STANDARD & POOR'S

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Summary:
Santa Fe County, New Mexico; General Obligation

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Summary:

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Credit Profile		
US$17.5 mil GO imp and rfdg bnds ser 2011 due 10/31/2027		
Long Term Rating	AA+/Stable	New
Santa Fe Cnty GO bnds ser 2008		
Long Term Rating	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating, with a stable outlook, to Santa Fe County, N.M.'s series 2011 general obligation (GO) bonds, and, at the same time, affirmed its 'AA+' long-term rating on the county's parity GO debt.

In our view, the rating reflects the county's:

- Large economic base, which includes the city of Santa Fe, the state capital, and county seat;
- Large, growing, and very diverse tax base, coupled with extremely strong per capita property wealth indicators;
- Very strong general fund position, including high cash reserve levels in recent years; and
- Low to moderate overall net debt burden.

The county's full faith and credit pledge, without limitation as to rate or amount, against all taxable property within the county, secures the bonds. We understand that the county will use bond proceeds to fund various capital projects within the city, including water improvements and open-space acquisition, and to refund its series 2001A bonds. The county's projections show the refunding will generate a present value savings of approximately $200,000, or 5.37%.

Santa Fe County (estimated 2010 population: 146,271) is in north-central New Mexico (AA+), about 60 miles northeast of New Mexico's largest metropolitan area, Albuquerque (AAA). The city of Santa Fe, the county seat, is also the state capital and one of the Southwest's premier tourist and resort destinations. With a high concentration of government-related jobs, we consider income levels good when compared with the national average. The county's 2010 median household effective buying income (EBI) measures 105% of the nation, while per capita EBI is slightly stronger at 114% -- likely due to the county's older demographic, with almost 15% of the county population over age 65 (110% of the U.S. average).

Also attributable to the stability of its job market, the unemployment rate is favorable compared with state and national levels; it was 7.5% as of January 2011, according to the U.S. Bureau of Labor Statistics, compared with 8.7% for the state. The services sector is also a leading component of the Santa Fe economy, with its historic downtown and proximity to mountain resort Taos, 70 miles northeast. Leading county employers include the state (government, 8,344 employees), Christus St. Vincent Regional Medical Center (health care, 1,900) Santa Fe School District (1,800), and the city itself (1,486).

We understand that growth in the county's tax base has slowed due to the national economic downturn, though it remains positive. The county's assessed value (AV) presently totals $6.92 billion, with a corresponding market value of $21.12 billion equating to an extremely strong $144,384 per capita. Furthermore, the tax base is very diverse, with the 10 leading property taxpayers accounting for only 1.9% of AV.

While the recession had pressured economically sensitive revenues such as gross receipts tax collections, which account for almost 14% of general fund revenues, the county has managed to preserve its very strong available fund position. Despite modest operating deficits in fiscals 2009 and 2010 (ended Jun. 30), the county closed fiscal 2010 with a total fund equity of $44.2 million; of this amount, $39.54 million, or, in our view, a very strong 111.7% of general fund expenditures, was unreserved. The major revenue sources for the county included property tax (73.4%) and gross receipts tax (13.5%).

Management reports that gross receipt tax collections have stabilized in fiscal 2011, and that it has implemented a series of midyear cuts in an effort to maintain structural balance.

Standard & Poor's considers Santa Fe County's management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating our view that the finance department maintains adequate policies in some, but not all, key areas. For example, there is no formalized policy to support the county's high reserve levels or the debt use. Financial forecasting is limited to a two-year time frame. Budget adjustments, if necessary, occur at midyear, and the county bases assumptions that shape the budget on an analysis of historical trends in revenues and expenditures. For investment management, there is a more formalized process, including quarterly reporting to the board.

Following this bond issuance, with the inclusion of approximately $250 million in debt obligations from overlapping governmental entities, the county's overall net debt burden will remain moderate at $3,284 per capita, or a low 2.3% of market value. Debt service represented an elevated 17.74% of expenditures in fiscal 2010. This issuance represents the last permitted under the November 2008 authorization, and we understand that there are no near-term plans to issue any additional new-money debt. The county's next GO bond election is scheduled for November 2012, and, if passed, management expects to issue a total estimated amount of $45 million to be sold in two series of bonds.

Outlook

The stable outlook reflects our expectation that the Santa Fe County economy will likely retain its current strengths, and that the financial reserves will remain at high levels despite recent declines in more economically sensitive revenues. We expect that management will prudently manage both revenue declines and its upcoming negotiations with county collective bargaining units. At this time, we do not expect to revise the rating within the two-year horizon of the outlook.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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