

*Pricing Book  
For  
City of Las Cruces  
Joint Utility Refunding Revenue Bonds,  
Series 2010*



*Prepared by:*



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# Overview of Online Report


Parity Collector Deal List
  
Upcoming Calendar

## OVERVIEW REPORT



Issuer	State	Issue Size	Sale Date
City of Las Cruces	NM	\$24,970,000	08/11/2010
Issue Description		Moody's/S&P/Fitch	Sale Time
Joint Utility Refunding Revenue Bonds, Series 2010		Aa2 //	10:00AM MDST
Dated Date	Due Date	First Int Date	Delivery
09/14/2010	06/01/2011 Thru 06/01/2027	06/01/2011	On or about 09/14/2010
Bid Award		Bank Qualified	
Low TIC - Dated Date excluding Accrued Int		No	

Series Size		Series Description	
\$24,970,000		Joint Utility Refunding Revenue Bonds, Series 2010	
Security Type	Bond Form	Insured By Issuer/Enhancement	Interest
Revenue	Book Entry	No	J1-D1

## BID SPECS

Max NIC/TIC	Not to Exceed Rate (12.0000%)	Series Min Bid	>= \$24,845,150.00 or 99.5 %
Denomination	\$5,000.00	Series Max Bid	<= \$25,719,100.00 or 103 %
Coupon Muls	1/8 and 1/20 of 1% only	Zero Cpn	Not Permitted
Overall Cpn Dif	2.000%	Rate per Mat	One
Low Cpn	None	Term Bonds	Serial Bonds only
Low Yield	None	# of Cpns	
Low Dollar	None	Asc Cpn	
High Cpn	Not to Exceed Rate (12.0000%)		
High Yield	None		
High Dollar	None		

Maturity	CUSIP	\$ Amount	Rate	Basis/ Yield	Mdy's/S&P/Fitch
06/01/2011		\$490,000			Aa2 //
06/01/2012		\$200,000			Aa2 //
06/01/2013		\$195,000			Aa2 //
06/01/2014		\$180,000			Aa2 //
06/01/2015		\$180,000			Aa2 //
06/01/2016		\$180,000			Aa2 //
06/01/2017		\$1,825,000			Aa2 //
06/01/2018		\$1,875,000			Aa2 //
06/01/2019		\$1,925,000			Aa2 //
06/01/2020		\$1,980,000			Aa2 //
06/01/2021		\$2,035,000			Aa2 //
06/01/2022		\$2,115,000			Aa2 //

06/01/2023		\$2,205,000		Aa2 //
06/01/2024		\$2,300,000		Aa2 //
06/01/2025		\$2,340,000		Aa2 //
06/01/2026		\$2,435,000		Aa2 //
06/01/2027		\$2,510,000		Aa2 //

Call Features	Avg Life To Dated Date	Day Count
Bonds due 06/01/2021-06/01/2027 callable Jun 1, 2020 at par.	11 YRS. 6 MOS. 2 DAYS.	30/360

Notes:
(1) The principal amounts are subject to adjustment. (2) Any bid may be submitted with the intent to qualify the bonds for municipal bond insurance. If the Bonds qualify for municipal bond insurance, the purchase of such policy will be at the sole option and expense of the purchaser. (3) The purchaser of the bonds, by submitting its bid, agrees to provide a certificate including information as to bona fide initial offering prices to the public and sales of the bonds and a certified determination of yield on the bonds under the Code, as and at the time requested by the Financial Advisor and Bond Counsel. (4) Not later than 1PM, MDST on 8/11/10 and prior to the official award of the bonds, the purchaser must send an electronic wire transfer to such account as the City shall specify in immediately available funds a good faith deposit of \$375,000.

Bid Address To	Payment Type	Payable To	Good Faith
City Council of the City of Las Cruces, 700 North Main Street, Las Cruces, NM 88001 or electronic bids via Parity	See Note		

Parity	Insurance Disclosed	Int. Prem. Disclosed	Bond Cost	Legal Cost	Sure Bid
Yes	No	No	City	City	No

Financial Advisor	Legal Opinion	Paying Agent	Base CUSIP
RBC Capital Mkts , Albuquerque NM 505-872-5999	Modrall Sperling , Albuquerque NM 505-848-1800	City Treasurer (to Cede & Co, as nominee of DTC, NYC)	

