Moody's Investors Service

New Issue: MOODY'S ASSIGNS Aa1 UNDERLYING RATING TO SANTA FE COUNTY'S (NM) $13.3 MILLION GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010A

Global Credit Research - 07 Dec 2009

Aa1 RATING AFFECTS $124 MILLION IN OUTSTANDING G.O. DEBT

County
NM

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds, Series 2010A	Aa1

Sale Amount	$13,335,000
Expected Sale Date	12/08/09
Rating Description	General Obligation Unlimited Tax

Opinion

NEW YORK, Dec 7, 2009 -- Moody's Investors Service has assigned a Aa1 underlying rating to Santa Fe County's (NM) $13.3 million General Obligation Refunding Bonds, Series 2010A. Concurrently, Moody's has affirmed the Aa1 rating on the county's $110.5 million in outstanding parity debt, net of the current refunding. The bonds are secured by ad valorem taxes levied against all taxable property within the county, without limitation as to rate or amount. Proceeds from the current sale will be used to refund a portion of the county's outstanding general obligation debt for a net present value savings and no extension of the final maturity. The Aa1 rating reflects the county's sizeable and diverse tax base, healthy financial reserves, and modest debt profile.

LARGE TAX BASE WITH FAVORABLE SOCIOECONOMIC PROFILE

Santa Fe County encompasses 1,909 square miles in north central New Mexico. The City of Santa Fe (Aa3 general obligation rating) is home to the state capital and 10,000 state and federal government jobs, providing economic stability. In addition, Santa Fe has historically served as an upscale resort community and second-home destination for the population of the southwestern portion of the United States. As such, resident wealth levels are favorable as measured by a per capita income (from 2000 U.S. Census) that is 136.7% of the state and 109.3% of the U.S. medians. The September 2009 unemployment rate was 6.5%, well below the state (7.4%) and U.S. (9.5%) for the same reporting period.

The county's tax base has experienced a healthy 8.9% average annual increase over the past five years to reach a full value of $20.3 billion for fiscal 2010. The county is not exposed to tax base concentration risk, given the top ten taxpayers comprise a very modest 1.8% of total assessed valuation. Officials report a significant slowdown in high-end residential construction, as single-family housing permits declined 50% from 2007 to 2008 (calendar year). Although third quarter 2009 existing home sales increased 22% as compared to 2008, the median sale price declined by 7.1%. The August 2009 Moody's Economy.com report indicates Santa Fe's high degree of industrial diversity, educational attainment, and natural amenities will enable the region to expand faster than the national economy over the long term. Moody's anticipates a continued slowed pace of growth for the county's tax base over the near and medium terms.

SOLID FINANCIAL OPERATIONS WITH STRONG RESERVES

The county maintains ample financial flexibility with a historically strong level of General Fund reserves. At FYE 2008 (June 30), the unreserved General Fund balance was $41.5 million, or a favorable 75.5% of General Fund revenues. Unaudited fiscal 2009 results reflect a $2.5 million decline in total reserves, yielding an unreserved General Fund balance of $39.5 million (71.3% of revenues). Officials report the draw was due to one-time expenditures including water rights purchases and furniture and fixtures for new facilities; per adopted resolution, the General Fund will be reimbursed for the water purchases (approximately $4 million) during fiscal 2010. Officials report plans to utilize approximately $7 million of reserves to cash fund capital projects over the medium term. The current level of reserves far exceeds the state requirement that counties maintain three months of operating expenditures in reserve. In 2003, the county passed a resolution requiring the General Fund balance to exceed the state requirement by $2.5 million. The county has recently designated an additional $5 million for budget contingency purposes to be held in reserve.

General Fund revenues are primarily comprised of property taxes (68%) and gross receipts taxes (13%). Due to the volatility of GRT revenues and the current recessionary economy, the county budgeted a 10% decline in GRT revenues for fiscal 2010. The General Fund continues to subsidize the correctional facility; in fiscal 2008 this transfer equaled approximately 18% of General Fund expenditures. Officials anticipate significant transfers to the jail facility will continue in future years, as the county has recently (2006) taken over operations of the facility. Despite the considerable transfer to the jail facility, Moody's believes the county will continue to maintain ample financial flexibility given management's commitment to prudent fiscal practices.

FAVORABLE DEBT PROFILE

The county's debt burdens are 1.0% direct and 2.1% overall, both expressed as a percentage of fiscal 2010 full value and inclusive of Gross Receipts Tax-secured (GRT) debt. Moody's includes GRT debt in the county's debt burden because GRT revenues in excess of debt service obligations revert to the General Fund to cover recurring operating costs. When excluding GRT-secured debt, the county's debt burdens are reduced to 0.6% direct and 1.7% overall. Amortization is satisfactory with 54.8% of principal retired in ten years, but below the national median (69.5%). Officials report plans to issue the remaining $16.5 million of G.O. debt authorization in early 2011 and expect to return to voters with a $40 million bond election in November 2012. Given the planned timeline of future debt issuance and continued modest tax base expansion, Moody's believes the county's debt profile will remain manageable over the medium term.

KEY STATISTICS

2010 Estimated Population: 158,624

FY 2010 Full Value: $20.3 billion

Full Value per Capita: $128,063

Per Capita Income (from 2000 U.S. Census): $23,594 (136.7% of state; 109.3% of U.S.)

Direct Debt Burden: 1.0%

Overall Debt Burden: 2.1%

Principal Payout (10 years): 54.8%

FY 2008 General Fund Balance: $45.2 million (82.2% of General Fund Revenues)

FY 2009 (unaudited) General Fund Balance: $42.7 million (77.1% of General Fund Revenues)

Post-sale Parity Debt Outstanding: $$123.87 million

The principal methodology used in rating Santa Fe County was Moody's "General Obligation Bonds Issued by U.S. Local Governments", published in October 2009 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action with respect to Santa Fe County's general obligation debt was on March 5, 2009 when the Aa1 rating was affirmed.

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