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Summary:

Santa Fe County, New Mexico; Sales Tax

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Table Of Contents

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Credit Profile		
US$22.305 mil Capital Outlay Gross Receipts Tax rev bnds ser 2010A due 06/01/2030		
Long Term Rating	AA/Stable	New
US$10.355 mil Capital Outlay Gross Receipts Tax rev bnds ser 2010B due 06/01/2030		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating to Santa Fe County, N.M.'s $22.305 million series 2010A capital outlay gross receipts tax (GRT) revenue bonds and $10.355 million series 2010B capital outlay GRT revenue bonds.

The rating reflects our view of the county's:

- Large economic base, including the state capital;
- Broad base of pledged GRTs; and
- Strong debt service coverage even with consecutive moderate declines in pledged revenue.

These strengths are offset by what we view as an adequate additional bonds test (ABT) that requires 1.5x maximum annual debt service (MADS) coverage by pledged revenue and by the restricted use of the pledged revenue for water or sewer-related capital purposes only.

The 2010A and B bonds are separately secured by two dedicated increments of sales taxes for the purpose of regional water projects. Each dedicated increment is 37.5% of the 0.25% county GRT. The GRT is levied on all business transactions within the county secures the bonds. The 37.5% share is dedicated to water and wastewater projects within the unincorporated county. The county will use bond proceeds for water infrastructure projects.

MADS coverage for both the 2010A and B bonds is projected to be 2.25x based on 2009 pledged revenues that totaled $3.6 million. Pledged revenue fell by 8% in fiscal 2009, due primarily to slower construction and retail trade activity. General fund GRT collections are also down, by about 7.5% in the first half of fiscal 2010, and if that trend continues coverage would be about 2.08x. The county first imposed the capital outlay GRT in fiscal 2003 for water and wastewater capital projects, and pledged revenue grew by an average of 6.5% per year through fiscal 2008.

Pledged revenue is distributed to the county monthly by the New Mexico Taxation and Revenue Department, and the county makes monthly deposits of one-sixth of the next interest payment and one-twelfth of the next principal payment into the debt service fund. These funds are transferred to the paying agent at least two business days prior to the debt service due date. The bond ordinance also includes a provision for a springing debt service reserve funded over a period of 24 months if pledged revenue in any fiscal year represents less than 1.25x MADS coverage.

The ABT permits additional debt if the pledged revenue in the prior fiscal year is sufficient to cover at least 1.5x MADS on all parity debt. Given the region's susceptibility to drought conditions, the county, along with the City of

Santa Fe, is advancing a river water diversion and treatment project from the Rio Grande to meet drought conditions. County and city officials estimate the Buckman Direct Diversion Project will be completed in 2011 and will cost over $200 million, which will be funded primarily by both the city and county.

The county has maintained very strong unreserved fund balances in the general fund, in our opinion, ending fiscal 2009 with $39 million, or 92% of general fund expenditures. The county estimates it ended fiscal 2010 with generally break-even operations and a stable fund balance despite a 3% decline in GRT collections due primarily to higher-than-budgeted property taxes. County officials have conservatively budgeted for a 10% decline in GRT and a 3% increase in property taxes in fiscal 2010.

Santa Fe County ('AA+' general obligation, or GO, rating) is located in north central New Mexico and serves a county population of approximately 147,000. The City of Santa Fe ('AA' GO rating), the county seat, is also the state capital and one of the Southwest's premier tourist and resort destinations. Per capita retail sales were 125% of the national average in 2008.

With a high concentration of government-related jobs, the Santa Fe metropolitan area had an unemployment rate of 5.8% for 2009, according to the New Mexico Department of Workforce Solutions, compared with a 9.3% rate for the nation. Of the 62,000 non-agricultural jobs in the metropolitan statistical area (MSA), 8,344, or 13%, are provided by the State of New Mexico. The next-largest employers for the area are St. Vincent Regional Medical Center and the Santa Fe School District. The tourism and services sector is also a leading component of the Santa Fe economy, given the city's historic downtown and proximity to the mountain resort Taos, 70 miles to the northeast. In our opinion, the median household estimated buying income (EBI) is good and per capita EBI is strong, measuring at 105% and 113% of the national levels, respectively, in 2008. Compared with the state averages, median household EBI and per capita EBI are stronger at 118% and 132% of the state average, respectively.

Outlook

The stable outlook reflects our expectation that the broad scope of pledged revenues should continue to provide revenue stability and good coverage despite the MSA's dependence on retail and tourism activity. The outlook also reflects our expectation that, despite the county's additional water-related capital needs, an adequate ABT should protect against excessive leveraging of future pledged revenue.

Related Research

USPF Criteria: Special Tax Bonds, June 13, 2007

Ratings Detail (As Of March 5, 2010)		
Santa Fe Cnty cap outlay gross receipts tax rev bnds ser 2009		
Long Term Rating	AA/Stable	Affirmed

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