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## Bid Results

### Las Cruces \$24,970,000 Joint Utility Refunding Revenue Bonds, Series 2010

The following bids were submitted using **PARITY**<sup>®</sup> and displayed ranked by lowest TIC.  
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	<a href="#">Robert W. Baird &amp; Co., Inc.</a>	3.194682
<input type="checkbox"/>	<a href="#">Piper Jaffray</a>	3.275286
<input type="checkbox"/>	<a href="#">Stifel Nicolaus &amp; Company, Inc.</a>	3.276776
<input type="checkbox"/>	<a href="#">Morgan Stanley &amp; Co Inc</a>	3.280976
<input type="checkbox"/>	<a href="#">Stone &amp; Youngberg LLC</a>	3.334034
<input type="checkbox"/>	<a href="#">Hutchinson, Shockey, Erley &amp; Co.</a>	3.343145
<input type="checkbox"/>	<a href="#">J.P. Morgan Securities Inc.</a>	3.408518
<input type="checkbox"/>	<a href="#">Southwest Securities, Inc.</a>	3.442207

\*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

# Recap of Bids

\$24,970,000

City of Las Cruces, New Mexico  
 Joint Utility Refunding Revenue Bonds  
 Series 2010

Summary of Competitive Bids

11-Aug-10

Rating: Moody's: Aa2

Maturity Date	Principal Amount	Bid No. 1 R.W. Baird	Bid No. 2 Piper Jaffray	Bid No. 3 Stifel Nicolaus & Company	Bid No. 4 Morgan Stanley	Bid No. 5 Stone & Youngberg	Bid No. 6 Hutchinson Shockey	Bid No. 7 J.P. Morgan	Bid No. 8 Southwest Securities
09/14/2010									
06/01/2011	\$ 490,000	2.000%	2.000%	2.000%	2.000%	2.500%	2.000%	3.000%	2.000%
06/01/2012	200,000	2.000%	2.000%	2.000%	2.000%	2.500%	2.000%	3.000%	2.000%
06/01/2013	195,000	3.000%	2.000%	2.000%	2.000%	2.500%	2.000%	3.000%	2.000%
06/01/2014	180,000	3.000%	2.000%	2.000%	2.000%	2.500%	2.000%	3.000%	2.000%
06/01/2015	180,000	2.000%	2.000%	3.500%	2.000%	2.500%	2.000%	2.500%	2.000%
06/01/2016	180,000	2.000%	2.000%	2.000%	2.000%	2.500%	2.000%	3.000%	2.000%
06/01/2017	1,825,000	3.000%	3.000%	2.250%	3.000%	2.500%	3.000%	3.000%	3.000%
06/01/2018	1,875,000	3.000%	3.000%	2.500%	3.000%	3.000%	4.000%	4.000%	3.000%
06/01/2019	1,925,000	3.000%	3.000%	2.750%	3.000%	3.000%	4.000%	4.000%	3.000%
06/01/2020	1,980,000	3.000%	3.000%	2.750%	3.000%	3.000%	2.000%	4.000%	3.500%
06/01/2021	2,035,000	3.000%	3.250%	3.250%	3.000%	3.000%	4.000%	3.000%	3.500%
06/01/2022	2,115,000	3.250%	3.000%	4.000%	4.000%	4.000%	4.000%	3.000%	3.500%
06/01/2023	2,205,000	3.000%	4.000%	4.000%	4.000%	4.000%	4.000%	3.250%	4.000%
06/01/2024	2,300,000	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
06/01/2025	2,340,000	4.000%	4.000%	4.000%	3.500%	4.000%	4.000%	4.000%	4.000%
06/01/2026	2,435,000	4.000%	4.000%	4.000%	3.500%	4.000%	4.000%	4.000%	4.000%
06/01/2027	2,510,000	3.500%	4.000%	4.000%	3.500%	4.000%	3.000%	4.000%	4.000%
Gross Interest Cost:		\$9,907,082.47	\$10,377,775.66	\$10,371,291.01	\$9,997,789.10	\$10,528,589.72	\$10,489,569.31	\$10,651,156.01	\$10,652,324.44
Less Premium:		\$ 555,663	\$ 735,221	\$ 713,592	\$ 435,602	\$ 716,161	\$ 701,867	\$ 667,597	\$566,819.00
Net Interest Cost:		\$9,351,419.41	\$9,642,554.55	\$9,657,699.40	\$9,562,187.24	\$9,812,428.38	\$9,787,702.66	\$9,983,558.72	\$10,085,505.44
True Interest Cost:		3.1947%	3.2753%	3.2768%	3.2810%	3.3340%	3.3431%	3.4085%	3.4422%
Credit Enhancement:		None							

