



August 5, 2008

**Moody's Investors Service**

Teresa Martinez  
Finance Director  
County of Santa Fe  
102 Grant Avenue  
Santa Fe, NM 87501

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600 North Pearl St., Suite 2165  
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Tel: 214-220-4350

Dear Ms. Martinez,

We wish to inform you that on July 28, 2008, Moody's Rating Committee reviewed and assigned a **Aa2** rating to Santa Fe County's County Gross Receipts Tax Revenue Bonds, Series 2008.

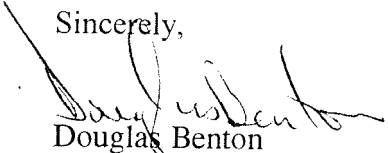
In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor the rating and reserves the right, at its sole discretion, to revise or withdraw the rating at any time in the future.

The rating as well as any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's rating's desk.

Should you have any questions regarding the above please do not hesitate to contact me or the analyst assigned to this transaction, Mireya Loewe at 214-220-4380.

Sincerely,



Douglas Benton

Vice President/Senior Credit Officer

cc: Paul Cassidy  
RBC Capital Markets  
6301 Uptown Blvd NE Suite 110  
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DB/mjd



Moody's Investors Service

Global Credit Research

New Issue

28 JUL 2008

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**New Issue:** Santa Fe (County of) NM

**MOODY'S ASSIGNS INITIAL Aa2 RATING TO SANTA FE COUNTY'S \$30 MILLION GRT REVENUE BONDS, SERIES 2008**

**RATING AFFECTS THE CURRENT \$30 MILLION ISSUE ONLY**

County  
NM

**Moody's Rating**

ISSUE	RATING
County Gross Receipts Tax Revenue Bonds, Series 2008	Aa2
<b>Sale Amount</b> \$30,000,000	
<b>Expected Sale Date</b> 08/01/08	
<b>Rating Description</b> County Gross Receipts Tax Revenue	

**Opinion**

NEW YORK, Jul 28, 2008 -- Moody's Investors Service has assigned an initial Aa2 rating to the Santa Fe County's (NM) \$30 million County Gross Receipts Tax Revenue Bonds, Series 2008. Moody's believes the high quality Aa2 rating reflects an ample debt service coverage; a large and diverse tax base that has grown 62% over the last five years supported by a strong institutional employment presence; the favorable socio-economic profile of the community; a multi-year trend of solid financial operations; and sufficient legal covenants. Bond proceeds will be used to build a new county courthouse.

Pledged revenues are derived from three sources: (1) the first 1/8% County GRT, (2) the third 1/8% County GRT, and (3) the 1/16 County GRT.

**LARGE TAX BASE WITH SLOWER GROWTH PROJECTED**

Located in north central New Mexico, Santa Fe County encompasses 1,909 square miles. Officials believe only 60% of the County's land area is developed, leaving ample availability for future growth. The City of Santa Fe is home to the state capital and 10,000 state and federal government jobs, offering stability in the economy. In addition, Santa Fe has historically served as an upscale, resort community and second-home destination for individuals all over the southwestern portion of the United States. The 2000 Census per capita income is 137% of the state's and 109% of the nation's medians.

New development and healthy reappraisal of existing properties has boosted the County's assessed valuation a significant 9.9% annually over the past five years to \$6.1 billion in fiscal 2008, resulting from a sizable full value of \$18.4 billion. The growth in fiscal 2008 represents a notable 12.4% increase over the prior year. Officials indicate that of the \$661 million added to the tax roll in fiscal 2008, approximately 59% resulted from new construction -- primarily from ongoing home construction and retail expansion. However officials report high-end residential construction has experienced a slow down. The average home price has decreased by about 6% from its peak in 2007 to \$262,000 in 2008. The County's median home value in 2000 was \$189,000, equivalent to 158% of the national median. In addition, expansion of large retail establishments and restaurants is underway to serve a growing population (10% growth since 2000). Going forward, officials project the assessed valuation will grow annually at 5% for the next five years. Moody's Economy.Com April 2008 report indicates Santa Fe's economy will contract in the near term because of lower consumption and decrease in residential investment. However, the area's diverse economy and high standard of living will foster above average growth over the long run. Education, health care, and the tourism industries, along with a rising concentration of retirees, will be the growth drivers. Moody's believes the County's tax base will continue to expand at favorable rates.

