

**NEW ISSUE
BOOK-ENTRY ONLY**

See “RATINGS” herein.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents relating to the Series 2018A Bonds and certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2018A Bonds is (a) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code and (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2018A Bonds. See “TAX MATTERS” herein.

**\$84,225,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation
General Purpose Bonds
Series 2018A**

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The City of Albuquerque, New Mexico General Obligation General Purpose Bonds, Series 2018A (the “Series 2018A Bonds”) are being issued as fully registered bonds to be sold in denominations of \$5,000 or any integral multiple thereof. The Depository Trust Company (“DTC”) will act as securities depository for the Series 2018A Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2018A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2018A Bonds will be made in book-entry form only and beneficial owners of the Series 2018A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2018A Bonds.

Principal of and interest on the Series 2018A Bonds will be payable to DTC, or its nominee, as owner of the Series 2018A Bonds, by the City Treasurer of the City of Albuquerque, New Mexico, as Paying Agent. Interest on the Series 2018A Bonds is payable on January 1 and July 1, commencing July 1, 2018.

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Yields

The Series 2018A Bonds are subject to optional redemption prior to maturity as provided herein.

The Series 2018A Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2018A Bonds.

In connection with the issuance of the Series 2018A Bonds, the City will commit to provide certain annual information and notice of certain material events as described herein under the caption “CONTINUING DISCLOSURE UNDERTAKING.”

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico as Bond Counsel. Certain legal matters will also be passed on for the City by the office of the City Attorney and by Sherman & Howard L.L.C., Albuquerque, New Mexico, Disclosure Counsel to the City. RBC Capital Markets, LLC, Albuquerque, New Mexico serves as Municipal Advisor to the City. It is expected that the Series 2018A Bonds will be delivered to DTC in New York, New York on or about April 11, 2018.

Official Statement dated March 20, 2018

MATURITY SCHEDULES
(CUSIP © 6-digit issuer number: 013518)

\$84,225,000
General Obligation
General Purpose Bonds
Series 2018A

Maturity Date (<u>July 1</u>)	Principal <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u> [†]	<u>Cusip</u> [©] No.
2019	\$6,480,000	5.000%	1.550%	5S0
2020	6,480,000	5.000	1.650	5T8
2021	6,480,000	5.000	1.780	5U5
2022	6,480,000	5.000	1.950	5V3
2023	6,480,000	5.000	2.110	5W1
2024	6,480,000	5.000	2.220	5X9
2025	6,480,000	5.000	2.250	5Y7
2026	6,480,000	5.000	2.440	5Z4
2027	6,480,000	5.000	2.510	6A8
2028	6,480,000	5.000	2.570 ⁽¹⁾	6B6
2029	6,475,000	3.000	3.000	6C4
2030	6,475,000	3.000	3.110	6D2
2031	6,475,000	3.125	3.210	6E0

(1) Priced to the first optional call date of July 1, 2027 at par.

† Provided by Morgan Stanley & Co. LLC., the initial purchaser of the Series 2018A Bonds. See "UNDERWRITING."

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CITY OF ALBUQUERQUE

MAYOR
Tim Keller

CITY COUNCIL

Ken Sanchez (President)	District 1
Isaac Benton	District 2
Klarissa J. Peña	District 3
Brad Winter	District 4
Cynthia Borrego	District 5
Pat Davis	District 6
Diane G. Gibson	District 7
Trudy Jones	District 8
Don Harris (Vice-President)	District 9

ADMINISTRATION

Sarita Nair, JD, MCRP, Chief Administrative Officer
Lawrence Rael, MPA, Chief Operations Officer
Trina Casados, Interim City Clerk

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Sanjay Bhakta, CPA, CGFM, CFE, CGMA, Chief Financial Officer/Director
Olivia Padilla-Jackson, BBA, MPP, Deputy Director
Cilia E. Aglialoro, CTP, Treasurer
Pamela S. Fanelli, CMA, City Controller
Christopher H. Daniel, CFA, CPA, CTP, Chief Investment Officer

OFFICE OF MANAGEMENT AND BUDGET

Gerald E. Romero, Budget Officer
Jacques Blair, PhD, City Economist

LEGAL DEPARTMENT

Esteban Aguilar, Jr., JD, City Attorney
William W. Zarr, JD, Assistant City Attorney

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico

DISCLOSURE COUNSEL

Sherman & Howard L.L.C., Albuquerque, New Mexico

MUNICIPAL ADVISOR

RBC Capital Markets, LLC, Albuquerque, New Mexico

No dealer, salesperson or other person has been authorized by the City of Albuquerque (the “City”) to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2018A Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The information contained in this Official Statement has been obtained from the City and other sources which are deemed to be reliable. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or others since the date hereof.

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995, as amended. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act, nor have the Bonds been registered or qualified in any state. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

THE CITY HAS COVENANTED TO PROVIDE SUCH ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION IN THE MANNER AS MAY BE REQUIRED BY REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION OR OTHER REGULATORY BODY.

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OFFICIAL STATEMENT

\$84,225,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation
General Purpose Bonds
Series 2018A

INTRODUCTION

Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the “City”) of its General Obligation General Purpose Bonds, Series 2018A in the original aggregate principal amount of \$84,225,000 (the “Series 2018A Bonds”). Capitalized terms used herein and not defined have the meanings specified in City Ordinance Twenty-Third Council Bill No. F/S O-18-5 adopted by the City on March 5, 2018 (the “Bond Ordinance”). See “Description of Bond Ordinance – Certain Definitions” in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2018A Bonds to potential investors is made only by means of the entire Official Statement.

The City of Albuquerque

The City, founded in 1706, is the largest city in the State of New Mexico (the “State”), accounting for approximately one-quarter of the State’s population. The City is a home rule municipality, with its charter originally adopted in 1971, and has a Mayor-Council form of government with a salaried full-time Mayor elected every four years. In 2016, the City had a population of approximately 559,277 people and, as of January 1, 2016, spanned 189.18 square miles. The Albuquerque Metropolitan Statistical Area had a population of approximately 909,906 people as of 2017. For financial and other information concerning the City, see Appendix A – “Economic, Demographic and Financial Information, Including Audited Financial Statements.” The City’s Fiscal Year ends June 30 and is referred to in this Official Statement as the “Fiscal Year.”

Purposes of the Series 2018A Bonds

Proceeds from the sale of the Series 2018A Bonds will be used to finance certain City projects relating to public safety, citizens’ centers, parks and recreation, facilities and equipment, libraries, public transportation, museums and cultural facilities and streets (collectively, the “Series 2018A Projects”).

Authority for Issuance

The Series 2018A Bonds are being issued under the authority of and pursuant to the regular municipal election of the City held on October 3, 2017, the Constitution and laws of the State of New Mexico, including Sections 3-30-1 to 3-30-9 and 6-15-1 to 6-15-22 NMSA 1978, the powers of the City as a home rule municipality under authority given by the Constitution of the State and the City Charter and all enactments of the City Council relating to the issuance of the Series 2018A Bonds, including the Bond Ordinance.

Sources of Payment for the Series 2018A Bonds

The Series 2018A Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2018A Bonds. See “FINANCIAL INFORMATION – Property Taxes.” See also “SECURITY AND SOURCES OF PAYMENT.”

Terms of the Series 2018A Bonds

Payments

The Series 2018A Bonds will be dated their date of issuance. Interest on the Series 2018A Bonds is payable on January 1 and July 1, commencing July 1, 2018. The Series 2018A Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside cover page.

Denominations

The Series 2018A Bonds are issuable in denominations of \$5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2018A Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2018A Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2018A Bonds, all as more fully described in “THE SERIES 2018A BONDS – Book-Entry Only System” and Appendix E – “Book-Entry Only System.”

In reading this Official Statement, it should be understood that while the Series 2018A Bonds are in book-entry only form, references in other sections of this Official Statement to owners of the Series 2018A Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2018A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system as described more fully herein, and (ii) notices that are to be given to owners by the City or the Paying Agent will be given only to DTC.

Redemption

The Series 2018A Bonds are subject to optional redemption prior to maturity as provided herein.

For a more complete description of the Series 2018A Bonds and the Bond Ordinance, see “THE SERIES 2018A BONDS” and Appendix B – “Description of Bond Ordinance.”

Tax Considerations

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes and is exempt from New Mexico state income taxes.

The form of the bond counsel opinion is attached as Appendix C hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2018A Bonds, see “TAX MATTERS” herein.

Commitment to Provide Continuing Information

The City will agree for the benefit of the owners of the Series 2018A Bonds that, so long as the Series 2018A Bonds remain outstanding, the City will provide when available its annual audited financial statements and certain other financial information and operating data with the Municipal Securities Rulemaking Board (“MSRB”) using its Electronic Municipal Market Access System (“EMMA”) in conformity with Rule 15c2-12, and will file notice of certain specific material events with the MSRB, or as otherwise requested by the MSRB, as described in “CONTINUING DISCLOSURE UNDERTAKING” and Appendix D hereto.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2018A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond counsel opinion attached as Appendix C hereto. Certain legal matters relating to the Series 2018A Bonds will be passed upon for the City by its Disclosure Counsel, Sherman & Howard L.L.C., and by the office of the City Attorney. See “LEGAL MATTERS.”

RBC Capital Markets, LLC (“RBC”) is employed as Municipal Advisor to the City in connection with the issuance of the Series 2018A Bonds. The Municipal Advisor’s fee for

services rendered with respect to the sale of the Series 2018A Bonds is contingent upon the issuance and delivery of the Series 2018A Bonds. RBC, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or assume responsibility for, the accuracy, completeness, or fairness of the information in this Official Statement.

Offering and Delivery of the Series 2018A Bonds

The Series 2018A Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2018A Bonds will be delivered to DTC in New York, New York on or about April 11, 2018.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the City and upon payment to the City of a charge for copying, mailing and handling, at One Civic Plaza, N.W., Albuquerque, New Mexico 87102, Attention: City Treasurer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2018A Bonds.

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The estimated sources and uses of Series 2018 Bond proceeds are set forth below.

SOURCES OF BOND PROCEEDS	<u>Estimated Amount</u>
Principal amount of the Series 2018A Bonds	\$84,225,000
Net Premium ⁽¹⁾	<u>9,035,943</u>
TOTAL SOURCES OF PROCEEDS	\$93,260,943
USES OF BOND PROCEEDS:	
Costs of the Series 2018A Projects ⁽²⁾	\$84,225,000
Deposit to Debt Service Fund	8,467,055
Underwriter's Discount	66,138
Costs of Issuance ⁽³⁾	<u>502,750</u>
TOTAL USES OF PROCEEDS	\$93,260,943

(1) The net premium will be applied to payment of costs of issuance and debt service for the Series 2018A Bonds.

(2) See "The Series 2018 Projects" under this caption.

(3) The costs of issuance of the Series 2018A Bonds include legal fees, Municipal Advisor fees, ratings, printing and other miscellaneous costs.

The Series 2018A Projects

The City purposes and the amounts for which the Series 2018A Bonds will be issued are as follows: \$14,000,000 for public safety; \$4,900,000 for citizens' centers; \$14,947,000 for parks and recreation facilities; \$11,455,000 for facilities and equipment; \$5,425,000 for libraries; \$28,998,000 for streets; and \$4,500,000 for public transportation facilities.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to be payable for the Series 2018A Bonds.

Twelve-Month Period (ending July 1)	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	--	\$851,298.61	\$851,298.61
2019	\$6,480,000.00	3,830,843.76	10,310,843.76
2020	6,480,000.00	3,506,843.76	9,986,843.76
2021	6,480,000.00	3,182,843.76	9,662,843.76
2022	6,480,000.00	2,858,843.76	9,338,843.76
2023	6,480,000.00	2,534,843.76	9,014,843.76
2024	6,480,000.00	2,210,843.76	8,690,843.76
2025	6,480,000.00	1,886,843.76	8,366,843.76
2026	6,480,000.00	1,562,843.76	8,042,843.76
2027	6,480,000.00	1,238,843.76	7,718,843.76
2028	6,480,000.00	914,843.76	7,394,843.76
2029	6,475,000	590,843.76	7,065,843.76
2030	6,475,000	396,593.76	6,871,593.76
2031	6,475,000	202,343.76	6,677,343.76
TOTAL	\$84,225,000.00	\$25,769,517.49	\$109,994,517.49

Source: Municipal Advisor.

THE SERIES 2018A BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2018A Bonds. Other information describing the Series 2018A Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Bond Ordinance and the Series 2018A Bonds. Copies of the approved form of the Bond Ordinance are available from the City as provided in "ADDITIONAL INFORMATION." See also "Description of Bond Ordinance" in Appendix B hereto.

The Series 2018A Bonds will be dated their date of issuance. Interest on the Series 2018A Bonds is payable semi-annually on January 1 and July 1, commencing on July 1, 2018. The Series 2018A Bonds will be sold in the aggregate principal amount of \$84,225,000. The Series 2018A Bonds will be sold through a public competitive sale, will mature on the dates and in the amounts and in the denominations shown on the inside front cover.

The Series 2018A Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, the home rule power of the City derived from the State Constitution and the City Charter, and the Bond Ordinance.

A series of general obligation bonds designated as the City of Albuquerque, New Mexico Short-Term General Obligation Bonds, Series 2018B in the aggregate principal amount of \$6,975,000 are expected to be sold at a private sale to the State of New Mexico on or about

June 29, 2018. The Series 2018B Bonds are being sold in accordance with Section 6-15-5 NMSA 1978. The Series 2018B Bonds will mature on July 2, 2018 and are being issued to finance various projects, including facilities for storm sewer, parks and recreation, public transportation, zoo and cultural purposes and affordable housing, as approved in the October 3, 2017 bond election.

Book-Entry Only System

Individual purchases of the Series 2018A Bonds will be made in book-entry form only and purchasers of the Series 2018A Bonds will not receive physical delivery of bond certificates, except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2018A Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the City Treasurer, as Paying Agent and Registrar (the “Fiscal Agent”), so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants (the “Participants”) for subsequent disbursement to the beneficial owners of the Series 2018A Bonds. In reading this Official Statement, it should be understood that while the Series 2018A Bonds are in book-entry only form, references in other sections of this Official Statement to owners of Series 2018A Bonds (“Owners”) should be read to include the person for whom the Participants and indirect participants acquire an interest in the Series 2018A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system, and (ii) notices that are to be given to Owners by the City or the Fiscal Agent will be given only to DTC. See Appendix E – “Book-Entry Only System.”

Redemption of the Series 2018A Bonds

The Series 2018A Bonds maturing on and after July 1, 2028 are subject to redemption prior to maturity at the option of the City, in whole or in part, at any time on or after July 1, 2027 at the redemption price of 100% of the principal amount of the Series 2018A Bonds to be redeemed, plus accrued interest, if any, to the date fixed for redemption.

SECURITY AND SOURCES OF PAYMENT

General Obligation Pledge

The Series 2018A Bonds constitute general obligation debt of the City, the security for which is described in “FINANCIAL INFORMATION – Property Taxes.” The primary security for the general obligation debt of the City, including the Series 2018A Bonds, is the City’s levy, pursuant to constitutional and statutory requirements, of an ad valorem tax on all real property in the City subject to ad valorem taxation. See “Tax Levies” under this caption. The tax levy is required to be in an amount sufficient to pay the principal of and interest on the Series 2018A Bonds when due, subject to the provisions of federal bankruptcy law and other laws affecting creditors’ rights.

In addition to the basic ad valorem property tax security described above, the Bond Ordinance provides further security by pledging the full faith and credit of the City for the payment of the principal of and interest on the Series 2018A Bonds when due. Included in such pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the State Constitution, state or federal law, the City Charter, revenue bond trust agreements or City ordinances pledging funds for payment of revenue bonds.

Tax Levies

Pursuant to the Bond Ordinance, in order to pay the principal of and interest on the Series 2018A Bonds when due and, at the option of the City, to reimburse the General Fund or other funds advanced for the payment of principal of or interest on the Series 2018A Bonds for which property taxes were not available, there is to be an annual assessment and levy upon all of the taxable property of the City subject to taxation which provides an amount sufficient to pay the principal of and the interest on the Series 2018A Bonds when due.

The taxes are assessed, levied and collected annually. The City Council is required by the Bond Ordinance to take all reasonable action to insure the levy and collection of taxes in amounts sufficient at the time to pay the principal of and interest on the Series 2018A Bonds. The money produced by the levy of taxes provided in the Bond Ordinance to pay the principal of and interest on the Series 2018A Bonds is to be appropriated for that purpose and included in the annual budget and the appropriation bills adopted and passed by the City Council each year. The taxes collected are to be applied only to the payment of the principal of and interest on the Series 2018A Bonds when due and as otherwise required by law. To the extent property taxes are not available for the purpose, the principal of and interest accruing on the Series 2018A Bonds are to be paid from the City's General Fund or from any other fund lawfully available for that purpose.