# RBC Bid Verification

## R.W. Baird Bid

Date	Debt Service	PV Factor	Present Value to 09/14/2010 @ 3.194682%
06/01/2011	1,080,519.97	0.977627808	1,056,346.37
12/01/2011	408,693.75	0.962257279	393,268.54
06/01/2012	608,693.75	0.947128409	576,511.14
12/01/2012	406,693.75	0.932237400	379,135.12
06/01/2013	601,693.75	0.917580512	552,102.46
12/01/2013	403,768.75	0.903154063	364,665.39
06/01/2014	583,768.75	0.888954430	518,943.82
12/01/2014	401,068.75	0.874978048	350,926.35
06/01/2015	581,068.75	0.861221406	500,428.85
12/01/2015	399,268.75	0.847681050	338,452.55
06/01/2016	579,268.75	0.834353580	483,314.96
12/01/2016	397,468.75	0.821235647	326,415.51
06/01/2017	2,222,468.75	0.808323958	1,796,474.74
12/01/2017	370,093.75	0.795615270	294,452.24
06/01/2018	2,245,093.75	0.783106391	1,758,147.26
12/01/2018	341,968.75	0.770794181	263,587.52
06/01/2019	2,266,968.75	0.758675546	1,719,893.75
12/01/2019	313,093.75	0.746747444	233,801.96
06/01/2020	2,293,093.75	0.735006879	1,685,439.68
12/01/2020	283,393.75	0.723450902	205,021.46
06/01/2021	2,318,393.75	0.712076611	1,650,873.96
12/01/2021	252,868.75	0.700881150	177,230.94
06/01/2022	2,367,868.75	0.689861707	1,633,501.98
12/01/2022	218,500.00	0.679015514	148,364.89
06/01/2023	2,423,500.00	0.668339848	1,619,721.62
12/01/2023	185,425.00	0.657832029	121,978.50
06/01/2024	2,485,425.00	0.647489415	1,609,286.38
12/01/2024	139,425.00	0.637309412	88,856.86
06/01/2025	2,479,425.00	0.627289461	1,555,317.17
12/01/2025	92,625.00	0.617427046	57,189.18
06/01/2026	2,527,625.00	0.607719691	1,536,087.48
12/01/2026	43,925.00	0.598164958	26,274.40
06/01/2027	2,553,925.00	0.588760446	1,503,650.02
	<b>34,877,082.47</b>		<b>25,525,663.06</b>

### Proceeds Summary

Delivery date	09/14/2010
Par Value	24,970,000.00
Premium	555,663.06
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Target for yield calculation	25,525,663.06

## Piper Jaffray Bid

Date	Debt Service	PV Factor	Present Value to 09/14/2010 @ 3.2752860%
06/01/2011	1,102,400.66	0.977074367	1,077,127.43
12/01/2011	424,018.75	0.961331194	407,622.45
06/01/2012	624,018.75	0.945841684	590,222.95
12/01/2012	422,018.75	0.930601750	392,731.39
06/01/2013	617,018.75	0.915607369	564,946.91
12/01/2013	420,068.75	0.900854587	378,420.86
06/01/2014	600,068.75	0.886339510	531,864.64
12/01/2014	418,268.75	0.872058308	364,754.74
06/01/2015	598,268.75	0.858007213	513,318.90
12/01/2015	416,468.75	0.844182517	351,575.64
06/01/2016	596,468.75	0.830580573	495,415.36
12/01/2016	414,668.75	0.817197790	338,866.39
06/01/2017	2,239,668.75	0.804030639	1,800,762.30
12/01/2017	387,293.75	0.791075644	306,378.65
06/01/2018	2,262,293.75	0.778329387	1,760,809.71
12/01/2018	359,168.75	0.765788505	275,047.30
06/01/2019	2,284,168.75	0.753449689	1,721,006.23
12/01/2019	330,293.75	0.741309683	244,849.95
06/01/2020	2,310,293.75	0.729365283	1,685,048.05
12/01/2020	300,593.75	0.717613338	215,710.08
06/01/2021	2,335,593.75	0.706050748	1,649,047.71
12/01/2021	267,525.00	0.694674460	185,842.78
06/01/2022	2,382,525.00	0.683481473	1,628,411.70
12/01/2022	235,800.00	0.672468835	158,568.15
06/01/2023	2,440,800.00	0.661633638	1,614,915.38
12/01/2023	191,700.00	0.650973023	124,791.53
06/01/2024	2,491,700.00	0.640484179	1,595,894.43
12/01/2024	145,700.00	0.630164337	91,814.94
06/01/2025	2,485,700.00	0.620010774	1,541,160.78
12/01/2025	98,900.00	0.610020811	60,331.06
06/01/2026	2,533,900.00	0.600191811	1,520,826.03
12/01/2026	50,200.00	0.590521182	29,644.16
06/01/2027	2,560,200.00	0.581006372	1,487,492.51
	<b>35,347,775.66</b>		<b>25,705,221.11</b>

### Proceeds Summary

Delivery date	09/14/2010
Par Value	24,970,000.00
Arbitrage expenses	735,221.11
-----	
Target for yield calculation	25,705,221.11