### STRONG DEBT SERVICE COVERAGE

The current sale will be senior lien to the 1997A subordinate GRT revenue bonds and to the 1997 junior subordinate lien GRT revenue bonds. There currently is no other senior lien debt outstanding. Over the past five years, pledged revenues have grown at a favorable annual average of 5.9%. Together, the pledged revenues totaled \$13.1 million in fiscal 2007, providing a senior lien debt service coverage of 5.1 times in fiscal 2009. The maximum annual debt service (MADS) for the senior lien is due in 2033. The fiscal 2007 pledged revenues provide a solid 4.5 times coverage. When layering in subordinate and junior debt service requirements, coverage for the total maximum annual debt service payment of about \$5.3 million due in 2009 remains healthy at 2.5 times. The County's medium-term plan calls for the issuances of \$23.6 million of parity debt in 2010 finance the renovation of the existing court house. Principal repayment of the current sale is slow at 13% in ten years. Despite the plan for additional borrowing, Moody's believes the historical trend of pledged revenue growth will and strong debt service coverage are an of the strong Aa2 rating.

### SUFFICIENT LEGAL COVENANTS

Bondholders are provided additional security by an additional bonds test requiring that for the 12 months immediately preceding the proposed parity obligations, pledged revenues must be at least 140% of the combined MADS of all parity, proposed, subordinate, and junior subordinate lien bonds. The debt service reserve requirement is weak given that it is a springing reserve covenant requiring the creation of a reserve in the event pledged revenues fall below 200% of MADS on parity bonds. The reserve would be funded through a surety policy or cash funded through equal installments over 24-month period. The minimum reserve requirement would be the lesser of of (i) 10% of the principal amount of the outstanding Bonds, (ii) the maximum annual debt service on the outstanding Bonds, or (iii) 125% of the average annual debt service on the outstanding Bonds.

### SOLID FINANCIAL OPERATIONS BOLSTERED BY AMPLE RESERVES

The County has historically maintained a solid financial position. The County has annually achieved strong surpluses; with the exception of fiscal 2002, when the County posted a \$2.1 million reduction in reserves due to one-time capital expenditures. The general fund balance has increased from \$18.6 million (50.3% of general fund revenues) in fiscal 2001 to an ample \$38.6 million (75.1% of general fund revenues) in fiscal 2007. This is inclusive of about \$9 million of reserves that is expected to be used to purchase equipment, land, and other one-time capital projects throughout the County. The reserve level far exceeds the state requirement that County's maintain three months of operating expenditures in reserve. Officials attribute the increases to conservative budgeting practices and growing operating resources derived from assessed valuation growth. Preliminary figures for fiscal 2008 indicate another year of strong operating results, boosting the general fund balance to \$42 million. Officials indicated the County plans to reserve about \$20 million for future capital expenditures. The general fund continues to subsidize the jail facility. For fiscal 2007, this transfer equaled \$6.4 million (about 15% of general fund expenditures). Officials anticipate similar transfers to the jail facility in future years. Operating revenues in fiscal 2007 were primarily derived from property taxes (67.9%) and gross receipt taxes (16%). Moody's believes the County's financial position will remain strong over the medium term as officials maintain their commitment to prudent fiscal practices. The favorable financial position is a key component of the County's high quality Aa1 rating.

### KEY STATISTICS:

Estimated 2006 Population: 142,407

2008 Full Value: \$18.4 billion

Senior Lien MADS Coverage (payable in 2033): 4.53 times

Senior and Subordinate Lien MADS Coverage (payable in 2010): 2.47 times

Payout of Principal (10 years): 16.7%

FY 2007 General Fund Balance: \$38.6 million (75.1% of general fund revenues)

2000 Census Per Capita Income: 137% of state; 109% of the nation

Post Sale Parity Debt Outstanding: \$30 million

Post Sale Same Pledged Revenues Backed Outstanding Debt: \$61 million

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