Additional General Obligation Indebtedness

The State Constitution limits the aggregate amount of general obligation indebtedness of the City to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City, except for indebtedness incurred for the construction or purchase of a water or sewer system, which has no limit. The 12 mill limitation is applicable at the time of bond issuance and prohibits issuance of a general obligation bond if the anticipated mill levy necessary to satisfy debt service is greater than 12 mills. An existing general obligation can require imposition of the mill levy in excess of 12 mills if so required to meet debt service obligations. For a description of the indebtedness of the City currently outstanding, see "FINANCIAL INFORMATION – Property Taxes." See also "FINANCIAL INFORMATION – Capital Implementation Program" for a discussion of the City's Capital Implementation Program funded with general obligation bonds.

FINANCIAL INFORMATION

General

Taxes and Revenues

The City is a home rule charter municipality. No tax imposed by the governing body of a charter municipality, unless authorized by general law, becomes effective until approved at an election of its voters. Taxes authorized by general law that may be imposed without an election include a property tax for general purposes (up to a maximum of 7.65 mills), which is set by the State Department of Finance and Administration, and certain local-option gross receipts taxes, except that an election to impose certain local-option gross receipts taxes must be called if required by statute or if the governing body provides in the ordinance that the tax shall not be effective until approved at an election or upon the filing of a petition meeting certain requirements requesting that an election be held. The City does not have the power to impose a tax on income.

The general policy of the City is to charge for services where those who benefit from the services are easily identified and charged according to their use and benefit. Thus, refuse, golf and airport services are intended to be self-supporting. Permits and inspection fees are established in relation to the cost of providing control and inspection and as permitted by law. Other fees, including admission fees to the zoo, fees charged participants in adult sports programs, rider charges for transit services, charges for municipal parking facilities, and fees charged for filing of plats and subdivisions, help offset some of the costs of providing these services.

Budget Process – Operating Funds

The City operates on a Fiscal Year basis, from July 1 through June 30. Pursuant to the City Charter, the Mayor, in consultation with the Council, formulates the City's operating budget and submits it to the Council on or before April 1 of each year. Budget data is prepared on the modified accrual basis, consistent with the City's basis of accounting. Governmental funds, expendable trust funds, and agency funds use the modified accrual basis of accounting, while enterprise and nonexpendable trust funds are on an accrual basis. Transactions are recorded in individual funds and each is treated as a separate entity. The Council is required to hold at least three public hearings and must adopt an operating budget within 60 days after it is proposed by the Mayor or the Mayor's proposed budget is deemed adopted. The annual City operating budget determines departmental appropriations by program. Expenditures may not legally exceed appropriations. The financial officers and staff of each department are responsible for monitoring and controlling the expenditures of their departments to ensure that budgeted appropriations for their departments are not exceeded. The City's Office of Management and Budget monitors expenditures and revenues quarterly. Budget amendments during or after the end of the Fiscal Year require approval of the Mayor and the Council, except that the Mayor has authority to adjust program budgets up to 5% or \$100,000, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the budget for City government as a whole.

Budget Process – Estimates, Forecasting and Revision of Revenue Projections

In May or June of each year the Council adopts a budget for the upcoming Fiscal Year (beginning July 1). The City prepares revenue forecasts for five-year periods (referred to as the

“Five-Year Forecast”) each December and updates the budget year forecast prior to introduction of the Mayor’s proposed general fund budget. All revenue forecasts are prepared by the City Office of Management and Budget. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of the budget and provide a starting point for preparation of the next year’s budget. The Forecast Advisory Committee, comprised of economists and others from City government, the University of New Mexico, State government and the private sector, reviews forecasts and makes recommendations. After incorporating any recommendations of the Advisory Committee, the Five-Year Forecast is presented to the Council. In response to changing conditions and revenue forecasts, the City may amend the budget at any time during the year.

Budget Process - Capital Funds

The budget amounts of the capital project funds and certain of the special revenue funds are individual project budgets authorized by the Council for the entire length of the project which is not necessarily the same as the Fiscal Year of the City. Pursuant to City ordinance, the Mayor develops a capital implementation program (“CIP”) which consists of a ten-year plan of capital expenditures, including a more detailed two-year CIP budget, and submits it to the Council by January 23 of each odd-numbered year. See “Capital Implementation Program” below. The Council is required to hold at least one public hearing and must approve the budget as proposed or as the Council amends it within 60 days after the submission date. The Mayor may change the amount designated for a specific capital project in a CIP budget without Council approval, if the total change does not exceed 20% of the original amount designated for the project.

A City ordinance also sets forth requirements for Council review and approval of certain applications or proposals for federal grants. Once the Council has approved a federal grant application, the Mayor is authorized to expend any funds awarded as a result of the grant application if the grant does not require the City’s commitment of funds or resources which were approved by the Council to be increased by more than 10% and if the goals, objectives and proposed programs included in the application approved by the Council have not changed.

The General Fund

General Fund Revenues.

The General Fund is the City’s primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. The City has reserve accounts created by the City’s policy to reserve one-twelfth of the General Fund budgeted amount. Set forth below are discussions of General Fund revenues in Fiscal Year 2017, the approved Fiscal Year 2018 budget and Five-Year-Forecast for Fiscal Year 2018.

Fiscal Year 2017 Approved Budget, Revised Estimates and Actual (Revenues).

This section describes the Fiscal Year 2017 approved budget for revenues and the actual audited revenues.

The approved Fiscal Year 2017 budget for revenues was \$515.4 million, an increase of \$12 million or 2.4% above the estimated revenues for Fiscal Year 2016. The actual revenues for Fiscal Year 2017 were \$511.2 million. Actual revenues were \$4.2 million below budget, mostly due to a shortfall in projected gross receipts tax. Strengths in Fiscal Year 2017 were mostly in

property taxes, building permits and charges for service. Recurring revenues were \$6.5 million, below the original budget or \$4.5 million below the revised estimate that included an additional \$2.5 million in non-recurring revenue.

Gross Receipts Taxes. The recurring gross receipts tax revenues for the approved Fiscal Year 2017 budget were expected to increase 2.9% over Fiscal Year 2016 estimated revenue. The increase was based on expected economic growth, but tempered by the second year of reductions in the food and medical hold harmless distribution estimated at \$2.3 million. The revised estimate for Fiscal Year 2017 recurring gross receipt taxes was 2.3% growth above the actual Fiscal Year 2016 level. The actual receipts were \$2.4 million below the revised estimate.

Property Tax Revenues. Fiscal Year 2017 revenues were expected to increase only 1.6% due to the limitation of yield control. The actual revenues were \$586 thousand below the expected revenue. This was due to a substantial decline in delinquent property taxes. Franchise revenues in Fiscal Year 2017 were expected to show slow growth of only 1.0%, led by the electric franchise. Actual revenues for the electric franchise were \$662 thousand below estimate due to a decline in fuel costs that offset the increases from an enacted rate increase. Cable TV franchise revenue exceeded expectations due to a one-time million dollar payment that was received too late in 2017 to accrue to Fiscal Year 2016. There are no rate increases built into any of the utility franchise estimates.

Licenses and Permits. Building permits were expected to grow 10% above the Fiscal Year 2016 estimate, continuing relatively strong growth. The actual revenues increased 16% and were \$755 thousand above the estimate. Other permits were expected to grow by \$241 thousand due to increases in fees charged by the Planning Department for permitting vacant buildings.

Charges for Services. Charges for services were expected to increase by \$1.4 million in Fiscal Year 2017 above the estimate for Fiscal Year 2016. There was an increase of \$830 thousand in funding positions to manage and oversee capital projects. The BioPark capital project funded by a new 0.125% tax is \$424 thousand with the remaining funding for transportation tax projects and general capital projects. There were increases in some planning review and inspection fees increasing revenue by \$86 thousand. Changes in the indirect overhead plan increased revenues from charges to enterprise funds by \$462 thousand. Actual revenues were \$179 thousand below the estimate, but there were several major changes. The positions funded by capital were \$1.6 million below the budget; though this is offset by reduced expenditures and does not have an impact on fund balance. This was mostly offset by larger than expected growth in construction related fees, legal fees charged to the Risk Fund and generally strong growth. There were some negatives with lower than expected revenue at the BioPark and some fees that were not collected.

Other Transfers. Transfers from other funds declined by \$1.2 million. This reflects the one-time transfer of \$1.3 million from special assessments. Revenues increased \$130 thousand with transfers from the Cultural and Recreation Projects to help fund operations of the Balloon Museum.

Fiscal Year 2018 Approved Budget (Revenues)

This section describes the projected Fiscal Year 2018 revenues for the budget that was approved in May of 2017. Fiscal Year 2018 revenues are estimated to be \$530.9 million or 3.0% above the Fiscal Year 2017 estimated actual. This budget also includes \$2.4 million in one-time revenue due to the next increased loss in the Make-Whole Distributions in Fiscal Year 2019.

The gross receipts tax base is expected to increase 3.0%; limited by the reduction in the Make-Whole Distributions.

Gross Receipts Taxes. Gross receipt tax revenues in Fiscal Year 2018 were expected to increase although revenues have been erratic. In the first six months of Fiscal Year 2018 gross receipts tax receipts, as measured by the 1% distribution, are 1.2% above the same period in Fiscal Year 2017, but the monthly year-over-year growth has varied between a 12.0% decrease and a 17.1% increase. In Fiscal Year 2018, the 1% distribution was expected to grow at 3.0%, limited by the additional reduction in the food and medical hold harmless distribution as well as reductions due to expanded activity at the Tax Increment Development Districts (“TIDDs”) and the manufacturing input gross receipts tax deductions.

Property Tax Revenues. Fiscal Year 2018 property tax revenues are expected to increase only 1.5% due in part to the limitation of yield control. The amount of tax is then reduced by \$200 thousand to account for a distribution to the Mesa Del Sol TIDD. The growth rate in recurring franchise revenues in Fiscal Year 2017 are expected to show growth of 2.4%. This growth comes from the electric franchise and a 4.0% increase in the water utility revenues.

Licenses and Permits. Building permits are expected to grow 13% above the Fiscal Year 2017 estimate, continuing relatively strong growth; primarily in apartments and non-residential construction. Other permits including business registration and restaurant inspections are flat.

Charges for Services. Charges for services are expected to increase by \$2 million in Fiscal Year 2018 above the estimate for Fiscal Year 2017. There is an increase of \$357 thousand in funding positions to manage and oversee capital projects. The primary source of revenue increases is the moving of revenue to the General Fund that was previously included in the Cultural and Recreational Projects Fund. Changes in the indirect overhead plan increase revenues from charges to enterprise funds by \$234 thousand.

Other Transfers. Transfers from other funds will decline by \$881 thousand. This reflects the Fiscal Year 2017 one-time transfer of \$1.2 million from the Cultural and Recreational Projects Fund, clearing past revenues not associated with contributions and donations. This was offset by one-time revenue transferred from Lodgers’ Tax Fund to support the Senior Olympic games that will be held in Albuquerque in 2019.

Fiscal Year 2018 Approved Budget (Expenditures)

The approved General Fund expenditures budget for Fiscal Year 2018 is \$530.2 million which reflects a 0.7% increase over the original Fiscal Year 2017 budget of \$526.4 million and a 0.5% increase over the revised budget that included mid-year appropriations of reserves for wage increases. The Fiscal Year 2018 budget includes \$7.9 million in non-recurring appropriations, made up mostly of reverted dollars from the prior year. Growth in appropriations is largely tied to additional funding in the Police and Fire Departments. In Police alone, \$5.7 million is added in expectation of graduating more police cadets, hiring more Police Service Aides, and testing of a backlog of rape kits.

The budget includes fee increases at Parks and Recreation in swimming, golf, tennis, and league sports, at Cultural Services for entrance into the BioPark, and at Planning for certificates of occupancy. Most of the fee increases are minor but will raise an estimated \$2 million in revenue for the General Fund.

Significant non-recurring appropriations include Cultural Services for a myriad of special events, Family and Community Services for social service contracts, Police for compliance with the United States Department of Justice requirements, as well as several term positions and contract costs, and the Office of the City Clerk for the upcoming municipal election.

Notable recurring cost increases for Fiscal Year 2018 include eight new positions at Fire to operate a rescue unit at Fire Station 4, four new dispatch positions to staff the Fire Alarm Room, 12 new positions at Cultural Services needed to continue AZA accreditation and to open the new penguin and otter exhibits at the BioPark, and one position previously funded out of grants in Family and Community Services to manage social service contracts. Additional utility funding is included in Parks for water costs and expanded funding for the “There’s a Better Way” initiative.

The Downtown Clean and Safe Program, previously funded out of the General Fund, is moved to the Solid Waste Department in an effort to better align the services with the other Clean City initiatives.

The Fiscal Year 2018 budget includes some CIP-coming-on-line funding including utility costs to open the new Westside Regional Baseball Complex as well as operating and staffing costs needed to open the new penguin and the new otter exhibits at the Albuquerque BioPark.

Funding of \$3.3 million is held in reserves for pay increases for union represented employees pending appropriation by the Council.

**AGGREGATE COMPARISON OF GENERAL FUND RECURRING/NON-RECURRING
in (\$000's)**

(\$000's)	Original Budget FY/17	Estimated Actual FY/17	Change Original FY/17 & Est. FY/ 17	% Change Est. FY/ 17 to Original FY/17	Approved Budget FY/18	% Change Original FY/17 & Appvd. FY/18	% Change Est. FY/ 17 & Appvd. FY/18
Revenue:							
Recurring	\$512,950	\$511,024	(\$1,926)	-0.38%	\$528,119	2.96%	3.35%
Non-recurring	\$2,431	\$4,577	\$2,146	88.28%	\$2,796	15.01%	-38.91%
TOTAL	\$515,381	\$515,601	\$220	0.04%	\$530,915	3.01%	2.97%
Appropriations:							
Recurring	\$512,929	\$509,882	(\$3,047)	-0.59%	\$522,194	1.81%	2.41%
Non-recurring	\$13,469	\$17,506	\$4,037	29.97%	\$7,979	-40.76%	-54.42%
TOTAL	\$526,398	\$527,388	\$990	0.19%	\$530,173	0.72%	0.53%
Less: recurring held in reserve					(\$3,281)		
Recurring Balance					\$2,644		

Five-Year Forecast Fiscal Year 2018

The Five-Year Forecast was submitted to City Council in December 2017. It provides a re-estimate of Fiscal Year 2018 data, including updates based on the most recent information available. Revenues for Fiscal Year 2018 are estimated at \$520.8 million or \$10.2 million below the Fiscal Year 2018 approved budget. The primary source of this shortfall is Gross Receipts Tax revenue which was \$8.2 million below the budget estimate. This reduction is due to lower than expected revenues in Fiscal Year 2017 and a reduction in the expected growth rate of Gross Receipts taxes from 3.0% in the budget to 1.7%.

The revised expenses for Fiscal Year 2018 are estimated to be \$538.8 million or \$8.6 million above the approved budget, including non-recurring expenses for re-appropriated encumbrances from Fiscal Year 2017.

City's February 2018 Budget Deficit Report

In December 2017, Mayor Tim Keller created an initiative that directed members of his administration to work with financial experts in the City to address the structural deficit projected in the Five-Year Forecast and various other anticipated financial issues. An initial report on the results of the initiative was released in February 2018 (the "February 2018 Budget Deficit Report") and is available on the City's website under "Current City Budget." In particular, the 2018 Budget Deficit Report identified (1) a \$25 million structural deficit over the five-year period resulting from slow economic growth, loss of hold-harmless tax revenues and the trend toward on-line purchasing; (2) a \$15 million increase in recurring costs attributable to costs of medical insurance, water costs, additional contributions to risk management fund and compliance with a settlement agreement; (3) an \$88 million increase over the five-year period in additional costs which would be necessary if the City adds 100 new police officers per year; (4) a \$21 million increase in one-time and short-term costs to address the equipment and technological needs of the City's first responders; and (5) a \$5.2 million recurring increase in costs if the City decides to improve public safety through advances in technology and initiatives that address the systemic pressures on first responders. The February 2018 Budget Deficit Report discusses options for freeing up funds through decreased services, increased fees and charges and various tax changes, including the potential approval by City Council of a 0.375% gross receipts tax to offset reductions in the State's hold harmless distributions for lost revenue resulting from the

State's exemption of food and some medical services from gross receipts taxes. The City provides estimates in the February 2018 Budget Deficit Report relating to various options, including the potential generation of \$48 to \$54 million of annual revenues attributable to the imposition of the above-referenced increase in the gross receipts tax rate. On March 5, 2018, the City Council approved an ordinance imposing a 0.375% gross receipts tax increase and directed that at least 60% of the proceeds of such increase be used for public safety purposes during Fiscal Years 2019 and 2020. The increase will be effective on July 1, 2018. While imposition of the gross receipts tax for increase is expected to address key financial issues identified in the February 2018 Budget Deficit Report, the City may in the future consider implementation of additional options identified in such report.

