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Summary:

Santa Fe County, New Mexico; General Obligation

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Credit Profile

US\$32.5 mil GO bnds Ser 2008 dtd 08/29/2008 due 07/01/2024

Long Term Rating

AA+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating to Santa Fe County, N.M.'s series 2008 general obligation (GO) bonds.

The rating reflects:

- Large economic base of the county, including the state capital;
- Very strong finances, including high cash reserve levels in recent years; and
- A low level of overlapping debt.

The bonds are secured by the county's general obligation pledge.

Santa Fe County is located in north-central New Mexico (state rating 'AA+'), about 60 miles northeast of Albuquerque (AAA), the state's largest metropolitan area. The City of Santa Fe, the county seat, is also the state capitol and one of the Southwest's premier tourist and resort destinations. The county's population, approximately 130,000, has increased steadily and compares with the statewide population of 1.8 million.

With a high concentration of government-related jobs, income levels are well above the state average. The median household estimated buying income (EBI) is 114% of the New Mexico state average, while per capita EBI is 143% of the state average, although in both categories the levels are average when compared to the national median. Also due to the stability of its job market, the unemployment rate is favorable compared to state and national levels: it was 2.9% in 2007 compared to 4.5% in the U.S. The services sector is also a leading component of the Santa Fe economy, with its historic downtown and proximity to the mountain resort Taos, 70 miles northeast. Of the 61,000 non-agricultural jobs in the area, the state of New Mexico provides 15%, or 9,443 jobs, followed by the Santa Fe School District, and the U.S. federal government. Only three of the leading 10 employers are non-governmental, and they include the Santa Fe Opera, Cities of Gold Casino, and St. Vincent's, a regional hospital and medical center.

The county has experienced strong average annual growth of more than 60% since 2002, to \$6.1 billion in 2007. The tax base is diverse, with no concentration among larger properties. The county maintains substantial unreserved fund balances in the general fund, with about \$38 million in fiscal 2007, or more than a year's worth of expenditures.

Following the issuance of the series 2008 GO bonds, the county will have \$113.3 million in general obligation debt outstanding. An additional \$60 million in debt is secured by the county's gross receipts tax. Annual debt service costs for the gross receipts tax revenue bonds total \$7.9 million annually; debt service on the county's general

obligation bonds is \$7.8 million annually. Additional bonding plans include a gross receipts tax revenue bond issuance in 2010. Debt is moderate: 14% of government expenditures went for debt service in 2007, and overall debt levels were \$790 per capita and .6% of market value of property.

Standard & Poor's has assigned the county a Financial Management Assessment of 'standard'. This assessment reflects, for example, the lack of a formalized policy to support the county's high reserve levels or the use of debt. Financial forecasting is limited to a two-year time frame. Budget adjustments, if necessary, occur at mid-year and assumptions that shape the budget are based on an analysis of historic trends in revenues and expenditures. For investment management, there is a more formalized process, including quarterly reporting to the board. Capital planning is multi-year, and the plan is updated annually.

Outlook

The stable outlook reflects our expectation that the Santa Fe County economy will retain its current strengths and that its financial reserves will remain at high levels.

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