# Reoffering Yields and Summary

## Series 2010 Utility Refunding Bonds - Reoffering Spread

<u>Maturity</u>	<u>Issuance Value</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>	<u>Production</u>
06/01/2011	\$490,000	2.000%	0.450%	101.103%	\$495,405
06/01/2012	200,000	2.000%	0.550%	102.469%	204,938
06/01/2013	195,000	3.000%	0.810%	105.866%	206,439
06/01/2014	180,000	3.000%	1.000%	107.272%	193,090
06/01/2015	180,000	2.000%	1.450%	102.496%	184,493
06/01/2016	180,000	2.000%	1.830%	100.917%	181,651
06/01/2017	1,825,000	3.000%	2.100%	105.606%	1,927,310
06/01/2018	1,875,000	3.000%	2.290%	104.992%	1,968,600
06/01/2019	1,925,000	3.000%	2.510%	103.811%	1,998,362
06/01/2020	1,980,000	3.000%	2.690%	102.632%	2,032,114
06/01/2021	2,035,000	3.000%	2.850%	101.262%	2,060,682
06/01/2022	2,115,000	3.250%	3.020%	101.920%	2,155,608
06/01/2023	2,205,000	3.000%	3.180%	98.126%	2,163,678
06/01/2024	2,300,000	4.000%	3.280%	105.943%	2,436,689
06/01/2025	2,340,000	4.000%	3.400%	104.924%	2,455,222
06/01/2026	2,435,000	4.000%	3.500%	104.083%	2,534,421
06/01/2027	2,510,000	3.500%	3.625%	98.439%	2,470,819
	<u>\$24,970,000</u>				<u>\$25,669,518</u>

## Money Market Data Yields

<u>AAA</u>	<u>AA</u>
0.250%	0.300%
0.360%	0.410%
0.610%	0.710%
0.810%	0.940%
1.260%	1.420%
1.650%	1.820%
1.930%	2.110%
2.110%	2.290%
2.320%	2.510%
2.510%	2.700%
2.650%	2.840%
2.790%	2.990%
2.910%	3.110%
3.010%	3.210%
3.120%	3.320%
3.220%	3.420%
3.320%	3.520%

Gross Production	25,669,517.80
Less Par Amount of Bonds	<u>24,970,000.00</u>
Reoffering Premium	699,517.80
Underwriting Premium	143,854.74
<b>Total Premium/(Discount)</b>	<u><b>555,663.06</b></u>

Per Bond Underwriting Spread \$5.76

# Overview

Issue Size:	\$24,840,000
Premium:	\$553,341.28
Maturity Dates:	2010-2027
Average Life:	11.467 Years
Ratings - Moody's:	Aa2
Total Interest:	\$9,808,802.53
All-In TIC:	3.188927%
Present Value Savings (\$):	\$2,649,941.22
Present Value Savings (%)	10.67%

# Sources and Uses of Funds

Sources:	Total
Bond Proceeds:	
Par Amount	24,840,000.00
Net Premium/OID	696,447.00
	<u>25,536,447.00</u>
Other Sources of Funds:	
Prior DSRF	2,471,128.08
	<u>28,007,575.08</u>

Uses:	Total
Refunding Escrow Deposits:	
Cash Deposit	25,233,366.54
Other Fund Deposits:	
Debt Service Reserve Fund	2,484,000.00
Delivery Date Expenses:	
Cost of Issuance	125,000.00
Underwriter's Discount	143,105.72
	<u>268,105.72</u>
Other Uses of Funds:	
Additional Proceeds	22,102.82
	<u>28,007,575.08</u>

# Series 2010 Debt Service

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2011	485,000	2.000%	586,540.02	1,071,540.02
06/01/2012	200,000	2.000%	811,912.50	1,011,912.50
06/01/2013	200,000	3.000%	807,912.50	1,007,912.50
06/01/2014	185,000	3.000%	801,912.50	986,912.50
06/01/2015	185,000	2.000%	796,362.50	981,362.50
06/01/2016	185,000	2.000%	792,662.50	977,662.50
06/01/2017	1,830,000	3.000%	788,962.50	2,618,962.50
06/01/2018	1,890,000	3.000%	734,062.50	2,624,062.50
06/01/2019	1,940,000	3.000%	677,362.50	2,617,362.50
06/01/2020	1,990,000	3.000%	619,162.50	2,609,162.50
06/01/2021	2,050,000	3.000%	559,462.50	2,609,462.50
06/01/2022	2,115,000	3.250%	497,962.50	2,612,962.50
06/01/2023	2,185,000	3.000%	429,225.00	2,614,225.00
06/01/2024	2,255,000	4.000%	363,675.00	2,618,675.00
06/01/2025	2,290,000	4.000%	273,475.00	2,563,475.00
06/01/2026	2,390,000	4.000%	181,875.00	2,571,875.00
06/01/2027	2,465,000	3.500%	86,275.00	2,551,275.00
	24,840,000		9,808,802.52	34,648,802.52

