE)--Fitch Ratings assigns a rating of 'AA+' to Bernalillo County (the county), New Mexico's $10.8 million general obligation (GO) bonds, series 2009A, which are scheduled to sell competitively the week of Dec. 7. Fitch also affirms its 'AA+' rating on the county's outstanding $108.9 million GO bonds and 'AA' rating on $163.2 million outstanding gross receipts tax (GRT) bonds. The Rating Outlooks for both security types is Stable. The GO bonds are payable from unlimited property taxes.

Fitch's rating of 'AA+' reflects the county's sound financial management and large financial reserves, diversified and growing tax base, and modest debt levels. With the recent imposition of additional GRTs, county operations have become more dependent on these revenues for support. Due to the economic slowdown and substantial contraction in housing construction, GRT revenues are declining modestly after years of steady expansion. However, financial reserves remain very large and the county projects current year GRT declines will be offset by greater than budgeted property tax revenues. The county's conservative budgeting practices and attention to out-year financial projections should allow the county to weather this development slowdown. Although job losses continue to mount, they are decelerating and the county's development as a high-technology hub should help it attract higher wage industries upon recovery. The maintenance of strong financial reserves, given the county's large dependence on economically sensitive GRTs, is key to preserving credit quality.

As the state's largest county, the population has grown 16% over the 2000 census level and totals more than 644,000 residents currently, fueling strong property tax base growth of a compound annual average of 6.8% over the last five fiscal years. The City of Albuquerque comprises about 80% of the county's population. The remaining population in the unincorporated areas represents the second largest population in the state.

Record-high homebuilding activity helped fuel GRT growth that averaged 6.9% annually from fiscal 2003-2007. However, fiscal 2008 collections were flat due the significant contraction in home building activity. The fiscal 2009 budget assumed modest 1% GRT growth but unaudited results point to a 4.3% decline and the fiscal 2010 budget has been revised with another estimated GRT decline of less than 4%. Additionally, management expects this revenue stream to recover slowly, evidence of a conservative budgeting approach viewed favorably by Fitch.

Employment losses for the 12 months ending September 2009 for the Albuquerque metropolitan statistical area (MSA) totaled a high 15,100 or 3.8%, led by continued construction sector losses and isolated but large high-tech or aviation sector losses. Consequently, the MSA's unemployment rate for September 2009 totaled 7.5%, which was still well below the national average.

The county maintains a formal capital improvement plan, the local portion of which has been historically financed with voter-approved GO bond authorizations every two years, most recently in 2008. The current offering represents the last installment of this most recent $20.8 million authorization. Including GO bonds and GRT obligations, current direct debt levels are modest at $439 per capita and less than 1% of full market value. Overall debt levels are moderate at $1,770 per capita and 2.7% of full market value. The GO bonds' pay out rate is well above average at 72% in 10 years.

The county's general fund has historically maintained large reserves with total fund balances of at least 32% of expenditures and transfers out since fiscal 1999. In addition, the county maintains a state-mandated three month reserve for subsequent year's expenditures and further cushions its position with a $10 million stabilization reserve. Fiscal 2008's total financial cushion, comprised of its unreserved fund balance and the three-month reserve, totaled a very high $160 million or 74% of spending. Unaudited fiscal 2009 results point to a modest operating surplus despite the decline in GRT revenues and the fiscal 2010 budget still projects balanced results due to the offset of GRT declines with greater than budgeted property tax revenues. Due to the addition of GRTs imposed in recent years, GRT revenues are now nearly as large as property tax revenues. This increased reliance on economically sensitive taxes does expose the county to more vulnerability, but it is largely offset by the county's high fund balances.

Additional information is available at www.fitchratings.com.

Contacts

Fitch Ratings, Austin
Jose Acosta, +1-512-215-3726
Mark Campa, +1-512-215-3727
Media Relations, New York
Cindy Stoller, +1-212-908-0526
cindy.stoller@fitchratings.com

Permalink: http://www.businesswire.com/news/home/20091204005604/en

BusinessWire