General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2013-2017 and the approved budget for Fiscal Year 2018.

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Approved Budget 2018	Five-Year Forecast 2018	Average Annual Chg 13-18 Budget
REVENUES								
Taxes:								
Property Tax	\$77,720	\$78,282	\$79,233	\$81,246	\$81,798	\$83,652	\$83,597	1.5%
Gross Receipts Tax	117,955	120,695	125,628	127,451	128,664	134,430	132,301	2.6
Other Taxes	19,563	19,764	19,397	17,541	19,857	19,647	19,339	0.1
Water Authority PILOT/ Franchise	6,006	5,513	7,065	7,338	7,576	7,632	7,576	4.9
Payment in lieu of taxes	1,706	1,714	1,847	1,885	1,973	1,892	1,892	2.1
Total Taxes	222,950	225,968	233,170	235,461	239,867	247,253	244,705	2.1
Licenses & Permits	11,342	11,705	11,307	11,899	13,049	13,966	13,289	4.3
Intergovernmental Revenue:								
State and Federal Grants	262	55	--	--	--	--	--	
State-Shared Revenue:								
Gross Receipts Tax	178,753	182,859	190,912	192,660	195,792	203,772	197,740	2.7
Other State-Shared	4,040	4,516	4,062	4,461	4,620	4,620	4,635	2.7
County	448	238	264	278	267	282	267	-8.8
Total Intergovernmental Revenue	183,503	187,667	195,239	197,399	200,679	208,674	202,642	2.6
Charges for Services	44,088	46,036	45,848	47,348	49,969	54,029	53,214	4.2
Miscellaneous	2,825	2,235	1,648	3,991	3,926	4,183	3,468	8.2
Other Transfers	3,407	4,319	2,624	3,790	3,689	2,810	3,443	-3.8
TOTAL REVENUES	468,114	477,930	489,836	499,887	511,179	530,915	520,762	2.5
Beginning Fund Balance	59,223	58,339	63,444	63,309	59,953	48,166	57,171	-4.0
TOTAL RESOURCES	527,338	536,269	553,280	563,196	571,131	579,081	577,932	1.9
EXPENDITURES								
General government	66,093	64,215	66,072	69,495	67,051	NA	NA	
Public safety	219,690	217,958	229,495	232,902	243,384	NA	NA	
Cultural and recreation	68,892	71,129	70,082	72,350	73,991	NA	NA	
Municipal Development (Public Works and Streets)	25,338	24,110	29,477	28,919	30,020	NA	NA	
Health	16,793	15,951	16,340	17,732	17,487	NA	NA	
Human services	28,747	29,346	31,397	32,438	34,383	NA	NA	
Other transfers out	43,447	50,118	47,108	49,408	47,646	NA	NA	
TOTAL EXPENDITURES	468,999	472,826	489,971	503,242	513,961	530,173	538,813	2.8
ENDING FUND BALANCE	58,339	63,443	63,309	59,953	57,171	48,908	39,119	-5.2
TOTAL ADJUSTMENTS	(2,185)	(3,249)	(3,470)	(4,142)	(1,820)	(511)	387	
Reserves	41,454	44,935	42,842	43,881	45,303	48,302	45,381	2.0
AVAILABLE FUND BALANCE	14,700	15,259	16,997	11,930	10,048	95	(5,875)	
Ending fund balance as percent of total expenditure	12.4%	13.4%	12.9%	11.9%	11.1%	9.2%	7.3%	
Recurring revenues	465,784	471,811	484,920	496,160	506,601	528,119	517,591	2.0
Recurring expenditures	455,484	455,670	465,657	486,388	495,222	522,194	525,210	2.3

Source: City of Albuquerque Comprehensive Annual Financial Reports; City of Albuquerque, Department of Finance and Administrative Services.

Revenues

Intergovernmental Revenues

The principal source of intergovernmental revenues to the City's General Fund is the distribution made by the State to the City from the State Gross Receipts Tax. The State Gross Receipts Tax distribution to a municipality equals 1.225% of the gross receipts collected in that municipality, including a make-whole payment from the State to the City related to deductions for certain medical and food purchases. In addition to the 1.225% gross receipts tax distribution, intergovernmental revenues include distributions of gasoline tax revenues, motor vehicle fees, and a municipal share of the State compensating tax.

Municipally Determined Revenues

The City's primary revenue sources, other than intergovernmental revenues, include, in order of magnitude, the municipal (local option) gross receipts tax, the real property tax and charges for services.

Local Option Gross Receipts Taxes. The City has authority under the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1, et seq. NMSA 1978, as amended) to impose up to 1.50% municipal gross receipts tax on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax imposed by the City on January 1, 2018 is 1.00%. The City is statutorily authorized to impose a municipal infrastructure gross receipts tax in the maximum amount of 0.25%. Currently, the City imposes a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose an additional 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum and may impose, with voter approval, an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has authority to impose a 0.0625% municipal environmental services gross receipts tax but has declined to impose this tax. The City also has authority to impose a 0.25% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes and has imposed 0.1250% of such authorization. Also, under legislation passed in the 2013 State legislative session, the City is authorized to impose up to 0.375% in gross receipts taxes related to the reduction in hold-harmless payments from the State. On March 5, 2018, the City Council approved an ordinance imposing such 0.375% increase. The increase will be effective on July 1, 2018.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2016, 6.544 mills were imposed on residential property and 6.544 mills were imposed on commercial property. These revenues are subject to yield control. See "Property Taxes" below.

Charges for Services. Many services provided by the City's General Fund agencies are provided to the public or other governmental entities on a fee basis. Services for which fees are charged include engineering services, patching and paving, filings of plats and subdivisions, photocopying, sales of maps and publications, bio-park, museums, swimming pools, meals and other activities at senior centers, animal control and zoo admissions. The City also has a cost allocation plan which is used as a basis for assessing indirect overhead charges on non-General Fund agencies and on capital expenditures.

Property Taxes

Generally

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Beginning in Fiscal Year 1987, the maximum levy for City operations (the "operational levy") has been 7.650 mills. The operational levy is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment of property to prevent revenues on locally assessed residential and non-residential properties from increasing by more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7 NMSA 1978, the rate must be at a level that will produce in the first year of

imposition revenues no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the Tax Year in which the increased rate was authorized by the taxing district. **The yield control provisions do not apply to the property tax levy imposed to pay debt service on outstanding general obligation debt.**

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age of the owner, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001 (“Statutory Valuation Cap”). The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property’s new valuation shall not exceed 103% of the previous year’s valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. The constitutionality of the Statutory Valuation Cap has been challenged in a number of venues and was upheld by the New Mexico Supreme Court in 2014. To the extent that judicial or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property.

Rates

The total rates for City property taxes in effect for Tax Year 2017 (Fiscal Year 2018) are 11.520 mills for residential and 11.520 mills for commercial property. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for Tax Year 2016 (Fiscal Year 2017) is 4.976 mills and the operational levy is 6.544 mills residential and 6.544 mills non-residential.

Purpose of Property Tax	Total Taxing Authority	Levy Imposed	Unused Authority
Operations:			
Residential	7.650 mills	6.544 mills	1.106 mills
Commercial		6.544 mills	1.106 mills
Debt Service: ⁽¹⁾	12.000 mills ⁽²⁾		
Residential		4.976 mills	7.024 mills
Commercial		4.976 mills	7.024 mills

- (1) Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.
- (2) The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of the debt from such election. The 12 mill limitation is applicable at the time of bond issuance and prohibits issuance of a general obligation bond if the anticipated mill levy necessary to satisfy debt service is greater than 12 mills. An existing general obligation can require imposition of the mill levy in excess of 12 mills if so required to meet debt service obligations.

Source: City of Albuquerque, Office of City Treasurer.

State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in 1990 and odd numbered years thereafter each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State, through County Assessor offices, will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute.

Limits Regarding General Obligation Indebtedness

The aggregate amount of general obligation indebtedness of the City for general purposes under the State Constitution is limited to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting the construction or purchase of a water or sewer system with general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the assessed valuation.

**CITY OF ALBUQUERQUE
Test for Maximum General Purpose G.O. Bonds**

(January 2018)

4% of Assessed Value of \$13,251,142,082	\$530,045,683
Outstanding (General Purpose subject to 4% limitation):	319,760,000
Available for Future Issues:	<hr/> \$210,285,683

(1) Does not include Series 2018A Bonds.

**CITY OF ALBUQUERQUE
Assessed Valuation
(County Tax Year⁽¹⁾ 2017)**

Market Value of Property Assessed	\$45,801,298,998
(1/3 Market Value)	15,267,099,666
Less Exemptions	(2,395,276,491)
Plus Centrally Assessed (Corporate)	379,318,637
Certified Net Tax Base	<hr/> \$13,251,141,812

(1) The County Tax Year ("Tax Year") begins November 1 and ends October 31.

Sources: City of Albuquerque, Department of Finance and Administrative Services; Bernalillo County Assessor; New Mexico Department of Finance and Administration.

CITY OF ALBUQUERQUE
Outstanding General Obligation Bonds
As of January 1, 2018

Issue	Principal Amount Of Original Issue	Current Outstanding
<u>General Purpose G.O. Bonds:</u>		
June 2009	\$54,970,000	\$6,090,000
February 2011	135,000,000	64,200,000
May 2012	61,760,000	37,645,000
May 2013	70,040,000	49,425,000
May 2014	57,060,000	42,645,000
May 2015	37,970,000	31,405,000
March 2016	71,523,000	65,500,000
April 2017	<u>22,850,000</u>	<u>22,850,000</u>
Total	<u>\$511,173,000</u>	<u>\$319,760,000</u>
<u>Water, Sewer and Storm Sewer G.O. Bonds:</u>		
May 2012	\$8,035,000	\$8,035,000
May 2013	4,980,000	4,980,000
May 2014	5,375,000	5,375,000
May 2015	4,726,000	4,726,000
March 2016	<u>6,500,000</u>	<u>6,500,000</u>
Total	<u>\$ 29,616,000</u>	<u>\$ 29,616,000</u>
<u>Total General Obligation Bonds</u>	<u>\$540,789,000</u>	<u>\$349,376,000</u>

Source: City of Albuquerque, Department of Finance and Administrative Services.

CITY OF ALBUQUERQUE
Direct and Overlapping General Obligation Debt
As of January 1, 2018

Gross G.O. Bonded Debt	\$349,376,000
Less G.O. Sinking Fund Balance	20,753,209
Net G.O. Bonded Debt	\$328,622,791

	<u>G.O. Debt⁽²⁾</u>	<u>Tax Year 2017 Assessed Valuation</u>	<u>% Applicable to City</u>	<u>Gross Overlapping</u>
City of Albuquerque	\$349,376,000	\$13,251,142,082	100.00%	\$349,376,000
Albuquerque Public Schools	567,790,000	16,388,834,729	80.85%	459,084,855
Albuquerque Metropolitan Arroyo Flood Control Authority	42,125,000	15,264,359,979	86.81%	36,569,129
Central New Mexico Community College	90,340,000	18,611,631,378	71.20%	64,320,431
Bernalillo County	112,985,000	16,116,114,678	82.22%	92,899,578
State of New Mexico	395,920,000	57,173,515,395	23.18%	91,762,629
 Total Direct and Overlapping G.O. Debt	 \$1,558,536,000			 \$1,094,012,622

RATIOS

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	8.26%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	2.39%
Assessed Valuation Per Capita (2017 Population 559,277)	\$23,259
Direct and Overlapping G.O. Debt Per Capita	\$1,945

(1) Unaudited.

(2) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.

Sources: City of Albuquerque, Department of Finance and Administrative Services; Bernalillo County Assessor; New Mexico Department of Finance and Administration.

CITY OF ALBUQUERQUE
Ratio of Net General Obligation Debt to Taxable Value
And Net General Obligation Debt Per Capita

GENERAL OBLIGATION DEBT

Fiscal Year	Population⁽¹⁾	Taxable Value(000s)⁽²⁾	Total G.O. Debt (000s)	Debt Service Fund (000s)⁽³⁾	Net G.O. Debt (000s)	Ratio of Net G.O. Debt To Taxable Value	Net G.O. Debt Per Capita
2008	521,999	\$10,949,766	\$292,620	\$87,565	\$205,055	1.87%	\$392.83
2009	528,687	11,581,011	297,868	69,834	228,034	1.97	431.32
2010	543,302	12,299,077	257,880	73,851	184,029	1.50	338.72
2011	545,852	11,920,466	323,805	8,588	315,217	2.64	577.48
2012	552,180	11,951,430	349,260	6,303	342,957	2.87	621.10
2013	555,417	11,876,389	375,029	5,948	369,081	3.11	664.51
2014	556,495	11,967,046	354,380	8,309	346,071	2.89	621.88
2015	557,169	12,228,594	365,921	8,695	357,226	2.93	641.15
2016	559,121	12,414,140	373,989	14,286	368,894	2.97	659.77
2017	562,572	12,809,839	376,769	64,323	376,769	2.94	673.86
2018	564,620	13,251,142	349,376	20,753	349,376	2.94	624.87

(1) United States Census Bureau.

(2) Assessment made by County Assessor. The taxable value by State statute is one-third of assessed value.

(3) Available for debt service.

Source: City of Albuquerque, Department of Finance and Administrative Services (unless otherwise noted).

CITY OF ALBUQUERQUE
Aggregate Debt Service
For Outstanding General Obligation Bonds
As of January 1, 2018

Fiscal Year	Principal	Interest	Total Debt Service
2018	\$44,380,000	\$14,405,054	\$58,785,054
2019	38,290,000	12,244,710	50,534,710
2020	38,290,000	10,497,610	48,787,610
2021	38,285,000	8,750,510	47,035,510
2022	38,285,000	7,003,660	45,288,660
2023	38,295,000	5,402,710	43,697,710
2024	27,595,000	3,859,085	31,454,085
2025	27,675,000	2,789,335	30,464,335
2026	21,905,000	1,831,035	23,736,035
2027	15,841,000	1,082,585	16,923,585
2028	11,045,000	588,550	11,633,550
2029	7,760,000	284,700	8,044,700
2030	1,730,000	51,900	1,781,900
TOTAL	\$349,376,000	\$68,791,444	\$418,167,444

Source: City of Albuquerque, Department of Finance and Administrative Services.

CITY OF ALBUQUERQUE
Historical General Obligation Bond Debt Service
As a Percent of Total General Fund Expenditures

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (Excluding G.O. Debt Service)⁽¹⁾	Debt Service as a % of Total General Fund Expenditures (Excluding G.O. Debt Service)
2008	\$74,625,000	\$9,205,374	\$83,830,374	\$481,785,495	17.4%
2009	65,028,000	9,634,353	74,662,353	451,379,000	16.5
2010	69,075,000	9,529,809	78,604,809	455,137,270	17.3
2011	48,530,000	9,591,425	58,121,415	446,038,625	13.0
2012	49,615,000	10,971,476	60,586,476	459,239,839	13.2
2013	53,220,000	12,019,306	65,241,306	425,551,556	15.3
2014	50,030,000	13,114,378	63,144,378	472,825,899	13.4
2015	43,470,000	13,941,134	57,411,139	489,970,855	11.7
2016	53,625,000	13,959,443	67,584,443	503,242,418	13.4
2017	47,463,000	16,150,297	63,613,297	513,960,907	12.4

(1) Includes transfers and other financing uses. Property taxes collected to pay debt service on outstanding general obligation bonds are accounted for in an internal fund other than the City's General Fund.

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Tax Administration

The County is charged with the responsibility of administering the assessment and collection of property taxes for the City. The State assesses corporate property such as utilities, pipelines and railroads which cross county lines. Assessments are made as of January 1 of each year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The taxes due November 10 become delinquent December 11, while the April 10 payment becomes delinquent May 11. Properties on which taxes are delinquent are transferred to the State, which conducts a tax sale if taxes remain unpaid. The proceeds of the tax sale are remitted to the political subdivisions at the rates of the then current tax levy.

**CITY OF ALBUQUERQUE
Net Taxable Property Values**

Tax Year⁽¹⁾	Real Property	Corporate Property	Personal Property	Net Taxable Valuation	Percent (%) Growth Per Year
2008	\$10,767,888,832	\$374,068,647	\$439,054,344	\$11,581,011,823	5.2%
2009	11,535,490,917	325,907,636	437,678,107	12,299,076,660	6.0
2010	11,125,742,821	383,474,990	411,248,499	11,920,466,310	(3.0)
2011	11,170,440,616	391,592,916	389,396,311	11,951,429,843	0.2
2012	11,091,666,660	398,029,323	386,693,492	11,876,389,475	(0.7)
2013	11,221,053,442	364,457,735	381,535,217	11,967,046,394	0.7
2014	11,449,353,201	384,857,648	394,383,841	12,228,594,690	2.1
2015	11,639,318,991	367,466,788	407,355,017	12,414,140,796	1.5
2016	12,016,112,244	369,769,055	423,958,000	12,809,839,299	3.2
2017	12,424,132,418	379,318,637	447,691,027	13,251,142,082	3.4

(1) County Tax Year begins November 1 and ends October 31. Figures are as of October in each year.