# Debt Service and Savings Analysis

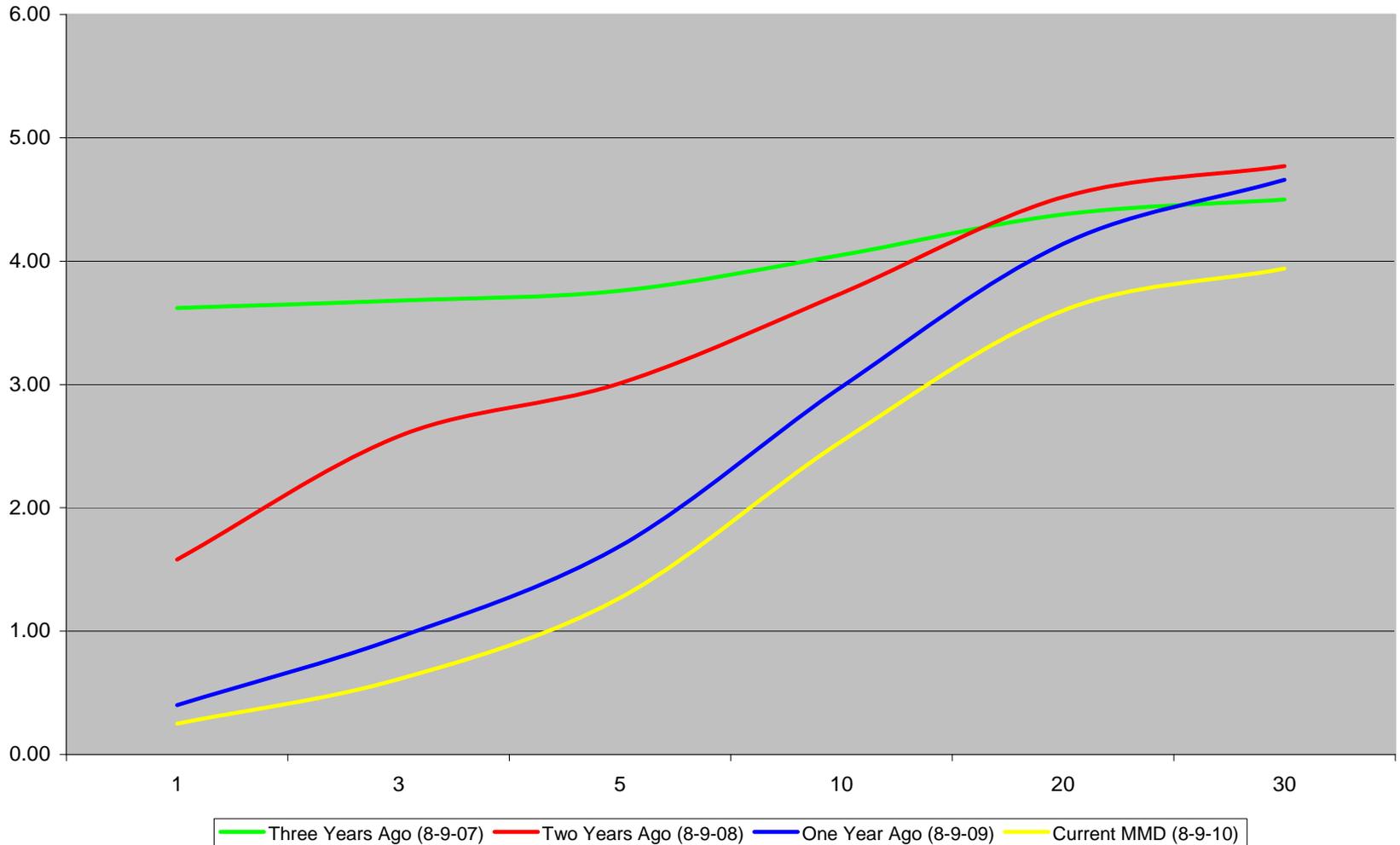
Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 09/14/2010 @ 3.0328703%
06/01/2011	1,214,631.62	1,071,540.02	143,091.60	150,965.92
06/01/2012	1,211,740.52	1,011,912.50	199,828.02	194,482.35
06/01/2013	1,208,817.90	1,007,912.50	200,905.40	189,692.31
06/01/2014	1,178,998.24	986,912.50	192,085.74	176,117.19
06/01/2015	1,175,970.24	981,362.50	194,607.74	173,082.32
06/01/2016	1,172,888.40	977,662.50	195,225.90	168,456.83
06/01/2017	2,808,419.52	2,618,962.50	189,457.02	162,096.78
06/01/2018	2,808,591.86	2,624,062.50	184,529.36	153,290.83
06/01/2019	2,808,780.96	2,617,362.50	191,418.46	153,935.87
06/01/2020	2,808,937.46	2,609,162.50	199,774.96	155,486.92
06/01/2021	2,809,188.48	2,609,462.50	199,725.98	150,705.72
06/01/2022	2,809,405.44	2,612,962.50	196,442.94	143,779.91
06/01/2023	2,809,640.10	2,614,225.00	195,415.10	138,682.66
06/01/2024	2,809,885.72	2,618,675.00	191,210.72	131,618.58
06/01/2025	2,760,080.62	2,563,475.00	196,605.62	131,029.97
06/01/2026	2,760,349.68	2,571,875.00	188,474.68	122,001.17
06/01/2027	2,741,846.14	2,551,275.00	190,571.14	119,541.15
	<b>37,898,172.90</b>	<b>34,648,802.52</b>	<b>3,249,370.38</b>	<b>2,614,966.49</b>

