



Albuquerque Bernalillo County Water Utility Authority

ANNUAL INFORMATION STATEMENT

DATED MARCH 27, 2023

**IN CONNECTION WITH WATER AND WASTEWATER BONDS AND
OTHER OBLIGATIONS**

BASE CUPSIP: 013493

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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Elizabeth Anderson, Chief Planning Officer
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Charles S. Leder, P.E., Plant Division Manager
Cody R. Stinson, Chief Information Officer
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Andres E. Santiago, Risk Manager
David Morris, Public Affairs Manager
Erica L. Jaramillo, Human Resources Manager
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INTRODUCTION

The Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) governs the water and wastewater utility for all of the City of Albuquerque (the “City”) and Bernalillo County (the “County”). The Water Authority’s governing board (the “Board”) includes three (3) Bernalillo County Commissioners, three (3) Albuquerque City Councilors, the Mayor of Albuquerque and a Village of Los Ranchos de Albuquerque Trustee as an Ex Officio member. The current members of the Board and the administrative officers of the Water Authority are as set forth on the inside cover page hereof. The Water Authority is focused regionally on providing a safe and sustainable water supply to its service area for the next 100-years. The new water supply plan, entitled “Water 2120 Securing our Future,” consists of multiple policies to guide water resources management for the Water Authority including additional water conservation, reuse for irrigation and indirect potable reuse, protection of watersheds and the environment. The plan also includes preserving and protecting the aquifer for the long-term by adopting a new groundwater management plan that reduces overall use of the aquifer and preserves portions of it for generations to come. The Water Authority utilizes an asset management approach to infrastructure including replacing or renovating existing surface and groundwater treatment and distribution systems and sewer collection and wastewater treatment facilities. In addition, the Water Authority is working towards realizing better management efficiencies for rate payers and providing long range planning and delivery for water and wastewater in the service area.

The joint water and wastewater system (the “System”) is owned and operated by the Water Authority pursuant to Section 72-1-10 NMSA 1978. The Water Authority has the statutory powers provided to all public water and wastewater utilities in the State of New Mexico (the “State”) and is recognized as a political subdivision of the State. The City provides certain services to the Water Authority pursuant to a Memorandum of Understanding (“MOU”), dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis. Since July 1, 2013, the operations of the Water Authority are largely autonomous from the City and County. The MOU confirmed a significantly altered business relationship between the City and the Water Authority. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority’s group insurance program, and 2) administration of the joint OPEB trust established during Fiscal Year 2014. In addition, the City leases space of City owned buildings to the Water Authority.

Actions of the Board taken after January 1, 2023, including information relating to bonds, notes or other obligations of the Water Authority issued or incurred after that date, are not included in this Annual Information Statement unless otherwise indicated. Other information contained in this Annual Information Statement is current as of January 1, 2023, unless specifically stated otherwise in this Annual Information Statement. The information in this Annual Information Statement is subject to change without notice and the delivery of this Annual Information Statement shall not create any implication that the affairs of the Water Authority have remained unchanged since the date of its delivery. The distribution of this Annual Information Statement by the Water Authority does not in any way imply that the Water Authority has obligated itself to update the information herein. All financial and other information presented in this Annual Information Statement has been provided by the Water Authority from its records, except for information expressly attributed to other sources believed to be reliable.

COVID-19

Coronavirus Disease 2019 (“COVID-19”) is a highly contagious respiratory disease caused by a particular strain of coronavirus that spread to many parts of the world, including the State and elsewhere in the United States. On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. To slow the spread of COVID-19 in the United States, the federal government and state and local governments, including the State government, as well as many private entities, imposed numerous

restrictions on gatherings, assemblies and other interpersonal contact, non-essential travel and various other commercial, social and cultural activities and have strongly encouraged or mandated COVID-19 vaccines and booster shots (collectively, “Responsive Measures”). The State government’s Responsive Measures consisted primarily of a series of Executive Orders issued by the Governor and Public Health Orders issued by the Cabinet Secretary of the State Department of Health intended to reduce the spread of COVID-19 across the State, particularly in light of the enhanced viral risk caused in part by highly-transmissible COVID-19 variants and vaccine hesitancy among the general population. On September 27, 2022, the Governor rescinded six (6) of the Executive Orders due to widespread availability of COVID-19 vaccines, testing and treatments, as cited in Executive Order 2022-142. According to the Governor’s office, the statewide public health emergency proclaimed by the Governor due to COVID-19 remains in place because it gives the State access to assistance from the federal government, including funding for public health programs and food assistance. The Governor recently said that her final extension of the emergency Executive Orders, lasting through March 31, 2023, will be the last.