Source: Bernalillo County Treasurer's Office.

Principal Ad Valorem Taxpayers for Tax Year 2017 (Fiscal Year 2018)⁽¹⁾

Name of Taxpayer	Taxable Value ⁽²⁾ 2017 Assessed	Percentage of Total City Assessed Valuation
Public Service Co. of New Mexico	\$218,778,124	1.67%
Qwest Communications	45,914,080	0.35
Gas Company of New Mexico	41,793,719	0.32
Comcast	33,780,329	0.26
Verizon	21,813,098	0.17
Southwest Airlines	16,215,651	0.12
AT&T	15,441,237	0.12
BN&SF	13,773,028	0.11
GCC Rio Grande	12,190,151	0.09
T-Mobile	<u>9,025,467</u>	<u>0.07</u>
Top Ten Centrally and Locally Assessed Values	<u>\$428,724,884</u>	<u>3.28%</u>

- (1) Major taxpayers are those taxpayers that have a tax bill on a single piece of property of at least \$50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of \$50,000 or more are included except Public Service Company, which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.
- (2) The aggregate net taxable value of the top 10 taxpayers for Tax Year 2017 represents only 3.28% of the total net taxable value of the City for 2017. See the following table entitled “City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection.”

Source: Bernalillo County Treasurer’s Office.

CITY OF ALBUQUERQUE History of Property (Ad Valorem) Tax Levy and Collection

Fiscal Year	Total Current Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
2008	\$121,750,532	\$117,079,566	96.06%	\$4,107,019	\$121,182,579	100.53%	\$86,949,406	71.7%
2009	128,698,136	122,483,590	95.25	3,188,928	125,672,518	97.65	89,078,669	71.4
2010	137,620,118	128,323,244	93.24	4,025,478	132,348,722	96.17	59,720,923	44.4
2011	136,017,057	128,514,768	94.50	4,454,464	132,969,232	97.76	58,388,073	43.6
2012	137,680,758	130,707,804	94.90	4,732,716	135,440,219	98.37	58,638,338	43.6
2013	136,815,825	132,352,074	96.74	4,535,781	136,888,600	100.05	59,168,200	43.2
2014	137,860,639	133,570,669	96.90	4,407,888	137,978,557	100.09	59,696,138	43.3
2015	140,181,218	135,987,831	97.01	4,014,171	140,002,002	99.87	59,021,530	42.1
2016	142,214,748	138,314,976	97.26	5,303,082	143,618,058	100.99	62,371,833	43.9
2017	145,255,034	141,457,599	97.39	4,182,399	141,666,329	97.53	63,842,388	44.0

- (1) Includes both operating and debt service levies. Reported each January by the County Treasurer based on tax bills, including those under protest.
- (2) Decline in debt service collections due to shift in mill levy designation from debt service to operations.

Source: Bernalillo County Treasurer’s Office.

CITY OF ALBUQUERQUE
Property Tax Rates
Residential and Non-Residential
Per \$1,000 Assessed Valuation
All Overlapping Governmental

Fiscal Year	Total Tax Levy	City	Bernalillo County	State of New Mexico	Abq. Public Schools	Central NM Community College	Flood Control Authority	UNM Hospital	Conservancy District
2008	44.325	11.048	7.334	1.250	10.434	3.048	0.841	6.400	3.970
2009	44.222	11.048	7.334	1.150	10.434	3.046	0.840	6.400	3.970
2010	45.044	11.365	7.334	1.530	10.447	3.158	0.840	6.400	3.970
2011	45.663	11.520	7.876	1.362	10.453	3.237	0.845	6.400	3.970
2012	46.024	11.520	8.117	1.360	10.462	3.344	0.851	6.400	3.970
2013	46.539	11.520	8.578	1.360	10.465	3.392	0.854	6.400	3.970
2014	46.633	11.470	8.531	1.360	10.531	3.377	0.852	6.342	4.170
2015	47.027	11.469	8.721	1.360	10.531	3.381	0.852	6.334	4.379
2016	47.143	11.315	8.561	1.360	10.487	3.776	0.848	6.198	4.598
2017	47.355	11.217	8.463	1.360	10.452	3.789	0.846	6.400	4.828
2018	48.972	11.291	9.376	1.360	10.665	3.840	0.920	6.400	5.120

Source: Bernalillo County Treasurer's Office.

Gross Receipts Taxes

State Gross Receipts Taxes

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91 NMSA 1978, as amended), authorizes the State to impose the State gross receipts tax, (the "State Gross Receipts Tax") which is currently levied by the State for the privilege of doing business in the State and is collected by the Taxation and Revenue Department (the "Department"). The State Gross Receipts Tax is currently levied at 5.125% of taxable gross receipts. Of the 5.125 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.225 cents are remitted monthly to each municipality based on the prior month's filings. The total gross receipts tax rate imposed in the City effective on January 1, 2018 is 7.5%. On March 5, 2018, the City Council approved an ordinance imposing a 0.375% gross receipts tax increase. Upon such increase becoming effective on July 1, 2018, the total gross receipts tax rate imposed in the City will be 7.875%.

Taxed Activities. For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. "Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or the value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing or licensing property employed in the State, from granting a right to use a franchise employed in the State, from selling services performed outside the State, the product of which is initially used in the State or from performing services in the State. The definition of gross receipts principally excludes cash discounts allowed and taken, governmental gross receipts tax, leased vehicle gross receipts tax, local option gross receipts tax and Indian nation sales taxes payable on transactions for the reporting period, any type of time-price differential, amounts received solely on behalf of another in a disclosed agency capacity and amounts received by a New Mexico florist from the sale of flowers under certain circumstances. Unlike most other states, the State taxes sales and services, including legal services, utilities and certain medical services. The tax rate for construction businesses is determined by the location of each construction project. The tax rate

for utilities is determined by the location of the meter used to record the amount of service consumed by the customer or the location of the telephone set. For cellular service, it is the location of the customer's place of primary use

Exemptions. Some activities and industries are exempt from the Gross Receipts Tax Act, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations, certain paid but unrefunded receipts from sales of gasoline or alternative fuel, and receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends and interest, receipts from the sale or leasing of natural gas, oil or mineral interests. Various deductions are allowed, including but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from the sale of certain construction services, receipts from processing certain agricultural products, receipts from certain publication sales, and certain receipts from interstate commerce transactions. Deductions include sales or leases to manufacturing entities, entities intending to resell or lease, sales or leases to those in construction, prescription drugs, certain hospital receipts, sales of food, Medicare payments and certain software development services. There are numerous exemptions and deductions from gross receipts taxation. However, the general presumption is that all receipts of a person engaging in business are subject to the Gross Receipts Tax Act.

Administration of the Tax. Businesses must make their payments of State Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts tax is administered by the Revenue Division of the Department (the "Revenue Division"), pursuant to Section 7-1-6 NMSA 1978. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less the following disbursements to the municipalities in the State. The Revenue Division remits monthly to municipalities, including the City, an amount equal to the product of the quotient of 1.225% divided by the tax rate times the net receipts (total amount paid by taxpayers less any refunds disbursed) attributable to the gross receipts of businesses located in the municipality and other designated areas.

Remedies for Delinquent Taxes. The Revenue Division may assess State Gross Receipts Taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom State Gross Receipts Taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 15.0% per year, compiled on a daily basis, until paid, without regard to any installment agreement. However, if the State Gross Receipts Tax is paid within ten days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent State Gross Receipts Taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

Historical Revenues. The state-shared Gross Receipts Tax Revenues received by the City for the past five Fiscal Years and a portion of the current fiscal year are as follows:

Historical State-Shared Gross Receipts Tax Revenues

<u>Fiscal Year</u>	<u>Revenues⁽¹⁾</u>
2013	\$176,024,010
2014	179,377,813
2015	186,074,619
2016	190,154,484
2017	192,979,604
2018 ⁽²⁾	116,129,644

- (1) In Fiscal Year 2016 reductions began of payments from the State to municipalities, including the City, related to tax deductions for food and medical expenses. The payments, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. The legislation also authorizes additional local option tax authority for municipalities if they choose to enact them.
- (2) Reflects seven months of receipts accrued through January 2018.

Source: City of Albuquerque, Department of Finance and Administrative Services. Calculated based on reports from the New Mexico Taxation and Revenue Department.

Certain of the revenues received from this tax are pledged to the payment of gross receipts tax bonds of the City. Some of those bonds are also secured by other revenues of the City, such as lodgers’ taxes. See “FINANCIAL INFORMATION – Lodgers’ Tax and Hospitality Fee.”

Municipal and Other Gross Receipts Taxes

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1 through 7-19D-18 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.50% municipal gross receipts tax in increments of one-eighth of one percent on the gross receipts of any person engaging in business in the City. The City currently imposes 1.00% municipal gross receipts tax. One half of one percent (0.50%) is used for general purposes. An additional 0.25% municipal gross receipts tax is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. A 0.25% increment of municipal gross receipts tax is imposed to provide for public safety, a variety of social-service programs and detention facility expenses. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes and a 0.1250% gross receipts tax for capital outlay purposes. On March 5, 2018, the City Council approved an ordinance imposing a 0.375% gross receipts tax increase. Such increase will be effective on July 1, 2018. The City has authority to impose, but has not imposed a second 0.0625% municipal infrastructure gross receipts tax, without a referendum; an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development, with a positive referendum; a second 0.125% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, with a positive referendum; a 0.25% quality of life gross receipts tax; and a 0.0625% municipal environmental services gross receipts tax without a referendum.

On December 18, 2006, the City Council formed five tax increment development districts (the “Districts”) for the Mesa del Sol project in southeast Albuquerque. Pursuant to the City

Council's action, 67% of certain gross receipts tax generated within the Districts will be available for payment of bonds, the proceeds of which will be used for construction of public infrastructure within the Districts by the developer of the project. The remaining 33% of applicable gross receipts tax revenues generated within the Districts but not dedicated to Mesa del Sol will flow to the City. It is anticipated that these tax increment revenues that the City has dedicated to the Districts will be pledged to future issuance of the Districts' tax increment revenue bonds. The State began collecting tax revenues for the Districts in January 2008. On October 27, 2009, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2009A which was retired on October 28, 2009. On December 9, 2011, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2011 which was retired on December 12, 2011. On December 4, 2012, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2012 which was retired on December 5, 2012. On December 19, 2013, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2013 which was retired on December 20, 2013. On December 16, 2014, District No. 1 issued its Taxable Short-Term Tax Bond, Series 2014 which was retired on December 17, 2014. The Districts' obligations are not the obligations of the City.

On October 6, 2008, the City formed tax increment development districts for Winrock Town Center and Quorum at ABQ Uptown. In 2012, the City dissolved the Quorum at ABQ Uptown tax increment development district and is negotiating a rebate payment to the City from the developer. The Winrock Town Center Tax Increment Development District 1 ("Winrock District 1") and the Winrock Town Center Tax Increment Development District 2 (collectively, the "Winrock Districts") continue in existence. The City dedicated 70% of certain local option gross receipts tax increments and 75% of property tax increment generated within the Winrock Districts. On July 8, 2015, Winrock District 1 issued its Senior Lien Gross Receipts Tax Increment Bonds, Series 2015 in the aggregate principal amount of \$43,325,000. The tax increment revenues that the City dedicated to the Winrock Districts are pledged to such tax increment revenue bonds that are financing public infrastructure improvements that will ultimately be dedicated to the City.

Historical Revenues. The revenues received by the City as a result of its imposition of municipal gross receipts tax and municipal infrastructure gross receipts tax for the past five fiscal years are as follows:

CITY OF ALBUQUERQUE
Historical Municipally Imposed Gross Receipts Tax Revenues

Fiscal Year	Revenues
2013	\$151,942,827
2014	155,281,932
2015	160,437,075
2016	164,035,264
2017	181,794,011

Source: City of Albuquerque, Department of Finance and Administrative Services.

Taxing Authority and Payments

The following table outlines the gross receipts taxes imposed and to be paid to the State, the City and County by businesses in the City.

Fiscal Year 2018 Gross Receipts Tax Rate
(as of January 1, 2018)⁽¹⁾

Type of Tax & Purpose	Percentage Imposed
Municipal GRT	1.0000%
Municipal Infrastructure GRT	0.0625
Municipal Capital Outlay GRT	0.1250
Bernalillo County GRT	1.1875
State-Shared GRT	1.2250
State GRT	<u>3.9000</u>
Total	7.5000%

(1) Does not include 0.375% gross receipts tax increase approved by City Council on March 5, 2018. Such increase will be effective on July 1, 2018.

Source: City of Albuquerque, Office of City Treasurer.

The following table describes the City's taxing authority and the percentage it currently imposes to generate gross receipts tax revenues to the City:

**Fiscal Year 2018 Taxing Authority and Gross Receipts Tax Imposed
For the Benefit of the City of Albuquerque (as of January 1, 2018)**

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	Unused Authority
Municipal GRT			
General Purposes	0.5000%	0.5000%	0.0000%
Basic Services	0.5000%	0.0000%	0.5000%
Transportation	0.2500%	0.2500%	0.0000%
Public Safety	<u>0.2500%</u>	<u>0.2500%</u>	<u>0.0000%</u>
<i>Total Municipal GRT</i>	<u>1.5000%</u>	<u>1.0000%</u>	<u>0.5000%</u>
Municipal Infrastructure GRT			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250%	0.0000%	0.1250%
Municipal Environmental GRT	0.0625%	0.0000%	0.0625%
Municipal Capital Outlay GRT	0.2500%	0.1250%	0.1250%
Quality of Life GRT	0.2500%	0.0000%	0.2500%
Hold Harmless GRT	0.3750%	0.0000% ⁽¹⁾	0.3750%
<i>Total Other GRT</i>	<u>1.1875%</u>	<u>0.1875%</u>	<u>1.0000%</u>
Total Impositions by the City		<u>1.1875%</u>	
State-Shared GRT		<u>1.2250%</u>	
Total Distribution to the City		<u>2.4125%</u>	

(1) On March 5, 2018, City Council approved a 0.375% gross receipts tax increase. Such increase will be effective on July 1, 2018

Source: City of Albuquerque, Office of City Treasurer.

Historical Taxable Gross Receipts

The table which follows provides information about the City's taxable gross receipts by sector since 2008.