## Savings Summary

PV of savings from cash flow	2,614,966.49
Less: Prior funds on hand	-2,471,128.08
Plus: Refunding funds on hand	2,506,102.82
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Net PV Savings	2,649,941.23

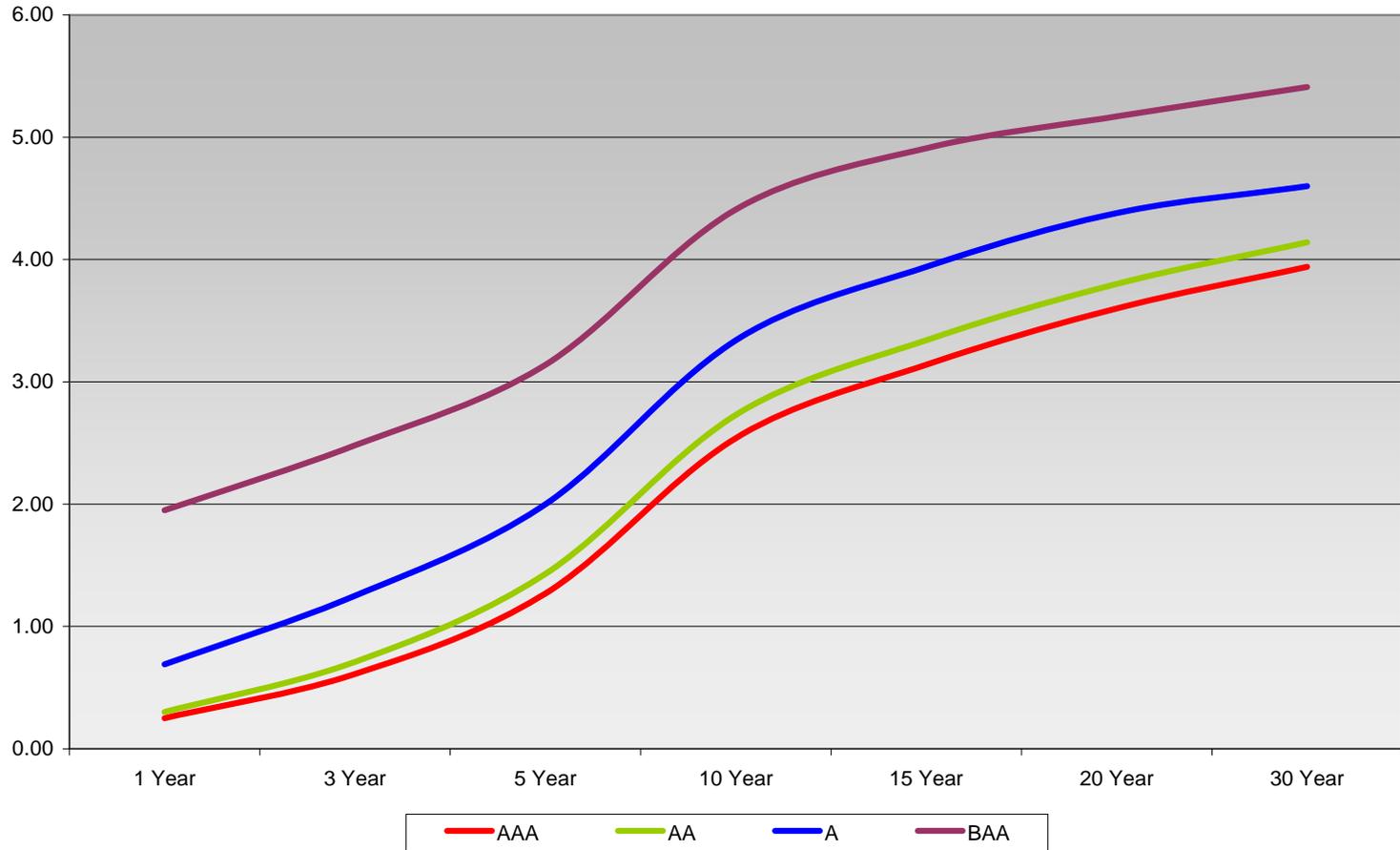
# Historical MMD Yield Curve

## Municipal Yield Curve ("AAA" MMD)



# Credit Spreads

MMD Credit Spread Yield Curve  
August 9, 2010



## *INVESTMENT GRADE*

### Aaa

Highest possible rating - principal and interest payments considered very secure.

### Aa1/Aa2/Aa3

High quality - differs from highest rating only in the degree of protection provided bondholders.

### A1/A2/A3

Good ability to pay principal and interest although more susceptible to adverse effects due to changing conditions.

### Baa1/Baa2/Baa3

Adequate ability to make principal and interest payments -- adverse changes are more likely to affect the ability to service debt.

**New Issue: MOODY'S ASSIGNS Aa2 RATING TO THE CITY OF LAS CRUCES [NM] UTILITY SYSTEM'S UPCOMING SALE OF \$24.97 MILLION**

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Global Credit Research - 10 Aug 2010

**RATING AFFECTS \$66.2 MILLION IN OUTSTANDING PARITY DEBT OBLIGATIONS**

Combined Utilities  
NM

**Moody's Rating**

ISSUE	RATING
Joint Utility Refunding Revenue Bonds, Series 2010	Aa2
<b>Sale Amount</b>	\$24,970,000
<b>Expected Sale Date</b>	08/11/10
<b>Rating Description</b>	Revenue

**Opinion**

NEW YORK, Aug 10, 2010 -- Moody's Investors Service has assigned a Aa2 underlying rating to the City of Las Cruces' [NM] upcoming sale of \$24.97 million Joint Utility Refunding Revenue Bonds, Series 2010. At the same time, Moody's has affirmed the Utility's outstanding parity debt obligations totaling \$41.23 million. The rating actions reflect the system's healthy customer base growth, sound debt service coverage, and favorable system liquidity. Additional considerations for the rating actions include a low debt ratio, and ample system capacity to serve a growing service area. Proceeds from the sale of Bonds will be used to refund the City's outstanding New Mexico Finance Authority (Moody's rated Aa1) Loans including 2003, 2004, 2005, 2006, 2007-II, 2007-III, and 2007-IV; and to fund a reserve account for the Series 2010 Bonds. Annual debt service is payable from the net revenues of the City's joint utility system.