Additional information regarding Public Health Orders issued by the Acting Secretary of the New Mexico Department of Health is accessible on the New Mexico Department of Health’s website at <https://cv.nmhealth.org/public-health-orders-and-executive-orders/>. *Neither the information on (nor accessed through) such website of the New Mexico Department of Health is incorporated herein by reference, either expressly or by implication, and the Water Authority does not assume any responsibility for the accuracy of the information on such website.*

At the onset of the COVID-19 pandemic, the Water Authority took steps in the interest of public health, including suspension of disconnections for non-payment, instituting remote working policies for qualified personnel, and discontinuing educational programs, tours, irrigation consultations and xeriscape inspections. In April 2022, the Water Authority reinstated disconnections of water service for non-payment. During 2022, all educational programs, tours, irrigation consultations and xeriscape inspections were reinstated.

On March 27, 2020, President Trump signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) which provided, among other measures, \$150 billion in financial aid to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by the COVID-19 pandemic. Under the CARES Act, local governments were eligible for reimbursement of certain costs which were expended to address the impacts of the COVID-19 pandemic. The Water Authority was not eligible for and did not receive any funds under the CARES Act.

On March 11, 2021, President Biden signed the American Rescue Plan Act (the “Rescue Act”) which included, among other measures, \$1.9 trillion of funding for individuals, businesses and state and local governments to mitigate the impacts of the COVID-19 pandemic. Although the Water Authority is not a direct recipient of Rescue Act funding, the Water Authority entered into a subrecipient agreement with the County for the purpose of utilizing a portion of the County’s Rescue Act funding to complete various projects. See “FINANCIAL INFORMATION – Financial Management – *Other Projects*.”

Throughout the COVID-19 pandemic, the Water Authority maintained operations and service with field groups continuing to work as essential personnel within the service area of the Water Authority and other office-based personnel working from home. Currently, depending on area of operation, Water Authority personnel work remotely, in the office full-time, or on a hybrid schedule, with field groups continuing to work on site within the service area of the Water Authority as they did both prior to and throughout the COVID-19 pandemic.

The tables and data set forth herein are qualified by the impact to the Water Authority’s operations and financial condition resultant from the effects of the COVID-19 pandemic and the Responsive Measures. At the onset of the COVID-19 pandemic, the Water Authority conducted internal reviews to determine the extent of any immediate and intermediate financial impacts attributable to the Water Authority and any increased cost of service attributable to the COVID-19 pandemic and the Responsive Measures. The Water Authority experienced increased consumption during Fiscal Year 2021 of approximately 577,000,000

gallons, when compared to usage of the prior year, resulting in increased revenues of approximately \$300,000. The Water Authority did not suffer material impacts with respect to terminated accounts due to nonpayment or delinquencies during Fiscal Years 2021 and 2022 and does not expect to suffer material impacts during Fiscal Year 2023. As of January 2023, the Water Authority remains under budget, continues to monitor chemical and power costs, and continues to maintain a healthy fund balance and cash on hand.

The COVID-19 pandemic is ongoing, and the duration and severity of the outbreak or future outbreaks and the economic and other actions that may be taken by governmental authorities to contain the outbreak or future outbreaks or to treat its impact are uncertain. The ultimate impact of the COVID-19 pandemic on the operations and finances of the Water Authority is unknown. The Water Authority continues to actively monitor usage, payment delinquencies, and revenues and expenditures, so that any further impacts of the COVID-19 pandemic or future outbreaks can be anticipated. The Water Authority does not currently expect that the COVID-19 pandemic or future outbreaks will have a material adverse effect on the finances and operations of the Water Authority and the System.

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OUTSTANDING OBLIGATIONS

Outstanding System Obligations

The obligations generally described below and certain terms of such obligations are summarized in the Water Authority's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022.