CITY OF ALBUQUERQUE
Taxable Gross Receipts by Sector and Total Gross Receipts⁽¹⁾
Fiscal Years 2008-2017 (\$000,000)

Category ⁽²⁾	2008	2009	2010	2011	2012	2013	2014	2015	2016	Share of		
										2017	2008	2017
Accommodation and Food Services	\$1,237	\$1,206	\$1,204	\$1,267	\$1,309	\$1,310	\$1,341	\$1,431	\$1,519	\$1,530	8.2%	9.5%
Admin and Support	128	127	143	141	129	151	150	171	233	236	0.8	1.5
Agriculture	7	7	4	4	4	5	7	9	14	19	0.0	0.1
Arts Entertainment and Recreation	60	78	80	86	91	88	98	112	122	148	0.4	0.9
Construction	1,562	1,446	1,080	1,014	1,008	1,080	1,122	1,154	1,214	1,398	10.3	8.7
Educational Services	95	91	112	143	123	99	111	103	90	88	0.6	0.5
Finance and Insurance	149	126	108	104	107	115	120	119	123	140	1.0	0.9
Health Care	681	703	721	746	768	799	823	938	1,006	1,058	4.5	6.6
Information and Cultural Industries	395	375	509	596	777	759	767	797	771	791	2.6	4.9
Management of Companies	18	17	17	15	10	20	23	24	(15)	20	0.1	0.1
Manufacturing	312	264	218	262	283	289	333	350	335	334	2.1	2.1
Mining	0	0	(0)	1	1	1	5	8	7	8	0.0	0.1
Other Services	1,653	1,624	1,355	1,421	1,299	1,414	1,400	1,374	1,390	1,350	10.9	8.4
Professional Scientific and Technical Services	1,437	1,511	1,381	1,497	1,462	1,452	1,487	1,547	1,636	1,649	9.5	10.3
Public Administration	7	2	1	1	0	0	2	2	1	2	0.0	0.0
Real Estate & Leasing	219	186	177	194	232	249	276	310	384	350	1.4	2.2
Retail Trade	4,309	4,005	3,884	3,833	3,950	4,023	3,966	4,040	4,125	4,164	28.4	26.0
Transportation and Warehousing	120	99	104	107	119	114	110	115	102	107	0.8	0.7
Unclassified Establishments	165	97	67	47	39	51	93	138	106	122	1.1	0.8
Utilities	461	460	450	520	550	570	567	564	525	517	3.0	3.2
Wholesale Trade	<u>671</u>	<u>557</u>	<u>484</u>	<u>469</u>	<u>384</u>	<u>386</u>	<u>372</u>	<u>384</u>	<u>380</u>	<u>395</u>	<u>4.4</u>	<u>2.5</u>
										14,430	100.0	
Total Taxable Gross Receipts ⁽³⁾	13,689	12,983	12,107	12,474	12,656	12,993	13,195	13,689	14,066		%	100.0%
Food - Hold harmless Distribution	1,037	1,019	977	1,014	1,049	1,060	1,098	1,129	1,115	1,156		
Medical -Hold harmless Distribution	<u>433</u>	<u>523</u>	<u>470</u>	<u>496</u>	<u>551</u>	<u>514</u>	<u>484</u>	<u>452</u>	<u>446</u>	<u>459</u>		
										\$16,04		
Total Taxable Gross Receipts base ⁽³⁾	15,156	14,524	13,548	13,977	14,245	14,550	14,756	15,271	\$15,627	5		
	\$28,74									\$28,84		
Total Gross Receipts	2	\$26,457	\$24,728	\$25,825	\$26,327	\$26,801	\$27,316	\$26,170	\$28,165	7		

(1) Albuquerque taxable gross receipts are according to distribution month, which lags reporting month by one month and activity month by two months. While taxable gross receipts is the reported tax base, the actual tax distributions may differ from those calculated by applying the tax and distribution rates to taxable gross receipts for any of a number of reasons (e.g., the filing taxpayer did not include a check or the check was returned; an adjustment was made for a previous over or under distribution to the City). Actual distributions average within 1-2% of computed tax due based on reported taxable gross receipts.

(2) North American Industrial Classifications System (NAICS) with exception of Food and Medical Hold Harmless.

(3) May not total due to rounding.

Source: City of Albuquerque, Department of Finance and Administrative Services.

Lodgers' Tax and Hospitality Fee

Lodgers' Tax

The lodgers' tax is levied pursuant to the Lodgers' Tax Act (Sections 3-38-13 through 3-38-24 NMSA 1978, as amended) and is imposed, with certain limited exceptions, on all revenues derived from the furnishing of lodging within the City. The tax rate imposed by the City is 5% and is imposed on the gross taxable rent paid for lodging (but not including state gross receipts tax or local gross receipts tax).

Lodgers' tax revenues are pledged to the payment of the City's gross receipts/lodgers' tax bonds in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the lodgers' tax, less certain administrative costs. Under the Lodgers' Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the lodgers' tax) of more than two percent (2%) is required to use not less than one-half of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain other tourist facilities or attractions within the City. The City uses the 50% of the lodgers' tax revenues not pledged to the payment of bonds to satisfy this requirement.

Hospitality Fee

The State Legislature passed the Hospitality Fee Act (Sections 3-38A-1 through 3-38A-12 NMSA 1978) which became effective in June 2003. Under the Act, the City has authority to impose, without a referendum, a hospitality fee of up to 1% of the gross rent proprietors receive from tourist accommodations within the City. On April 19, 2004, the City enacted its ordinance imposing the hospitality fee. The Hospitality Fee Act includes a section which repeals the Act effective July 1, 2028. As required by the Hospitality Fee Act, fifty percent of the fees collected are to be used for advertising to publicize and promote tourist-related attractions, facilities and events, and the remaining fifty percent is to be used to equip and furnish the City's convention center. Hospitality fee revenues, in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the fee, less certain administrative costs, are pledged to the payment of the City's outstanding Hospitality Fee obligations.

Historical Lodgers' Tax Revenues and Hospitality Fee Revenues

The gross taxable rent, lodgers' tax revenues and hospitality fee revenues collected by the City for the last five fiscal years are as follows:

CITY OF ALBUQUERQUE Historical Lodgers' Tax Revenues

Fiscal Year	Gross Taxable Rent ⁽¹⁾	Lodgers' Tax Revenues	Hospitality Fee Revenues
2013	\$204,103,740	\$10,205,187	\$2,041,037
2014	215,798,301	10,789,915	2,157,983
2015	228,461,360	11,423,068	2,275,003
2016	237,347,900	11,867,395	2,373,479
2017	244,545,088	12,227,254	2,445,451

(1) Defined by the Lodgers' Tax Act to mean "the total amount of rent paid for lodging, not including the State Gross Receipts Tax or local sales taxes."

Source: City of Albuquerque, Department of Finance and Administrative Services.

Employee Contracts

There were 5,956 full-time employment positions budgeted by the City for Fiscal Year 2018. Approximately 84% of City employees are affected by union contracts. There are eight bargaining units within the City. The City's union contracts are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO); Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO); Transit Union (A.F.S.C.M.E. Local 624 AFL-CIO); Blue Collar Workers (A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers' Association; Prisoner Transport Officers; and Management Union (A.F.S.C.M.E. Local 3022, AFL-CIO). All collective bargaining agreements are current at this time.

Retirement Plan

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 *et seq.* NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in New Mexico participate in the Plan. The Plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. As required by State law, eligible employees are required to contribute between 7.75% and 18.15% of their gross salary, depending on the specific plan type, and the City is required to contribute between 7.40% and 21.65% of eligible employees' gross covered salary, depending on the specific plan type. The City's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The City's required contributions to PERA for the years ending June 30, 2017, 2016 and 2015 were \$35,376,597, \$33,311,341 and \$32,575,247, respectively, which equal the legally required contributions for each year. The City's total contributions to PERA, including the employer required contributions and the portion the City pays for the employees for the years ending June 30, 2017, 2016 and 2015 were \$63,864,670, \$60,217,368 and \$58,202,765, respectively. On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires

governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the City, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014. As of June 30, 2017, the City reported a net pension liability of \$717,983,547 for its proportionate share of the net pension liability.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at www.pera.state.nm.us.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2017 (in thousands)**

Membership ⁽¹⁾	103,130
Actuarial Information	
Accrued Liability ⁽²⁾	\$20,194,698
Actuarial Value of Assets ⁽³⁾	\$15,124,167
Unfunded Actuarial Accrued Liability (“UAAL”)	\$5,070,530

(1) Includes both state and municipal divisions.

(2) Includes accrued liability of both the retired and active members.

(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25% annual return for the first 10 years and 7.75% thereafter. Annual returns are smoothed in over a four-year period.

Source: Public Employees Retirement Association.

As of June 30, 2017, PERA has an amortization or funding period of 55 years, based on the employer and member contribution rates in effect as of July 1, 2017. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 74.9% as of June 30, 2017 and the UAAL of the PERA Fund increased \$251 million to approximately \$5.1 billion. The State’s portion of the UAAL of the PERA Fund is 53.1%, or \$2.7 billion. On a market value basis, PERA’s funded ratio is approximately 73.1% as of June 30, 2017. Current 30-year projections indicate the PERA Fund will be 87.3% funded in 2043.

Other Post-Employment Benefits

In addition to pension benefits under a defined benefit contributory retirement plan through the PERA, the City provides certain health care and life insurance benefits for retired employees. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan and historically the claims paid in any one year have not exceeded the premiums. Under GASB 45, the City financials now reflect the liability owed beyond the annual premium amounts paid to the carrier. The amount of the Other Post-Employment Benefit (“OPEB”) liabilities and related annual OPEB expense vary under GASB 45 based on the funding policy. Prior to June 30, 2013, the City’s funding policy was based on “Pay-As-You-Go” which resulted in a lower assumed interest rate, higher UAAL, and higher Annual Required Contribution (“ARC”). As of July 1, 2013, the City’s funding policy was changed. The new policy is based on “prefunding” which allows for a higher assumed internal rate of return, lower UAAL, and lower ARC. As of June 30, 2017, the Albuquerque Pooled OPEB Trust had over \$16.5 million in cash and a net position of \$17.0 million. The Irrevocable Trust is managed by the City in conjunction with Wells Fargo Trust and Custody.

The State of New Mexico Retiree Health Care Act (the “Health Care Act”) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The purpose of the Health Care Act is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds deposited by the employer into the Retiree Health Care Fund (the “RHCF”) and by co-payments or out-of-pocket payments of eligible retirees. Each participating retiree pays a monthly premium for the medical plus basic life plan. Each participating employer makes contributions to the Fund in the amount of 2.5% of each participating employee’s annual salary. Each participating employee contributes to the Fund an employee contribution equal to 1.25% of the employee’s annual salary. The City’s contributions to the RHCF for the years ended June 30, 2017, 2016 and 2015 were \$5,743,608, \$5,526,285 and \$5,394,698, respectively, which equal the required contributions for each year.

Capital Implementation Program

General

The City finances a substantial portion of its traditional municipal capital improvements with general obligation bonds. Historically, the City issued general obligation bonds annually to finance capital improvements. However, certain improvements are financed with revenue bonds. The City’s Capital Implementation Program consists of a ten-year program, with a general obligation bond election held every odd-numbered year to approve the two-year capital budget portion of the program.

Albuquerque Rapid Transit

A portion of the City’s Capital Improvement Program is dedicated to the design, construction and purchase of revenue vehicles for the Albuquerque Rapid Transit project (the “ART Project”) which, upon completion, will be an approximately 9-mile transit corridor along Central Avenue. Funding for the ART Project includes approximately (a) \$27 million of City funds already raised through bond financings and infrastructure tax, (b) \$31 million in federal grants already committed to the ART project by the City, of which \$9.6 million has been received, and (c) a \$75 million Small Starts Capital Grant that has been recommended by the Federal Transportation Administration (the “FTA”), of which \$50 million was placed in

President Trump’s budget in July 2017 and the remaining \$25 million is expected to be placed in President Trump’s budget in July 2018. Congress has not yet approved funds for the Small Starts Capital Grant. The City is advancing the amount of the Small Starts Capital Grant with the expectation that it will be reimbursed such amount upon receipt of such funds from the FTA. The City is cautiously optimistic that Congress will appropriate such funds and the FTA will award the funds to the City. However, if such funds are not received, the City anticipates that the amount originally attributable to the Small Starts Capital Grant will be provided through other legally available City funds.

Impact Fees

The City’s impact fee ordinance was adopted by the Council on November 19, 2012 and implemented on December 8, 2012. Two lawsuits challenging the impact fee ordinance were filed in Bernalillo County District Court by developers in January 2013. The lawsuits allege that impact fee credits held by the developers under the City’s previous impact fee ordinance were unlawfully devalued by the ordinance adopted on November 19, 2012. It is premature to speculate how the lawsuits might affect the City’s impact fee ordinance or the collection of impact fees. The City is also involved in an administrative appeal regarding cash refunds requested by an impact fee credit holder. It is similarly premature to speculate how this administrative appeal might affect the City’s impact fee ordinance or the collection of impact fees.

An impact fee is a one-time charge imposed on new development to help fund the costs of capital improvements that are necessitated by and attributable to new development. Impact fees may not be charged retroactively and may not be used for maintenance or repair. The cost calculation formulas recognize that new development in areas where major infrastructure already exists will have lower costs.

The seven types of new infrastructure that the City impact fees support are: (i) road, (ii) drainage, (iii) fire, (iv) police, (v) park, (vi) open space, and (vii) trail. Service areas have been identified for each type of infrastructure.

The program supplements the existing Capital Implementation Program. The funds from the impact fees are used to develop infrastructure on a pay-as-you go basis and will not affect the City’s current general obligation bond program or the City’s bonding capacity.

Total Impact Fees

Fiscal Year	Total Collected
2013 ⁽¹⁾	\$1,486,701
2014	1,050,649
2015	1,556,858
2016	2,067,078
2017	3,021,358

(1) In November 2012 City Council passed a new impact fee ordinance. These impact fees are phased in by calendar year: 20% in 2013, 40% in 2014, 60% in 2015, 80% in 2016 and 100% January 2017.

Source: City of Albuquerque, Planning Department.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

There is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City’s knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the City material to the Series 2018A Bonds or the security for the Series 2018A Bonds; (ii) seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the performance by the City of its obligations under, the Series 2018A Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2018A Bonds or (B) the validity or enforceability of the Series 2018A Bonds, any of the documents relating to the Series 2018A Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the City will deliver a no-litigation certificate as to the foregoing.

New Mexico Tort Claims Act Limitations

The New Mexico Tort Claims Act limits liability to (i) \$200,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence. In two consolidated cases, the City had two judgments entered against it that exceeded these caps on damages under the New Mexico Tort Claims Act. In August 1998, the New Mexico Supreme Court declared the cap on damages unconstitutional as to these two cases only. However, the Court changed the standard from an “intermediate scrutiny” standard to a “rational basis” standard by which the constitutionality

issue will be determined in future cases. Since the “rational basis” standard is a lesser standard of scrutiny, the City expects that the cap will be upheld, if challenged in the future. The City has not experienced a material adverse financial impact on claims as a result of the decision in these cases.

Risk Management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$2,000,000 for public safety employees and \$1,500,000 for all other employees each workers’ compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City continues to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$71.9 million at June 30, 2017, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

In the fiscal year ended June 30, 2013, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher reserve liability was needed. Beginning in fiscal year 2015, the City began funding a “Risk Recovery” plan through an allocation to the respective departments. The original goal was to recover \$36.3 million over ten years. In Fiscal Years 2015, 2016 and 2017, \$8.3 million was collected under the plan. It should be noted that these allocation amounts are subject to annual appropriations by the City Council.

Finally, the City has reserve amounts created by the City’s policy to reserve one-twelfth of the General Fund budgeted amount. See Note IV.O to the Audited Financial Statements for Fiscal Year 2017, attached hereto as Appendix A.

TAX MATTERS

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Series 2018A Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Series 2018A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the Series 2018A Bonds is excludable from net income for present State of New Mexico income tax purposes.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 2018A Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Series 2018A Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Series 2018A Bonds being included in gross income from the date of issue of the Series 2018A Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has rendered an opinion that interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2018A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Before purchasing any of the Series 2018A Bonds, potential purchasers should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018A Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Series 2018A Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2018A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Series 2018A Bonds issued prior to enactment. Each purchaser of the Series 2018A Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Internal Revenue Service Audit Program

The Internal Revenue Service (the” Service”) has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Series 2018A Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure.

Neither the Municipal Advisor nor Bond Counsel is obligated to defend the tax-exempt status of the Series 2018A Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Series 2018A Bonds to become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Municipal Advisor nor Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Series 2018A Bonds.

Original Issue Discount

The Series 2018A Bonds maturing on July 1, 2030 and July 1, 2031 were offered at a discount (“original issue discount”) equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest. The amount of original issue discount deemed received by the holder is excludable from gross income of the holder for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The accrual of original issue discount increases the holder’s tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Series 2018A Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

The Series 2018A Bonds maturing on July 1, 2019 through July 1, 2028 were offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders’ tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Series 2018A Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2018A Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix D hereto, under which it will agree for the benefit of the owners of Series 2018A Bonds (i) to provide audited annual financial statements of the City when available after the end of each Fiscal Year, including Fiscal Year 2015, and to provide certain annual financial information and operating data relating to the City within 270 days of the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events, if material.

The City has timely filed Annual Financial Information as required under its continuing disclosure undertakings, including audited financials for Fiscal Years 2012, 2013, 2014, 2015 and 2016 in a timely manner. However, in the past few years the City did not provide notice to the market of the adjustments in ratings calibrations used by Moody's Investors Services and Fitch Ratings. These rating modifications resulted in upgrades to certain outstanding City obligations. The City also did not provide notice to the market of the downgrade of Assured Guaranty Municipal Corp. which insured certain outstanding obligations of the City. Further, the City did not provide notice until March 8, 2018 of a downgrade on January 17, 2018 by Moody's Investors Service of National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation), which insured one series of the City's airport subordinate lien bonds. The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants. The City believes it is in material compliance with its outstanding continuing disclosure obligations.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2018A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond opinion included in Appendix C hereto. Certain legal matters relating to the Series 2018A Bonds will be passed upon for the City by the office of the City Attorney and Disclosure Counsel, Sherman & Howard L.L.C. Neither Disclosure Counsel nor Bond Counsel has participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement.

INDEPENDENT ACCOUNTANTS

Moss-Adams LLP audited the financial statements of the City as of and for the year ended June 30, 2017 and delivered their report to the New Mexico State Auditor and the City. The complete Comprehensive Annual Financial Report of the City of Albuquerque – Audited General Purpose Financial Statements – as of and for the Fiscal Year ended June 30, 2017, as well as for previous fiscal years, are public documents and are available from the New Mexico State Auditor and on the City website at <http://www.cabq.gov>. An excerpt from the 2017 audit is included in Appendix A to this Official Statement. Moss-Adams LLP has not been engaged to review this Official Statement or any information contained herein.