**LEGAL PROVISIONS PROVIDE SATISFACTORY BONDHOLDER SECURITY**

On December 4, 2006, the City of Las Cruces City Council approved establishing the Board of Commissioners for the Las Cruces Utility. The commission is comprised of seven members with five public board members and two members of City Council. The commission develops the Utility's long term strategic policy, sets water and sewer rates as well as impact rates and approves the acquisition of water rights. The Council retained the authority to create debt, dispose of system assets and approve expansions outside of the City limits. The System has covenanted to set and maintain rates sufficient to pay maintenance and operations costs and generate net revenues in an amount equal to 125% of the debt service due on the Series 2010 bonds and any bonds on parity with the 2010 issuance. Additional bondholder security is provided by a debt service reserve funded at closing with bond proceeds equal to the lesser of average annual debt service, the maximum annual debt service or 10% of par. Finally, the additional bonds debt is equal to 125% of the maximum combined annual debt service after taking into account the new bonds or a consulting engineer's certificate indicating: 1) historical net revenues equal to 115% of outstanding debt not including proposed debt service on new bonds; 2) city is in compliance with the rate covenant throughout the project completion date of the project being financed; or 3) net revenues for three years following completion of the project will be at least 125% of outstanding debt service including proposed new bonds.

**FAVORABLE CUSTOMER BASE GROWTH DUE TO STABLE AND EXPANDING ECONOMY**

The City of Las Cruces is the primary economic hub for southern New Mexico with an estimated population of 89,722 (a 20.8% increase over the 2000 Census figure), and is the second largest in the state. The local economy is anchored by a large federal government and agricultural presence. The area has experienced healthy residential and retail development over the past five years resulting in a taxable value of \$1.9 billion in fiscal 2009 or a full value of \$5.7 billion. The five-year average annual tax base expansion is 11.7%. The City reports several area military related expansions, which includes an entire brigade being added to the White Sands Missile Range, which officials believe will boost the area's annual economic drivers by \$1.5 million. As a result of the positive economic trend, the utility's customer base has experienced consistent account growth, averaging between 2% and 3% annually. At the 2010 fiscal year-end, the System served 31,242 water, 30,864 wastewater, and 31,540 gas customers. The gas system is nearing final negotiations to absorb an additional 6,650 residential customers and 93 commercial customers from the RI Grande Gas Company. Officials anticipate the City's population will surpass 100,000 with full build out not occurring until at least 2025 when population is expected to reach 140,000 people. Until that point, customer base growth is expected to remain predictable and manageable with officials conservatively estimating approximately 2% annual growth.