The following outstanding special limited obligations are payable from and secured by a senior lien (but not an exclusive senior lien) on Net Revenues of the System ("Senior Obligations"):

OUTSTANDING SENIOR OBLIGATIONS AS OF FEBRUARY 1, 2023

<u>Senior Obligations</u>	<u>Senior Obligations Authorizing Legislation</u>	<u>Original Principal Amount (\$)</u>	<u>Principal Amount Outstanding (\$)</u>
New Mexico Finance Authority Drinking Water Revolving Fund Loan Agreement (2009)	O-09-9 & R-09-24	1,010,000	474,691
Joint Water and Sewer System Improvement and Refunding Revenue Bonds Series 2013A	O-13-2 & R-13-13	62,950,000	5,005,000
Joint Water and Sewer System Improvement and Refunding Revenue Bonds Series 2013B	O-13-2 & R-13-13	55,265,000	5,210,000
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A	O-14-2 and R-14-10	97,270,000	42,945,000
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015	O-15-2 & R-15-6	211,940,000	138,715,000
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2017	O-16-2 & R-16-13	87,970,000	66,670,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2018	O-18-7 & R-18-20	75,085,000	58,425,000
New Mexico Finance Authority Drinking Water Revolving Fund Loan Agreement DW-4877 (2019)	O-19-1 & R-19-4	3,430,081	2,724,170
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020	O-19-3 & R-19-26	69,440,000	63,440,000
Drinking Water State Revolving Fund Loan Agreement DW-5028 (2020)	O-20-1 & R-20-3	1,515,000	1,515,000
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Taxable Series 2020A	O-20-2 & R-19-26	47,800,000	40,930,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2021	R-21-21	73,255,000	73,255,000
	Total		499,308,861

The following outstanding special limited obligations are payable from and secured by a subordinate lien (but not an exclusive subordinate lien) on Net Revenues of the System ("Subordinate Obligations"):

OUTSTANDING SUBORDINATE OBLIGATIONS AS OF FEBRUARY 1, 2023

<u>Subordinate Obligations</u>	<u>Subordinate Obligations Authorizing Legislation</u>	<u>Original Principal Amount (\$)</u>	<u>Principal Amount Outstanding (\$)</u>
2008 NMFA Drinking Water Loan	O-08-4 & R-08-13 as amended by F/S O-14-2	12,000,000	4,770,344
Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B	O-14-2 & R-14-10	87,005,000	25,710,000
Water Project Fund Loan/Grant Agreement No. WPF-5103 (2021)	R-20-26	800,000	800,000
Water Project Fund Loan/Grant Agreement No. WPF-5401 (2021)	R-21-31	800,000	800,000
Water Project Fund Loan/Grant Agreement No. WPF-5402 (2022)	R-22-7	770,827	770,827
Water Project Fund Loan/Grant Agreement No. WPF-5659 (2023)	R-22-31	200,000	200,000
Water Project Fund Loan/Grant Agreement No. WPF-5660 (2023)	R-22-32	710,000	710,000
	Total		33,761,171

The Water Authority currently has no outstanding obligations payable from and secured by Net Revenues subordinate to the liens on the Net Revenues of the Senior Obligations and Subordinate Obligations ("Super Subordinate Obligations"). The Water Authority does not have any outstanding debt with variable interest rates and does not have any interest rate swap agreements related to its debt.

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Combined Debt Service and Coverage Ratios

The following schedule shows, for each Fiscal Year, the total combined debt service requirements payable for the outstanding System obligations and projected debt service coverage based on Fiscal Year 2022 System Net Revenues.