UNDERWRITING

The City sold the Series 2018A Bonds at public sale to Morgan Stanley & Co. LLC. at a price of \$93,194,804.78 (equal to the par amount of the Series 2018A Bonds, plus net original issue premium of \$9,035,943.05, and less underwriter's discount of \$66,138.27).

Morgan Stanley & Co. LLC., an underwriter of the Series 2018A Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2018A Bonds

RATINGS

The Series 2018A Bonds have been rated "Aa2" and "AAA" by Moody's Investors Service, Inc., Standard & Poor's Ratings Service, respectively.

Ratings reflect only the respective views of the rating agencies, and the City makes no representation as to the appropriateness of any rating. An explanation of the significance of the ratings may only be obtained from the respective rating agencies. The City has furnished to each rating agency certain information and materials relating to the Series 2018A Bonds and the City, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2018A Bonds, and there can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2018A Bonds.

ADDITIONAL INFORMATION

All quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period upon request directly to the City at One Civic Plaza, N.W., Albuquerque, New Mexico 87102, Attention: Treasurer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2018A Bonds.

APPROVAL BY THE CITY

This Official Statement has been duly authorized and approved by the City and has been executed and delivered by the Mayor on behalf of the City.

CITY OF ALBUQUERQUE, NEW MEXICO

By: _____ /s/ Tim Keller
Mayor

APPENDIX A

Economic and Demographic Information, Including Audited Financial Information for Fiscal Year 2017

ECONOMIC AND DEMOGRAPHIC INFORMATION

The statistics and other information set forth below have been obtained from the referenced sources. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it. Historical figures provided under this caption have not been adjusted to reflect economic trends such as inflation. The following information, to the extent obtained from sources other than the City, is not to be relied upon as a representation or guarantee of the City.

The City and Metropolitan Area

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo County (the "County") at the intersection of two major interstate highways and served by both rail and air, Albuquerque is the major trade, commercial and financial center of the State.

CITY OF ALBUQUERQUE Area in Square Miles

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.15
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
January 1, 2000	181.70
January 1, 2017	189.18

Source: City of Albuquerque Planning Department.

Population

The Albuquerque Metropolitan Statistical Area (“MSA”) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The Census added Torrance County to the MSA in the 2000 Census.

Year	City	Bernalillo County	Albuquerque MSA	State
1960	201,189	262,199	292,500	951,023
1970	244,501	315,774	353,800	1,017,055
1980	332,920	420,262	485,500	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 ⁽²⁾	448,607	556,678	729,649	1,819,046
2005 ⁽³⁾	497,543	606,502	797,146	1,912,884
2010 ⁽⁴⁾	545,852	662,564	887,077	2,059,179
2011 ⁽³⁾	551,338	669,295	896,818	2,077,756
2012 ⁽³⁾	554,449	672,685	900,781	2,083,784
2013 ⁽³⁾	556,239	674,460	902,911	2,085,193
2014 ⁽³⁾	556,971	674,829	903,658	2,083,024
2015 ⁽³⁾	557,448	674,959	905,174	2,080,328
2016 ⁽³⁾	559,277	676,953	909,906	2,081,015

(1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research.

(2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County, population of 16,911.

(3) U.S. Dept. of Commerce, Bureau of the Census, Population Division.

(4) 2010 decennial census U.S. Dept. of Commerce, Bureau of the Census.

Sources: U.S. Dept. of Commerce, Bureau of the Census, except as indicated in footnotes.

Population in the City grew at a compounded annual rate of 1.97% during the 1960s, 3.13% during the 1970s, 1.46% during the 1980s, 1.55% during the 1990s and 2% annually for 2000 to 2010. The percentage of the State’s population in the City was 21.2% in 1960, 24.0% in 1970, 25.5% in 1980, 25.4% in 1990, 24.7% in 2000, and 26.5% in 2010.

Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2017.

PERCENT OF POPULATION BY AGE GROUP

<u>Age</u>	<u>City</u>	<u>State</u>	<u>United States</u>
0-17	22.86%	23.92%	22.77%
18-24	9.14	9.80	9.75
25-34	15.15	13.28	13.43
35-44	13.30	11.87	12.62
45-54	12.25	11.91	13.09
55-64	12.34	13.00	12.88
65-74	8.77	9.69	9.06
75 and Older	6.18	6.53	6.40

Source: © 2017 Claritas LLC.

Employment

General

Employment in the Albuquerque area in the period from Fiscal Year 2008 to Fiscal Year 2017 declined at an average of 0.2% a year. From Fiscal Year 2008 to Fiscal Year 2012 approximately 27,700 jobs were lost. In the following five fiscal years (2013 through 2017) the economy added just over 19,000 jobs. While Albuquerque is now recovering from the recession, the recovery has been slower than the nation as a whole. Employment in the nation reached its pre-recession peak in June 2014, while Albuquerque is still about 8,500 jobs short of its pre-recession peak.

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Workforce Solutions and U.S. Bureau of Labor statistics. More detailed information on non-agricultural employment can be found below under “Historical Employment by Sector” in the table entitled “Estimated Non-Agricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2008-2017”.

NON-AGRICULTURAL EMPLOYMENT (000s)

<u>Fiscal Year</u>	<u>ALBUQUERQUE MSA</u>		<u>NEW MEXICO</u>		<u>UNITED STATES</u>	
	<u>Employment</u>	<u>% Chg.</u>	<u>Employment</u>	<u>% Chg.</u>	<u>Employment</u>	<u>% Chg.</u>
2008	397.9	0.4%	847.4	1.1%	138,151	0.6%
2009	389.0	(2.3)	831.8	(1.8)	134,374	(2.7)
2010	375.7	(3.4)	805.4	(3.2)	130,173	(3.1)
2011	373.2	(0.6)	802.5	(0.4)	131,002	0.6
2012	370.2	(0.8)	801.6	0.1	133,093	1.6

2013	373.2	0.8	808.7	0.9	135,212	1.6
2014	375.3	0.6	813.3	0.6	137,563	1.7
2015	378.5	0.9	824.3	1.3	140,430	2.1
2016	383.0	1.2	827.2	0.4	143,134	1.9
2017	389.5	1.7	834.1	0.8	145,433	1.6

Sources: Albuquerque MSA and New Mexico data based on figures from the New Mexico Department of Workforce Solutions; U.S. data from the U.S. Department of Labor.

CIVILIAN EMPLOYMENT/UNEMPLOYMENT RATES

Unemployment Rates

Fiscal Year	Civilian Labor Force	Number Employed	Albuquerque MSA	New Mexico	United States
2007	403,694	388,349	3.8%	3.9%	4.5%
2008	405,568	389,723	3.9	3.9	5.0
2009	407,287	381,530	6.3	6.2	7.6
2010	413,684	380,616	8.0	8.1	9.8
2011	423,100	390,421	7.7	7.7	9.3
2012	419,028	387,812	7.4	7.4	8.5
2013	417,158	388,285	6.9	6.9	7.8
2014	414,365	386,289	6.8	6.9	6.8
2015	415,144	388,916	6.3	6.5	5.7
2016	418,630	393,173	6.1	6.6	5.0
2017	425,362	399,443	6.1	6.7	4.7

Sources: New Mexico Department of Workforce Solutions and United States Department of Labor.

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees for 2017.

**MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA⁽¹⁾
By Number of Employees – 2017**

Organization	Employees	Description
Albuquerque Public Schools	14,811	Public School District
Sandia National Labs	10,500	Science-Based Technologies that Support National Security
Presbyterian	9,372	Hospital/Medical Services
Kirtland Air Force Base (Civilian)	7,686	Air Force Material Command
City of Albuquerque	5,854	Government
University of New Mexico ⁽¹⁾	5,137	Educational Institution
State of New Mexico	4,457	Government
Kirtland Air Force Base (Military)	4,184	Air Force Material Command
UNM Hospital	3,775	Hospital/Medical Services
Veterans Hospital	2,897	Hospital/Medical Services
Bernalillo County	2,400	Government
Central New Mexico Community College	2,124	Educational Institution

(1) For a discussion regarding major employers and certain changes which may impact their number of employees, see “Major Industries” under this caption.

Source: City survey of employers.

Historical Employment by Sector

The following table describes by industry sector the estimated nonagricultural wage and salary employment for the Albuquerque MSA during the past ten years.

**ESTIMATED NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT FOR THE ALBUQUERQUE MSA
FISCAL YEARS 2008-2016**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2016 to 2017</u>	<u>Annual Average Growth 2008-2017</u>	<u>Sector Share 2016</u>	
													<u>ABQ</u>	<u>U.S.</u>
Total Nonagricultural	397,933	388,950	375,650	373,233	370,167	373,183	375,342	378,533	383,008	389,467	1.7%	-0.2%	100.0%	100.0%
Natural Resources/Mining/Constr.	29,808	26,050	22,592	21,075	19,467	19,525	20,017	20,467	20,417	21,758	6.6	-3.4	5.6	5.1
Manufacturing	22,883	20,250	17,517	17,650	17,775	17,617	16,925	16,433	16,175	15,567	-3.8	-4.2	4.0	8.5
Trade Transportation and Utilities	69,550	66,017	62,792	62,292	61,883	62,250	63,083	63,600	63,883	64,500	1.0	-0.8	16.6	18.8
• Wholesale Trade	13,692	12,700	12,217	11,817	11,717	11,783	11,775	11,892	11,767	11,975	1.8	-1.5	3.1	4.1
• Retail Trade	44,825	43,025	41,125	40,942	40,650	40,775	41,567	41,767	42,342	42,275	-0.2	-0.6	10.9	10.9
• Transportation, Warehousing and Utilities	11,033	10,292	9,450	9,533	9,517	9,692	9,742	9,942	9,775	10,250	4.9	-0.8	2.6	3.8
Information	9,333	9,308	9,158	8,808	8,208	8,417	7,833	7,983	8,417	8,008	-4.9	-1.7	2.1	1.9
Financial Activities	19,092	18,500	18,292	17,642	17,658	17,775	17,892	17,917	18,058	18,575	2.9	-0.3	4.8	5.8
Professional and Business Services	65,275	63,658	59,008	58,308	56,800	56,875	57,225	57,017	57,733	57,758	0.0	-1.4	14.8	14.1
Educational and Health Services	49,942	52,725	54,175	55,192	56,033	57,308	58,417	60,592	63,050	65,192	3.4	3.0	16.7	15.7
Leisure and Hospitality	39,408	37,950	37,200	37,225	38,000	39,258	40,217	41,583	41,850	42,675	2.0	0.9	11.0	10.8
Other Services	12,308	12,292	11,817	11,842	11,817	11,775	11,692	11,667	11,725	11,917	1.6	-0.4	3.1	3.9
Government	80,333	82,200	83,100	83,200	82,525	82,383	82,042	81,275	81,700	83,517	2.2	0.4	21.4	15.3
LOCAL GOVERNMENT	40,225	41,625	41,617	41,342	40,708	40,683	40,475	40,092	39,983	40,025	0.1	-0.1	10.3	9.9
STATE GOVERNMENT	25,625	25,658	25,850	26,083	26,342	26,800	27,233	26,967	27,533	28,992	5.3	1.4	7.4	3.5
FEDERAL GOVERNMENT	14,483	14,917	15,633	15,775	15,475	14,900	14,333	14,217	14,183	14,500	2.2	0.0	3.7	1.9

Source: Data provided by the New Mexico Department of Labor.

Major Industries

The following narrative discusses the trends in each major sector of the Albuquerque economy. The latest information available to the City is for Fiscal Year 2017 (ending June 30, 2017) unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue.

The industry composition of the Albuquerque economy is similar to the United States economy. The two material differences are that manufacturing makes up a smaller portion of the Albuquerque economy and government plays a bigger role. State government is a significant portion of the Albuquerque economy due to the University of New Mexico, and the federal government is significant due to civilian and military employment at Kirtland Air Force Base, and regional offices for the Veterans Administration, the United States Forest Service and Social Security Offices.

In general the Albuquerque economy has not recovered as well from the recession as the United States as a whole or the majority of other states or metropolitan areas. Albuquerque has shown growth the last five fiscal years, however, some of the growth in Fiscal Year 2013 is attributable to revisions of data. In Fiscal Year 2017, the changes in employment in the Albuquerque MSA were generally positive, increasing 1.7% above Fiscal Year 2016. Employment for the same period increased 0.5% and 1.6% in the State of New Mexico and the United States, respectively.

The unemployment rates in both Albuquerque and the State remained below the United States unemployment rate from Fiscal Years 2000 to 2013. In Fiscal Years 2014 through 2017 the rate in Albuquerque exceeded the U.S. rate.

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation and utilities and constitutes approximately 16.6% of Albuquerque MSA employment. As a whole, employment in this sector decreased by an annual average decline of 0.8% from Fiscal Year 2008 to Fiscal Year 2017. From Fiscal Year 2013 to 2017, the sector showed some limited growth with an annual average increase of 0.8%. Retail trade is the largest employment sector in this grouping with 11.1% of total employment and a trend in employment that is similar to the entire group. Retail trade is an important sector for the City and makes up approximately 26% of gross receipts tax revenues. Gross receipts tax revenues from retail trade were adversely affected during the recession with layoffs in this sector and have only recently shown any growth.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Healthcare Services is one of the largest employers in the area. This is the fastest growing category in the Albuquerque MSA economy. From Fiscal Year 2008 to Fiscal Year 2017, the average annual growth was 3%. The sector now makes up 16.7% of non-agricultural employment. Much of this growth initially was due to a change in Medicare policy that allows payment for home healthcare. Although the educational sector is small in comparison to the health services sector, the educational sector has also grown substantially in the past several years. In Fiscal Year 2016 and 2017, the growth of the health services and educational sectors increased 4.1% and 3.4%, respectively.

Leisure and Hospitality. This sector includes eating and drinking establishments as well as hotels and other tourist-related facilities. Employment for the sector showed average annual growth of 1.4% from Fiscal Year 2008 to Fiscal Year 2017. This sector has been one of the fastest growing sectors, and together with the educational and health services sector, were the only private sectors that exceeded the pre-recession maximum in Fiscal Year 2017. The sector comprises 11% of total non-agricultural employment. Gross Receipts tax revenues for this sector has increased in every fiscal year since 2011 making it one of the largest contributors to the growth in gross receipts tax.

Lodging accounts for approximately 10% of the total gross receipts tax revenues of this sector. Lodgers' tax revenues in Fiscal Year 2009 showed a decline of 11.2%, with an additional 2% decline in Fiscal Year 2010. Lodgers' tax revenues have generally increased between Fiscal Year 2010 and Fiscal Year 2017 with 5.2% growth and in Fiscal Year 2016 tax revenue exceeded the pre-recession peak.

Professional and Business Services. This sector includes temporary employment agencies, back-office operations, Sandia National Labs ("Sandia") and other scientific and research facilities. This sector had peak employment in Fiscal Year 2008 of 65,275 jobs, decreasing to 56,800 jobs in Fiscal Year 2012 and growing to 57,758 by Fiscal Year 2017. Much of the decrease between 2008 and 2012 was due to declines in engineering and architectural services as construction slowed dramatically. The sector now accounts for 15.2% of non-agricultural employment in the Albuquerque MSA.

The budget for Sandia National Labs remained about \$2.2 billion for Fiscal Years 2008 to 2010, and increased to approximately \$2.7 billion in the federal Fiscal Year 2014. There were some modest increases in Fiscal Years 2015, 2016 and 2017. The Sandia Science and Technology Park houses research facilities and/or manufacturing that benefit from the expertise available from Sandia. In addition to continued strength at Sandia, there have been major expansions and/or openings for Fidelity Investments and Sitel. Both of these are customer support or call centers.

Manufacturing. This sector accounted for 4.0% of MSA employment in Fiscal Year 2017. Manufacturing employment has declined substantially with a loss of 7,300 from Fiscal Year 2008 to Fiscal Year 2017. Notable events over the past few years include Schott Solar closing its manufacturing plant in June of 2012, resulting in a loss of 250 positions, and Bendix/King, a subsidiary of Honeywell Aerospace, moving its headquarters to Albuquerque with an estimated 140 jobs. United Poly Systems is taking over part of the former Shott Solar Plant and will manufacture plastic pipe and employ 25 individuals. Nova Corporation is using the remainder of the Shott plant for a data center, training and business incubator. They will use 133,000 square feet of space, but no estimate of employment was provided. The Flagship Food Group, a food manufacturer is expanding production and is expected to hire 125 workers, with expansion plans to employ 300 people. New Mexico Food Distributors is opening a freezer facility at Mesa del Sol that should allow them to create 80 new jobs.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had an average annual decline in employment of 1.7% from Fiscal Year 2008 to Fiscal Year 2017, in part due to closures of call centers for MCI, Comcast and QWEST (now Century Link). Currently this sector makes up 2.0% of non-agricultural employment. The film industry is included in this sector and there has been significant activity in this sector in recent years in large part due to the State's film tax credits program. In addition to movies and television shows being filmed in

Albuquerque, a large sound studio (Albuquerque Studios) has been built within the City. In October of 2014 Comcast opened a new call center with capacity for employment of 450 people.

