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ISSUER COMMENT
11 June 2019

RATING

General Obligation (or GO Related) [1]	
Aa3	No Outlook

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Curry County, NM

Annual Comment on Curry County

Issuer Profile

Curry County is located in east-central New Mexico adjacent to Texas. The county seat of Clovis is approximately 220 miles east of Albuquerque. The county has a population of 50,283 and a low population density of 36 people per square mile. The county's median family income is $48,707 (4th quartile) and the April 2019 unemployment rate was 3.6% (2nd quartile) [2] . The largest industry sectors that drive the local economy are the military, health services, rail transportation services, and retail trade.

Credit Overview

Curry County's credit position is good and its Aa3 rating falls just short of the median rating of Aa2 for US counties. The notable credit factors include a robust financial position, a limited burden, a somewhat elevated pension liability, a solid tax base, but a somewhat weak wealth and income profile.

Finances: The county has a very strong financial position, which is favorable relative to the assigned rating of Aa3. The fund balance as a percent of operating revenues (62.2%) is far superior to the US median, and grew modestly from 2014 to 2018. Additionally, the cash balance as a percent of operating revenues (61.9%) is well above the US median.

Debt and Pensions: The debt burden of the county is low and is quite favorable when compared to its Aa3 rating. The net direct debt to full value (0.5%) is roughly equivalent to the US median, and rose slightly between 2014 and 2018. However, Curry County has a somewhat inflated pension liability and is unfavorable in relation to the assigned rating of Aa3. The Moody's-adjusted net pension liability to operating revenues (1.9x) is unfavorably higher than the US median.

Economy and Tax Base: The economy and tax base of the county are solid, though this factor is relatively weak with respect to its Aa3 rating. The full value ($2.8 billion) is below the US median, but increased markedly from 2014 to 2018. Furthermore, the full value per capita ($54,985) is below the US median. Lastly, the median family income equates to a low 68.7% of the US level.

Management and Governance: New Mexico counties have an Institutional Framework score [3] of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources, such as property taxes and sales taxes, are subject to statutory caps, which cannot be overriden. However, the property tax cap of $11.850 (per $1,000 AV) and the available sales tax authority (varies by type) still allows for moderate revenue-raising ability. Unpredictable revenue fluctuations tend to be moderate, or between 5-10%

annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. However, New Mexico has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - New Mexico Counties

New Mexico counties will modestly benefit from an improving state economy, which should translate to an uptick in sales taxes (gross receipt taxes, GRT), especially in oil and gas producing regions, such as the San Juan and Permian basins. Despite a lack of significant new residential and commercial development, positive reappraisal of existing properties is resulting in upward trending property tax collections. Counties participate in a state-wide, cost-sharing defined benefit pension plan (PERA). While all counties are paying their statutorily-required contributions, these amounts are below the level needed to tread water, and as a consequence, the unfunded liability increases every year. Pension reform to increase employer contributions, which would take legislative action, could limit future financial flexibility.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 1

Key Indicators [4] [5] Curry County

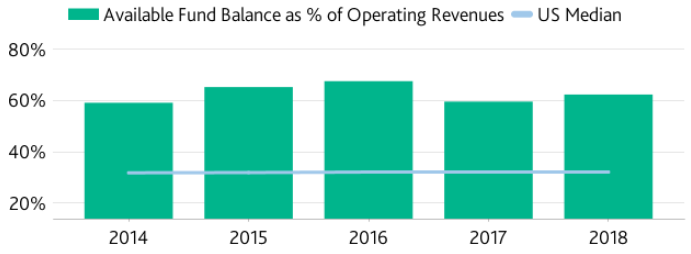
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	$2,329M	$2,552M	$2,666M	$2,724M	$2,764M	$7,665M	Improved
Full Value Per Capita	$46,436	$50,555	$52,755	$54,183	$54,985	$85,725	Improved
Median Family Income (% of US Median)	79%	75%	72%	69%	69%	93%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	59.0%	65.1%	67.4%	59.4%	62.2%	32.5%	Stable
Net Cash Balance as % of Operating Revenues	65.9%	68.4%	73.6%	64.5%	61.9%	37.8%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	0.1%	0.6%	0.5%	0.5%	0.5%	0.5%	Stable
Net Direct Debt / Operating Revenues	0.11x	0.88x	0.80x	0.76x	0.78x	0.59x	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.0%	0.9%	0.9%	1.1%	1.2%	1.1%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.48x	1.33x	1.33x	1.62x	1.89x	1.38x	Stable

	2014	2015	2016	2017	2018	US Median
Debt and Financial Data						
Population	50,173	50,497	50,544	50,283	50,283	N/A
Available Fund Balance ($000s)	$9,388	$10,742	$12,082	$11,246	$11,001	$24,307
Net Cash Balance ($000s)	$10,491	$11,281	$13,188	$12,199	$10,947	$27,626
Operating Revenues ($000s)	$15,912	$16,504	$17,930	$18,918	$17,689	$72,972
Net Direct Debt ($000s)	$1,747	$14,469	$14,424	$14,379	$13,858	$40,162
Moody's Adjusted Net Pension Liability (3-yr average) ($000s)	$23,616	$22,014	$23,874	$30,564	$33,487	$89,312

Source: Moody's Investors Service

EXHIBIT 3

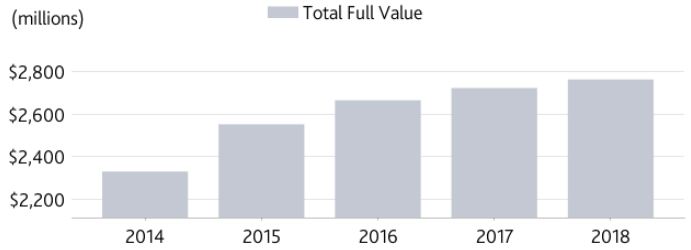
Available fund balance as a percent of operating revenues consistent from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 4

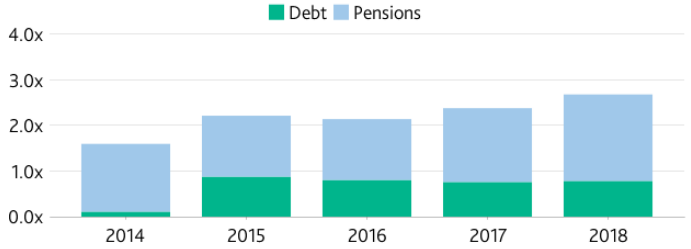
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 5

Moody's-adjusted net pension liability to operating revenues remained stable from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.

2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See US Local Government General Obligation Debt (December 2016) methodology report for more details.

4 For definitions of the metrics in the Key Indicators Table, US Local Government General Obligation Methodology and Scorecard User Guide (July 2014) . Metrics represented as N/A indicate the data were not available at the time of publication.

5 The medians come from our most recently published local government medians report, Medians - Property values key to stability, but pension burdens remain a challenge (March 2018) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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