Moody's Investors Service

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New Issue: Santa Fe (County of) NM

MOODY'S ASSIGNS Aa1 UNDERLYING RATING TO SANTA FE COUNTY'S [NM] $32.5 MILLION GENERAL OBLIGATION BONDS, SERIES 2008

Aa1 AFFECTS $113.3 MILLION IN OUTSTANDING DEBT OBLIGATIONS INCLUDING THE CURRENT SALE

County
NM

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2008	Aa1

Sale Amount	$32,500,000
Expected Sale Date	09/09/08
Rating Description	General Obligation

Opinion

NEW YORK, Sep 9, 2008 -- Moody's Investors Service has assigned an Aa1underlying rating to Santa Fe County's (NM) $32.5 million General Obligation Bonds, Series 2008. Additionally, Moody's affirmed the Aa1 underlying rating for the County's $80.8 million in outstanding parity debt obligations. The rating actions reflect the County's ongoing tax base expansions, ample General Fund reserve which is well above similarly rated Counties, and a low debt profile. Bond proceeds will be used to acquire land, and to design, construct, equip and rehabilitate water projects. The Bonds are secured by the County's ad valorem taxes levied, without limitation as to rate or amount, against all taxable property within the County.

LARGE TAX BASE WITH SLOWER GROWTH PROJECTED

Located in north central New Mexico, Santa Fe County encompasses 1,909 square miles. Officials believe only 60% of the County's land area is developed, leaving ample availability for future growth. The City of Santa Fe is home to the state capital and 10,000 state and federal government jobs, offering stability in the economy. In addition, Santa Fe has historically served as an upscale, resort community and second-home destination for individuals all over the southwestern portion of the United States. The 2000 Census per capita income is 137% of the state's and 109% of the nation's medians.

New development and healthy reappraisal of existing properties has boosted the County's assessed valuation a significant 9.9% annually over the past five years to $6.1 billion in fiscal 2008, resulting from a sizable full value of $18.4 billion. The growth in fiscal 2008 represents a notable 12.4% increase over the prior year. Officials indicate that of the $661 million added to the tax roll in fiscal 2008, approximately 59% resulted from new construction -- primarily from ongoing home construction and retail expansion. However officials report high-end residential construction has experienced a slow down. The average home price has decreased by about 6% from its peak in 2007 to $262,000 in 2008. The County's median home value in 2000 was $189,000, equivalent to 158% of the national median. In addition, expansion of large retail establishments and restaurants is underway to serve a growing population (10% growth since 2000). Going forward, officials project the assessed valuation will grow annually at 5% for the next five years. Moody's Economy.Com April 2008 report indicates Santa Fe's economy will contract in the near term because of lower consumption and decrease in residential investment. However, the area's diverse economy and high standard of living will foster above average growth over the long run. Education, health care, and the tourism industries, along with a rising concentration of retirees, will be the growth drives. Albeit a slowed pace of expansion, the County reports a fiscal 2009 certified assessed value of $19.85 billion. Moody's believes the County's tax base will continue to expand at favorable rates.

HISTORICALLY HEALTHY FINANCIAL PERFORMANCE RESULTS IN FAVORABLE RESERVE LEVEL

Santa Fe County maintains ample financial flexibility in a historically well-above average General Fund reserve. At FYE 2007 the County had a nearly $11 million surplus making the General Fund balance $38.6 million, or a favorable 75.1% of General Fund revenues. Officials plan to utilize approximately $8 million of the reserve for capital projects in over the medium term. Planned projects include to purchase equipment, land, and other one-time capital projects throughout the County. The reserve level far exceeds the state requirement that County's maintain three months of operating expenditures in reserve. Officials attribute the increases to conservative budgeting practices and growing operating resources derived from assessed valuation growth. Preliminary figures for fiscal 2008 indicate another year of strong operating results, boosting the General Fund balance to $42 million. Officials indicated the County plans to reserve about $20 million for future capital expenditures. The General Fund continues to subsidize the jail facility. For fiscal 2007, this transfer equaled $6.4 million (about 15% of General Fund expenditures). Officials anticipate similar transfers to the jail facility in future years as they have recently (2006) taken over operations of the facility. Operating revenues in fiscal 2007 were primarily derived from property taxes (67.9%) and gross receipt taxes (16%). Despite the considerable transfer to the jail facility, Moody's anticipates the County to continue maintenance of ample financial flexibility as current levels affords officials the opportunity to cash fund certain capital projects.

MODEST DEBT BURDEN; SATISFACTORY AMORTIZATION SCHEDULE; ADDITIONAL BORROWING EXPECTED

Inclusive of the current issue, the County's direct and overall debt ratios are modest at 0.8% and 1.2%, respectively, both expressed as a percent of the County's full valuation. The current sale is the final installment of the $72.5 million bond authorization approved by voters in November 2004 for roads, water projects and fire safety. The County anticipates asking voters for an additional $35 million of bond authorization in November 2008 to be sold in two installments in fiscal 2009 and 2010. Subsequent bond authorization requests are expected to be structured so as to not require a debt service tax rate above the current $1.87 per $1,000 of assessed valuation. Principal retirement is considered satisfactory as it is below the national median with 51.3% retired in ten years. Given the healthy tax base growth within the County, the unlimited nature of the pledge, and scheduled amortization, Moody's expects the debt burden to remain manageable.

KEY STATISTICS:

2008 Estimated Population: 147,000

2009 Full Value: $19.85 billion

Full Value per Capita: $135,040

2000 Census Per Capita Income: 137% of state; 109% of the nation

Direct Debt Ratio: 0.8%

Overall Debt Ratio: 1.2%

Payout of Principal (10 years): 51.3%

FY 2007 General Fund Balance: $38.56 million (75.1% of General Fund revenues)

Post Sale Parity Debt Outstanding: $113.3 million

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