Ground water supply is provided by 36 wells, within the City, which tap the Mesilla and Jornada del Muerto Bolsons in the eastern portion of the City. The City maintains a proactive approach to the acquisition of water rights and recently expanded water rights to the Jornada del Muerto West Mesa which will provide an additional 8,000 acre-feet per year of ground water production. Due to the significant expense of acquiring water rights, in 1985 the City added a surcharge of 2.5% to each customer's water bill to assist with funding future purchases. That surcharge was subsequently modified based on volumetric usage, currently being \$0.11 per 1,000 gallons. In addition, the City has other water rights charges for new developments which are dependent on meter size. The water capacity is 27.4 million gallons per day (MGD), with an average daily consumption of 15.14 MGD in 2010. Wastewater services are provided through three city-owned facilities that have a combined capacity of 13.5 MGD, with an average discharge of 10.02 MGD. Finally, the City purchases natural gas from Shell Energy North America (A2 stable) under a take-or-pay contract. The City locks in approximately 30% of supply and purchases the remaining amount in the market with limited pre-paid arrangements.

**DEBT SERVICE COVERAGE WEAKENS WITH WEATHER FLUCTUATIONS**

Moody's anticipates the utility's financial position to remain favorable as customer base expansion and regular rate adjustments have historically contributed to healthy growth in net revenues. Water and sewer rates were last adjusted in fiscal 2004; however, the utility plans to increase the

water and sewer rates in October 2010. The adjustments in October are projected to net a 17% increase to water revenues and a 3% increase to wastewater revenues. When the Rio Grande Gas Company customers are absorbed into the utility, officials plan to commission a rate study. Fiscal 2009 operating revenues decreased by nearly \$6 million to approximately \$48 million. The revenue loss was partially off-set by decreased energy expenses of \$6 million. Net revenues of the utility were lower than historical results at \$13.3 million resulting in a satisfactory 1.6 times coverage of annual debt service. In fiscal 2008 net revenues provided an ample 3.43 times coverage of annual debt service. In addition, 2009 net revenues provide healthy peak debt service (payable in 2010) coverage of 2.12 times. Couple with ongoing review of rates, the utility maintains healthy net working capital equal to 98.2% of operating expenses and is supported by a budgetary practice that water and sewer systems maintain 16.7%, and 8.3% of the gas fund (as it is less capital intensive) of the net working capital available. The utility historically exceeds these policies. Moody's believes the System's healthy liquidity and ample coverage are credit factors consistent with the rating level.

#### LOW DEBT RATIO AND LIMITED ADDITIONAL BORROWING PLANNED

As the City has recently upgraded many of its systems, officials do not anticipate major debt financing in the near term. Debt financing is offset by annual investment in the utility with available resources that usually fund preventive maintenance, rehabilitation projects, and vehicle acquisition and replacement. The utility's prudent use of debt and satisfactory rate of debt repayment (with nearly 59% scheduled for retirement in ten years), supports the utility's low debt ratio of 29.4% in fiscal 2009. Moody's anticipates the utility will continue its prudent use of cash funding and debt financing as well as its schedule of principal retirement to keep the debt ratio low.

#### KEY STATISTICS:

City of Las Cruces Estimated Population: 89,722

1999 Per Capita Income: \$15,704 (91% of state, 72.7% of U.S.)

Total Full Value, 2009: \$5.7 billion

Water Customers: 31,242

Wastewater Customers: 30,864

Gas Customers: 31,540

Annual Debt Service Coverage: 1.6 times

Peak Debt Service Coverage (payable in 2010): 2.12 times

Payout of Principal (10 years): 59%

Debt Ratio: 29.4%

Operating Ratio: 81.9%

Net Working Capital as % of operating expenses: 98.2%

Post Sale Parity Debt Outstanding: \$66.2 million

#### RATING METHODOLOGY AND LAST RATING ACTION

The principal methodology used in assigning the rating was Analytical Framework for Water and Sewer System Ratings, published on August 1999, and available on [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action on Las Cruces Utilities was on March 11, 2009 when the Utility was upgraded to Aa3 from A1. The rating was subsequently recalibrated to Aa2 on April 23, 2010.

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