Government. From Fiscal Year 2008 to 2017 government employment (comprised of federal, state and local employees) has increased by 3,100 jobs. However, the sector lost approximately 1,500 jobs from Fiscal Years 2011 to 2016 due to reductions in government funding and overall weakness in the economy. “Government,” as defined by the U.S. Department of Labor for purposes of reporting non- agricultural employment, does not include military employment, which represents approximately 4,860 jobs in the Albuquerque MSA. In addition, “government” does not include employment at Sandia which is operated by a private contractor, although funded by the federal government (primarily the Department of Energy), and its approximately 8,900 jobs are counted in the Professional and Business Services sector discussed above. Some of the largest employers in the Albuquerque MSA are in the government sector, including Albuquerque Public Schools, the University of New Mexico, Kirtland Air Force Base and the City.

Federal government employment in Albuquerque decreased by approximately 1,275 jobs from Fiscal Year 2011 to Fiscal Year 2017. In Fiscal Year 2017 there was an increase of 317 federal jobs. State government employment increased 3,400 from Fiscal Year 2008 to 2017. The majority of these jobs are at the University of New Mexico and the University of New Mexico Hospital. Local government employment from Fiscal Year 2007 to Fiscal Year 2016 lost approximately 917 jobs after a rapid increase of 2,560 jobs in Fiscal Years 2007 to 2009. Local government includes tribal casinos in this sector, some of which have evolved into destination resorts. Several of these resorts are operated by private companies and employment is therefore included in the private sector. The largest portion of employment in the local government sector is the Albuquerque Public Schools.

Military. Federal military employment is not specifically categorized as a non-agricultural employment sector within the City. However, military employment is an important part of the Albuquerque economy. Kirtland Air Force Base is a major military installation and home to over 150 different operations. Kirtland Air Force Base has approximately 6,000 civilian employees. The University of New Mexico’s Bureau of Business and Economic Research estimated that total military employment in the Albuquerque MSA declined about 160 jobs between Fiscal Years 2008 and 2017. The general downtrend of military jobs reflects in part the decision of the military to replace some military jobs with civilians.

Financial Activities. This sector includes finance, insurance, credit intermediation and real estate. Currently, the Financial Activities sector comprises 4.8% of the non-agricultural employment in the City. Employment in this sector experienced 0.8% average annual decline from Fiscal Year 2008 to Fiscal Year 2017. From Fiscal Year 2007 to Fiscal Year 2012 the sector lost approximately 1,725 jobs. The job losses resulted primarily from the slowdown in the real estate market and the problems and consolidation of the financial sector in general. In Fiscal Year 2012 through 2017 the sector posted gains as real estate and banking improved by adding 933 jobs. Employment in this sector was assisted when Fidelity Financial located in Mesa del Sol in 2008. Fidelity Financial currently employs at least 500 individuals.

Construction. Construction employment in the Albuquerque MSA is generally cyclical. There can be large increases in employment due to large road projects, commercial expansions or strong residential construction, and, conversely, large decreases upon completion of such projects. Fiscal Year 2007 had employment of 31,375, a new maximum for this sector.

Employment fell steadily and in Fiscal Year 2012 employment was at 19,150 jobs. This is directly related to the slowdown in single family and commercial construction.

Between Fiscal Years 2003 through 2005, construction of single-family housing units peaked in the City with an annual average of 5,000 single-family housing permits. Single family permits began declining in 2006 and fell to only 436 permits in Fiscal Year 2009. Single family permits have generally increased since 2009 and reached 971 in Fiscal Year 2017. The value of new commercial permits declined from Fiscal Years 2008 to 2010 but since then has generally showed increases through Fiscal Year 2017. Total permit values have generally maintained an upward trend since Fiscal Year 2011. Additions and alterations showed strong growth with Fiscal Year 2017 being one of the highest totals in the past twenty years largely due to public projects. Fiscal Year 2017 showed a large increase in total value of permits. Commercial construction and additions and alternations values were both at historical highs. Single family construction permits still remains subdued.

BUILDING PERMITS ISSUED IN THE CITY OF ALBUQUERQUE

Fiscal Year	Single Family		Multi-Family		Commercial		Public		Additions & Alterations		Total Permits
	Permits	Value	Units	Value	Permits	Value	Permits	Value	Value	Value	Value
2008	1,214	\$222,075,316	638	\$45,836,909	124	\$22,078,429	10	\$7,928,230	\$225,299,537	\$793,282,421	
2009	436	77,238,886	198	18,549,849	81	103,040,438	20	58,529,283	233,244,05	490,567,861	
2010	876	140,369,408	168	14,763,081	34	26,197,123	8	18,076,792	209,624,603	409,031,007	
2011	725	120,749,010	278	37,022,789	45	65,940,484	1	3,300,300	165,845,129	392,857,712	
2012	846	153,465,589	350	32,509,563	36	46,257,090	4	31,907,654	165,883,476	430,023,373	
2013	923	170,470,736	945	73,378,214	36	78,523,292	4	5,545,791	226,949,710	554,867,742	
2014	841	163,980,975	898	81,296,532	152	103,214,914	7	16,859,014	198,430,162	563,781,597	
2015	871	167,352,011	449	39,390,742	112	116,776,561	10	17,257,410	165,159,484	505,936,208	
2016	915	184,770,209	567	43,676,768	88	119,913,663	31	27,886,373	230,591,376	606,838,389	
2017	971	183,587,235	984	60,907,961	132	242,802,744	9	25,894,927	298,194,709	811,387,576	
Growth 2016 to 2017	6.1%	0.6%	3.5%	39.5%	0.0%	102.5%	-30.8%	-7.1%	29.3%	33.7%	

Below

Total Housing Units in the City of Albuquerque

Total Units

Single Family

Multi-Family

Mobile Homes & Others

As of 1990 Census

166,870

101,780

55,931

9,159

1990-2000 Housing Units Added	31,844	24,863	7,354	(373)
As of 2000 Census	198,714	126,643	63,285	8,786
2000-2010 Housing Units Added	40,452	35,858	3,554	1,040
As of 2010 Census	239,166	162, 501	66,8 39	9,826
2011-2016 Housing Units Added (permitted)	9,592	5,12 1	4,47 1	N/A
Estimated Units as of July 2016	248,758	167, 622	71,3 10	9,826

Sources: City of Albuquerque Planning Department; Census Bureau, U.S. Department of Commerce.

Income

The following table sets forth annual per capita personal income levels for the Albuquerque MSA, the State and the United States. The Bureau of Economic Analysis defines “earnings” to include wages and salaries, proprietor’s income and other labor income (such as bonuses).

PER CAPITA PERSONAL INCOME

Calendar Year	Albuquerque MSA	New Mexico	United States
2007	\$33,717	\$31,703	\$39,821
2008	35,195	33,447	41,082
2009	34,218	32,523	39,376
2010	34,097	33,109	40,277
2011	35,555	34,737	42,461
2012	35,691	35,427	44,282
2013	35,029	34,752	44,493
2014	37,006	36,770	46,494
2015	38,643	37,973	48,451
2016	39,665	38,474	49,246

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

The following table reflects the Percent of Households by Effective Buying Income Groups (“EBI”). EBI is defined as money income less personal tax and non-tax payments described below. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deducted from this total money income are personal income taxes, personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied non-business real estate. Receipts from the following sources are not included as money income: money received from the sale of property; the value of “in kind” income such as food stamps, public housing subsidies, and employer contributions for persons; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

**PERCENT OF HOUSEHOLDS BY
EFFECTIVE BUYING INCOME GROUPS**

2017 Effective Buying Income Group	Albuquerque MSA	New Mexico	United States
Under \$25,000	26.57%	28.88%	23.97%
\$25,000 - \$34,999	12.27	12.72	11.85
\$35,000 - \$49,999	16.42	16.51	16.31
\$50,000 - \$74,999	19.60	18.67	19.32
Over \$75,000	25.14	23.22	28.55
2014 Est. Median Household Income	\$44,391	\$44,292	\$51,579
2015 Est. Median Household Income	\$48,234	\$45,633	\$53,706
2016 Est. Median Household Income	\$48,792	\$45,445	\$55,551
2017 Est. Median Household Income	\$50,192	\$47,043	\$57,462

Source: © 2017 Claritas, LLC; © 2014-2016 The Nielsen Company.

**Excerpt from the Comprehensive Annual Financial Report of the
City of Albuquerque - Audited General
Purpose Financial Statements - as of and
for the Fiscal Year Ended June 30, 2017**

APPENDIX B

Description of Bond Ordinance

The following are excerpts or summaries of provisions of City Ordinance Twenty-Third Council Bill No. O-18-5 which authorizes the issuance and sale of the Series 2018 Bonds. This Appendix B is qualified by reference to the Bond Ordinance on file with the City Clerk.

Certain Definitions

ACT. Sections 3 30 1 to 3 30 9 NMSA 1978, Sections 6 15 1 to 6 15 22 NMSA 1978, and Sections 6-18-1 to 6-18-16 NMSA 1978, as amended, the City Charter, the Home Rule Powers and the Bond Ordinance.

AUTHORIZED AT 2017 ELECTION. The amount of debt authorized at the 2017 Election to be incurred by the City for each separate project listed in the Bond Schedule.

AUTHORIZED DENOMINATIONS. Denominations of \$5,000 and integral multiples of \$5,000 for the Series 2018A Bonds; provided however that the Series 2018B Bonds may be sold in such odd lot denominations as an Authorized Officer of the City may determine.

AUTHORIZED OFFICER. The City's Mayor, Chief Administrative Officer, Chief Financial Officer/Director of Department of Finance and Administrative Services, Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

BOND COUNSEL. An attorney or attorneys at law or firm or firms of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the issuance of, and the tax-exempt nature of interest on, bonds issued by states and their political subdivisions.

BOND ORDINANCE. This ordinance, being City Ordinance Twenty-Third Council Bill No. O-18-5, as amended or supplemented from time to time.

BOND PURCHASE AGREEMENT (2018B). The agreement between the City and the State pursuant to which the Series 2018B Bonds will be sold to the State.

BOND SCHEDULE. The schedule in the preambles to the Bond Ordinance specifying the aggregate of the indebtedness authorized at the 2017 Election and the indebtedness for each Series 2018 Bond Project authorized at the 2017 Election.

BUSINESS DAY. Any day other than (i) a Saturday or Sunday or (ii) any day on which the offices of the City or the offices of banks located in the cities in which the principal offices of the Paying Agent and Registrar are located are authorized or required to remain closed or (iii) a day on which the New York Stock Exchange is closed.

CITY. The City of Albuquerque, in the County of Bernalillo and State of New Mexico.

CONTINUING DISCLOSURE UNDERTAKING. The agreement of the City pursuant to which the City will agree for the benefit of Owners and beneficial owners that, while the Series 2018A Bonds are Outstanding, the City will annually provide certain financial information and operating data and will provide notice of certain material events.

COUNCIL. The Council, the governing body of the City, and any successor thereto.

DEFEASANCE OBLIGATIONS. (1) Government Obligations or; (2) if permitted by law, other obligations which would result in defeased Series 2018 Bonds receiving the same rating from any national rating agency then rating those Series 2018 Bonds as would have been received if the obligation described in clause (1) of this definition had been used.

DEPOSITORIES. The following registered securities depository: The Depository Trust Company, 570 Washington Boulevard, Jersey City, New Jersey 07310, <http://www.dtcc.com>; or in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as an Authorized Officer may designate in a certificate of the City.

EXPENSES. The reasonable and necessary fees, costs and expenses incurred by the City in connection with the issuance of the Series 2018 Bonds including, without limitation, costs of advertising and publication of the Bond Ordinance, costs of printing the Series 2018 Bonds, if any, and any disclosure documents, legal fees and expenses, fees and expenses of the Paying Agent and Registrar, and disclosure matters pertaining or allocable to, the Series 2018 Bonds, and necessary fees and administrative costs of the City relating to the foregoing.

FISCAL YEAR. The twelve-month period used by the City for its general accounting purposes as the same may be changed from time to time, presently being the period beginning July 1 of each year and ending June 30 of the next succeeding year.

GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2018 Bonds.

HOME RULE POWERS. The powers of the City as a home rule city to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X, Section 6 of the State Constitution and all enactments of the Council relating to the issuance of the Series 2018 Bonds, including the Bond Ordinance.

INTEREST AND SINKING FUND. The fund created in Section 18 of the Bond Ordinance for the payment of debt service on the Series 2018 Bonds.

INTEREST PAYMENT DATE. For the Series 2018A Bonds, each January 1 and July 1 (or if such day is not a Business Day, then the next succeeding Business Day), beginning July 1, 2018. For the Series 2018B Bonds, July 2, 2018, the maturity date of the Series 2018 Bonds.

OUTSTANDING. When used in reference to bonds, on any particular date, the aggregate of all such bonds issued and delivered under the applicable City ordinance authorizing the issuance of such bonds except:

- (1) those canceled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;
- (2) those which have been paid or are deemed to be paid in accordance with the City ordinance or resolution authorizing the issuance of the applicable bonds or otherwise relating thereto;
- (3) in the case of variable rate bonds, bonds deemed tendered, but not yet presented for payment; and
- (4) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory to the City and the paying agent for the applicable bonds is presented that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term bond includes any evidence of debt.

OWNER. The registered owner or owners of any Series 2018 Bond as shown on the registration books for the Series 2018 Bonds maintained by the Registrar.

PAYING AGENT. The City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for the Series 2018 Bonds by an Authorized Officer from time to time.

PERMITTED INVESTMENTS. Any investment legally permitted pursuant to Section 6-10-10 NMSA 1978, the City Charter and the City Investment Policy.

PURCHASER. With respect to the Series 2018A Bonds, the purchaser identified in the Sale Certificate. With respect to the Series 2018B Bonds, the State of New Mexico.

RATING CATEGORY. A generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

RECORD DATE. The fifteenth day of the calendar month preceding each Interest Payment Date.

REGISTRAR. The City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for the Series 2018 Bonds by an Authorized Officer from time to time.

SALE CERTIFICATE. One or more certificates executed by the Chief Financial Officer/ Director of the Department of Finance and Administrative Services or the City Treasurer dated on or before the date of delivery of the Series 2018 Bonds, setting forth the following final terms of the Series 2018 Bonds: (i) the interest and principal payment dates; (ii) the principal amounts, denominations and maturity amortization; (iii) the sale prices; (iv) the interest rate or rates; (v) the interest payment periods; (vi) the designation of the Purchaser, (vii) the redemption and tender provisions; (viii) the creation of any capitalized interest fund, including the size and funding of such fund(s); (ix) the amount of underwriting discount, if any; and (x) the final terms of agreements, if any, with agents or service providers required for the purchase, sale, issuance and delivery of the Series 2018 Bonds, all subject to the parameters and conditions contained in this Bond Ordinance.

SERIES 2018 BOND NOTICE. The notice of bond sale for publication and the Official Notice of Bond Sale for the Series 2018A Bonds set forth in the Series 2018 Bond Notice Resolution given pursuant to Section 6-15-5 NMSA 1978, as amended.

SERIES 2018 BOND NOTICE RESOLUTION. City Resolution Twenty-Third Council Bill No. R-18-9, authorizing the giving of notice to receive bids for the sale of the Series 2018A Bonds.

SERIES 2018 BOND PROJECTS. Collectively, the projects to be financed by the Series 2018 Bonds.

SERIES 2018 BONDS. The Series 2018A Bonds and the Series 2018B Bonds, which consist of a portion of the 2017 Election Bonds.

SERIES 2018A BONDS. The Series 2018A Bonds in the original principal amount of \$84,225,000 designated as the “City of Albuquerque, New Mexico General Obligation General Purpose Bonds, Series 2018A” authorized to be issued and sold by the Bond Ordinance.

SERIES 2018B BONDS. The Series 2018B Bonds in the original principal amount of \$6,975,000 designated as the “City of Albuquerque, New Mexico General Obligation Short-Term Bonds, Series 2018B” authorized to be issued and sold by the Bond Ordinance.

STATE. The State of New Mexico.

2017 ELECTION. The City’s municipal election held on October 3, 2017.

2017 ELECTION BONDS. The general obligation bonds of the City authorized to be issued at the 2017 Election.

Series 2018 Bond Projects

Proceeds of the Series 2018 Bonds shall be used for the following Series 2018 Bond Projects and to pay Expenses relating to the issuance of such Series 2018 Bonds, with net premium applied for payment of Expenses:

- (1) \$14,000,000 to design, develop, study, construct, modernize, automate, renovate, rehabilitate, recondition, landscape, furnish, enhance, and otherwise improve, and to acquire land, buildings, property, vehicles, apparatus, and equipment for, police and fire department facilities;
- (2) \$4,900,000 to plan, design, develop, construct, demolish, equip, reconstruct, renovate, rehabilitate, expand, repair, study, landscape, streetscape, enhance and otherwise improve, and to acquire property for, City-owned community centers including those for families, youth, senior citizens and for other community enhancement projects;
- (3) \$14,947,000 to study, map, plan, design, develop, construct, rehabilitate, renovate, expand, furnish, equip, enhance and otherwise improve, and to acquire property, vehicles and equipment for park and recreational facilities, including public parks and facilities within those parks, swimming pools, tennis courts, sports fields, other recreational facilities, open space, medians, bikeways, bosque lands, and trails;

- (4) \$11,455,000 to modernize, make energy and/or water-efficient, upgrade, equip, improve, acquire, design, survey, develop, construct, rehabilitate, renovate, expand, furnish, enhance and otherwise improve, and to acquire property, vehicles and equipment for, public buildings, facilities, and systems;
- (5) \$5,425,000 to acquire property, study, plan, design, develop, construct, reconstruct, renovate, rehabilitate, modernize, preserve, automate, upgrade, landscape and otherwise improve, and to acquire books, media, and equipment for, public libraries;
- (6) \$28,998,000 to study, design, develop, construct, reconstruct, rehabilitate, renovate, automate, modernize, sign, enhance, landscape and otherwise improve, and to acquire property and equipment for municipal streets and roads, interstate roadways and interchanges, medians, trails, bikeways, walkways, sidewalks, railroad crossings, and bridges;
- (7) \$4,500,000 to design, develop, construct, rehabilitate, renovate, expand, recondition, modernize, automate, study, furnish, enhance and otherwise improve, and to acquire property, vehicles, and equipment for public transportation facilities;
- (8) \$2,000,000 to plan, design, develop, construct, reconstruct, rehabilitate, renovate, expand, extend, enhance, study, monitor and otherwise improve, and to acquire property and equipment for the storm sewer system;
- (9) \$1,575,000 to study, design, develop, construct, reconstruct, rehabilitate, renovate, repair, refurbish, modernize, preserve, maintain, expand, enhance, landscape and otherwise improve, and to acquire artifacts, exhibits, furnishings and equipment for City-owned museums and cultural facilities; and
- (10) \$3,400,000 to construct and rehabilitate high quality, permanently affordable housing for low to moderate income working families, including affordable senior rental.

Payment of Series 2018 Bonds

The principal of and premium, if any, on the Series 2018 Bonds shall be payable upon presentation and surrender of the Series 2018 Bonds at the principal office of the Paying Agent at or after their maturity. Interest on Series 2018 Bonds shall be payable by check or draft mailed to the Owners (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). An Owner shall be deemed to be that person or entity shown on the registration books of the Series 2018 Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. However, interest which is not timely paid or provided for shall cease to be payable to the Owners of the Series 2018 Bonds (or of one or more predecessor Series 2018 Bonds) as of the regular Record Date, but shall be payable to the Owners of the Series 2018 Bonds (or of one or more predecessor Series 2018 Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date shall be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date shall be given to the Owners of such Series 2018 Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Series 2018 Bond presented for payment remains unpaid at maturity, the unpaid principal shall continue to bear interest at the rate designated in that Series 2018 Bond. Payments of Series 2018 Bonds shall be made without deduction for exchange or collection charges.

Registration, Transfer, Exchange and Ownership of Series 2018 Bonds

Registration, Transfer and Exchange

The City shall cause books for registration, transfer and exchange of the Series 2018 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2018 Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner, as appropriate, a new Series 2018 Bond or Series 2018 Bonds of the same series, maturity, interest rate and same aggregate principal amount in Authorized Denominations.

Owner of Series 2018 Bonds

The person in whose name any Series 2018 Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest described above under the heading "Payment of Series 2018 Bonds." Payment of either the principal of or interest on any Series 2018 Bond shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2018 Bonds to the extent of the amount paid.

Replacement of Series 2018 Bonds

If any Series 2018 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2018 Bond, if mutilated, and the evidence, information or indemnity which the Registrar and the City may reasonably require, authenticate and deliver a replacement Series 2018 Bond or Series 2018 Bonds of the same series, aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2018 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2018 Bond in lieu of replacement.

Charges

Exchanges and transfers of Series 2018 Bonds shall be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

General Administration of Funds

To the extent practicable, any money in any fund or account shall be invested in Permitted Investments within any limitations imposed by the Bond Ordinance. Obligations purchased as an investment of money in any fund or account shall be deemed at all times to be part of that fund or account, and the interest accruing and any profit realized on those investments shall be credited to that fund or account, unless otherwise stated in the Bond Ordinance (subject to withdrawal at any time for the uses directed and permitted for such money by the Bond Ordinance) and any loss resulting from such investment shall be charged to that fund or account. The City Treasurer shall present for redemption or sale on the prevailing

market any Permitted Investment in a fund or account when necessary to provide money to meet a required payment or transfer from that fund or account.

Protective Covenants

The City covenants and agrees with the Owners:

- (1) Use of Series 2018 Bond Proceeds. When issued, the City will proceed without unreasonable delay to use the proceeds of the Series 2018 Bonds for the acquisition and construction of the respective Series 2018 Bond Projects for which the Series 2018 Bonds are issued in the amounts described under the caption “DESCRIPTION OF BOND ORDINANCE – Series 2018 Bond Projects.”
- (2) Payments. The City will pay the principal of and the interest on every Series 2018 Bond at the place, on the date and in the manner described under the caption “DESCRIPTION OF BOND ORDINANCE – Payment of Series 2018 Bonds” and in the Series 2018 Bonds.
- (3) City’s Existence. The City will maintain its corporate identity and existence so long as any of the Series 2018 Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. The City may annex and de-annex land.

Series 2018 Bonds Not Presented When Due

If any Series 2018 Bonds are not duly presented for payment when due at maturity, and if money sufficient to pay those Series 2018 Bonds is on deposit with the Paying Agent for the benefit of the Owners of those Series 2018 Bonds, all liability of the City to those Owners for the payment of the Series 2018 Bonds shall be completely discharged, those Series 2018 Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold the money received for payment in trust, without liability for interest to the Owners, for the benefit of those Owners.

Delegated Powers

The officers of the City are authorized and directed to take all action from time to time which is necessary or appropriate to effectuate the provisions of the Bond Ordinance, including, without limitation, the delivery of a “deemed final” certificate relating to the Preliminary Official Statement, the publication of a notice of adoption of the Bond Ordinance, the distribution of material relating to Series 2018 Bonds, the printing of Series 2018 Bonds, certificates pertaining to the Series 2018 Bonds and the delivery of and security for the Series 2018 Bonds as may be reasonably required by the Purchaser.

The Chief Financial Officer/Director of the Department of Finance and Administrative Services of the City, or his successor in interest, is hereby authorized and directed to make such changes or corrections to the procedures established in the Bond Ordinance relating to the times of day or the days on which actions are required to be taken, or the persons responsible for particular actions, the form of notice of the occurrence of events, the types and forms of actions required and other administrative matters which, in his judgment, are necessary and appropriate to accomplish the purposes of the Bond Ordinance and to provide for the efficient administration of the Series 2018 Bonds program. Notice of any such changes or corrections shall be given to all persons affected thereby and to Bond Counsel for the City and a certificate of such changes and corrections shall be filed with the City Clerk.

Pursuant to the Supplemental Public Securities Act, Section 6-14-8 et seq., NMSA 1978, as amended by Senate Bill 43 adopted by the New Mexico Legislature during the 2017 Regular Legislative Session, the Chief Financial Officer/Director of the Department of Finance and Administrative Services and the City Treasurer are each hereby delegated authority to accept one or more binding bids and select the Purchasers, to execute the Sale Certificate and to determine any or all of the final terms of the Series 2018 Bonds, subject to the parameters and conditions contained in this Bond Ordinance. The Chief Financial Officer/Director of the Department of Finance and Administrative Services or the City Treasurer shall present the Sale Certificate to the Council in a timely manner, before or after delivery of the Series 2018 Bonds, at a regularly scheduled public meeting of the Council.

Amendment of Bond Ordinance

Amendment

The Bond Ordinance may be amended by resolution or ordinance of the Council without the consent of Owners:

- (1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance;
- (2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;
- (3) To obtain or maintain a rating on the Series 2018 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;
- (4) To achieve compliance with federal securities or tax laws; and
- (5) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, are not materially adverse to the Owners.

Additional Amendments

Except as provided above, the Bond Ordinance may only be amended or supplemented by the Sale Certificate or ordinance adopted by the Council in accordance with the laws of the State, without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Series 2018 Bonds affected by such amendment or supplement then Outstanding (not including Series 2018 Bonds which are then owned by or for the account of the City); provided, however, that no such ordinance shall have the effect of permitting:

- (1) An extension of the maturity of any Series 2018 Bond; or
- (2) A reduction in the principal amount of or interest rate on any Series 2018 Bond; or
- (3) A reduction of the principal amount of Series 2018 Bonds required for consent to such amendment or supplement.

Defeasance

When all principal and interest in connection with all or any part of the Series 2018 Bonds have been paid or provided for, the pledge and lien and all obligations under the Bond Ordinance with respect to those Series 2018 Bonds shall be discharged and those Series 2018 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance.

Without limiting the preceding paragraph, there shall be deemed to be such payment when the Council has caused to be placed in escrow and in trust with an escrow agent located within or without the State and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to pay all requirements of principal and interest on the Series 2018 Bonds to be defeased as the same become due to their final maturities. The escrow agent shall have received evidence satisfactory to it that the cash and Defeasance Obligations delivered to it will be sufficient to provide for the payment of the Series 2018 Bonds to be defeased as stated above. Neither the Defeasance Obligations nor money deposited with the escrow agent shall be withdrawn or used for any purpose other than as provided in the escrow agreement relating

thereto and the Defeasance Obligations and money shall be segregated and held in trust for the payment of the principal or redemption price of, and interest on the Series 2018 Bonds with respect to which such deposit has been made. The Defeasance Obligations shall become due prior to the respective times at which the proceeds are needed in accordance with a schedule established and agreed upon between the City and the escrow agent at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption only at the option of the holders or owners thereof to assure the availability of the proceeds as needed to meet the schedule.

If any Series 2018 Bonds are deemed to be paid and discharged pursuant to this section entitled "Defeasance," then, within fifteen (15) days after the date of defeasance, the City shall cause a written notice to be given to each Owner of Series 2018 Bonds deemed paid and discharged at the address shown on the Series 2018 Bond register for the Series 2018 Bonds on the date on which those Series 2018 Bonds are deemed paid and discharged stating the numbers of the Series 2018 Bonds deemed paid and discharged (if less than all Series 2018 Bonds are deemed paid and discharged), describing the Defeasance Obligations and specifying any date or dates on which the Series 2018 Bonds defeased are to be paid.

APPENDIX C

Form of Opinion of Bond Counsel

April 11, 2018

City of Albuquerque
Albuquerque, New Mexico

\$84,225,000
City of Albuquerque, New Mexico
General Obligation General Purpose Bonds
Series 2018A

Ladies and Gentlemen:

We have acted as bond counsel to the City of Albuquerque, New Mexico (the “City”), in connection with the issuance of its \$84,225,000 General Obligation General Purpose Bonds, Series 2018A (the “Bonds”). The Bonds are authorized to be issued pursuant to City Ordinance Twenty-Third Council Bill No. F/S O-18-5 (the “Bond Ordinance”).

We have examined the Bond Ordinance, the Tax Compliance Certificate of the City relating to the Bonds and such other laws, certified proceedings, documents and other matters, and have made such further inquiries and investigations, as we have considered necessary in rendering this opinion.

Based upon the foregoing, in our opinion, under the existing law:

1. The Bonds constitute valid and binding general obligations of the City and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes on all property within the City subject to ad valorem taxes levied by the City, which taxes are unlimited as to rate or amount.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed on individuals under provisions contained in the Internal Revenue Code of 1986, as amended. Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth above in paragraph 2 are subject to continuing compliance by the City with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the City of the Bonds. Failure to comply with these covenants may

result in interest on the Bonds being included in gross income retroactive to their date of issuance. Our opinion assumes compliance with such covenants.

Other than as described in this opinion, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

The opinions expressed herein represent our legal judgment based upon existing legislation as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds.

Respectfully submitted,

APPENDIX D

Form of Continuing Disclosure Undertaking

\$84,225,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation
General Purpose Bonds
Series 2018A

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the “City”) in connection with the issuance of the City’s General Obligation General Purpose Bonds, Series 2018A (the “Series 2018A Bonds”). The Series 2018A Bonds are being issued pursuant to City Ordinance Twenty-Third Council Bill No. F/S O-18-5 (the “Bond Legislation”).

The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Owners of the Series 2018A Bonds and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Legislation, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, the type of financial information and operating data with respect to the City set forth in “FINANCIAL INFORMATION.”

“Audited Financial Statements” means the annual financial statements for the City, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at emma.msrb.org.

“Events” means any of the events listed in Section 4(a) of this Disclosure Undertaking.

“Fiscal Year” means the Fiscal Year of the City, ending June 30.

“Official Statement” means the final Official Statement delivered in connection with the original issue and sale of the Series 2018A Bonds.

“Owners” means the registered owners of the Series 2018A Bonds, and so long as the Series 2018A Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Bond Legislation.

“Rule 15c2-12” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

SECTION 3. Provision of Annual Information.

(a) Annually while the Series 2018A Bonds remain outstanding, the City shall provide or cause to be provided to EMMA Annual Financial Information and Audited Financial Statements.

(b) Annual Financial Information shall be provided by the City not later than 270 days after the end of each Fiscal Year. If not filed with the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The City may provide Annual Financial Information and Audited Financial Statements with respect to the City by specific cross reference to other documents which have been submitted to EMMA or filed with the SEC. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The City shall clearly identify each other document incorporated by cross reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2018A Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of the security holders, if material;

8. bond calls, if material , or tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(b) At any time the Series 2018A Bonds are outstanding and the City obtains knowledge of the occurrence of an Event, the City shall file, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a notice of such occurrence with EMMA.

(c) At any time the Series 2018A Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner not in excess of ten (10) business days after the occurrence of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Series 2018A Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2018A Bonds are deemed paid or legally defeased pursuant to the terms of the Bond Legislation; (b) the date that the City is no longer an “obligated person” with respect to the Series 2018A Bonds within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2018A Bonds, the determination of (a), (b) or (c) herein to be made in any manner deemed appropriate by the City, including by an opinion of Counsel experienced in federal securities laws selected by the City. The City shall file a notice of any such termination with EMMA.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) such amendment or waiver is consented to by the Owners of no less than a majority in aggregate principal amount of the Series 2018A Bonds obtained in the manner prescribed by the Bond Legislation or (b) if such amendment or waiver is otherwise consistent with Rule 15c2-12, as determined by an opinion of Counsel experienced in federal securities laws selected by the City. Written notice of any such amendment or waiver

shall be provided by the City to EMMA, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The City shall provide notice of any such amendment or waiver to EMMA.

SECTION 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. If the City chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. Default and Enforcement. If the City fails to comply with any provision of this Disclosure Undertaking, any Owner of the Series 2018A Bonds may take action to seek specific performance by court order to compel the City to comply with its obligations under this Disclosure Undertaking; provided that any Owner of the Series 2018A Bonds seeking to require the City to so comply shall first provide at least 30 days' prior written notice to the City of the City's failure (giving reasonable details of such failure), following which notice the City shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Series 2018A Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Undertaking, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of competent jurisdiction in the State of New Mexico. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE BOND LEGISLATION OR THE SERIES 2018A BONDS, AND THE SOLE REMEDY UNDER THIS DISCLOSURE UNDERTAKING IN THE EVENT OF ANY FAILURE OF THE CITY TO COMPLY WITH THIS DISCLOSURE UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Beneficiaries. The Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Series 2018A Bonds, and shall create no rights in any other person or entity.

Dated as of April ____, 2018.

CITY OF ALBUQUERQUE, NEW MEXICO

By: _____

Title: _____

APPENDIX E

Book-Entry Only System

Introduction

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2018A Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2018A BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2018A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2018A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2018A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate will be issued for the Series 2018A Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.8 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its

regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2018A Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2018A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2018A Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2018A Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2018A Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2018A Bonds will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.