**Total Combined Debt Service
Outstanding Water/Wastewater Obligations
As of February 1, 2023**

Fiscal Year(6/30)	Senior Lien Debt Service(\$)	Subordinate Lien Debt Service(\$)	Total Current Debt Service(\$)	Pledged Revenue(\$)	Senior Coverage(x)	Senior and Subordinate Coverage(x)
2023	79,271,756	10,482,799	89,754,555	119,628,881	1.51	1.33
2024	77,685,475	10,243,118	87,928,593	119,628,881	1.54	1.36
2025	72,856,399	9,926,511	82,782,910	119,628,881	1.64	1.45
2026	67,933,507	859,791	68,793,297	119,628,881	1.76	1.74
2027	56,951,256	859,820	57,811,077	119,628,881	2.10	2.07
2028	48,478,976	859,850	49,338,826	119,628,881	2.47	2.42
2029	48,166,237	859,881	49,026,119	119,628,881	2.48	2.44
2030	40,954,386	859,912	41,814,298	119,628,881	2.92	2.86
2031	31,600,321	208,606	31,808,927	119,628,881	3.79	3.76
2032	31,224,414	208,605	31,433,019	119,628,881	3.83	3.81
2033	24,520,529	208,605	24,729,134	119,628,881	4.88	4.84
2034	10,085,633	208,605	10,294,237	119,628,881	11.86	11.62
2035	4,119,064	208,605	4,327,669	119,628,881	29.04	27.64
2036	4,030,505	208,605	4,239,110	119,628,881	29.68	28.22
2037	3,141,889	208,605	3,350,494	119,628,881	38.08	35.70
2038	3,144,761	208,606	3,353,366	119,628,881	38.04	35.67
2039	1,960,622	208,604	2,169,226	119,628,881	61.02	55.15
2040	1,961,471	208,604	2,170,075	119,628,881	60.99	55.13
2041	1,961,122	208,605	2,169,727	119,628,881	61.00	55.14
2042	1,964,572	208,605	2,173,177	119,628,881	60.89	55.05
2043	1,795,903	167,407	1,963,310	119,628,881	66.61	60.93
2044	1,796,504	46,865	1,843,368	119,628,881	66.59	64.90
2045	1,794,704	-	1,794,704	119,628,881	66.66	66.66
2046	1,795,504	-	1,795,504	119,628,881	66.63	66.63
2047	58,703	-	58,703	119,628,881	2037.86	2037.86
2048	58,703	-	58,703	119,628,881	2037.86	2037.86
2049	58,704	-	58,704	119,628,881	2037.85	2037.85
2050	58,703	-	58,703	119,628,881	2037.85	2037.85
2051	58,704	-	58,704	119,628,881	2037.84	2037.84
2052	58,703	-	58,703	119,628,881	2037.86	2037.86
Total	619,547,732	37,622,348	657,216,945			

In the ordinances pursuant to which the System obligations have been issued, the Water Authority agreed to charge all purchasers of services reasonable rates sufficient to produce Net Revenues annually to cover 133% of the annual debt service requirements on all System obligations (excluding reserves therefor and the Super Subordinate Obligations). The Net Revenues of the System for Fiscal Year 2022 were \$119,628,881. The maximum fiscal year combined debt service requirements for Senior Obligations payable from Net Revenues of the System are \$79,271,756 (occurring in Fiscal Year-end June 30, 2023), resulting in a coverage ratio of 1.51x. The coverage ratio of Fiscal Year 2022 System Net Revenues of \$119,628,881 to maximum combined debt service requirements of all System obligations of \$89,754,555 (occurring in Fiscal Year-end June 30, 2023), is 1.33x.

In November 2010, the Water Authority received the Fiscal Year 2009 Comprehensive Annual Financial Report and determined that it was not in compliance with the rate covenant for System

obligations. In response, the Water Authority promptly hired a rate consultant to evaluate the current rates for the System and related operations and expenses for the System. The Board took prompt action to approve a 5% rate increase effective July 1, 2011 to address the shortfall in debt service coverage. Subsequently, the Board approved separate 5% System rate increases for Fiscal Years 2014, 2015, 2016 and 2018, all of which have been added to System rates. There was no rate increase in Fiscal Years 2019, 2020, 2021 and 2022. On May 18, 2022, the Board approved a 5% System rate increase for Fiscal Year 2023. A cost-of-service study is being performed during Fiscal Year 2023 to analyze future System needs and the findings of such study are expected to be presented to the Board in Spring 2023.

Current Ratings

The outstanding Senior Obligations are currently rated “AA+” by S&P and “Aa2” by Moody’s. These ratings are higher than the current ratings for the respective bond insurers, as applicable, and should be considered the ratings on the bonds.

The Water Authority’s Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B are currently rated “AA” by S&P, “Aa3” by Moody’s and “AA+” by Fitch.

JOINT WATER AND WASTEWATER SYSTEM OF THE WATER AUTHORITY

Water System

The System provides water services to approximately 654,067 residents comprising approximately 95% of the residents of the County. Approximately one-third of unincorporated County residents are water customers of the Water System. As of January 1, 2023, service is provided to approximately 216,856 customer accounts, including 186,886 residential and 29,970 multi-family, commercial, institutional and industrial accounts. Approximately 76.4% of the water sales are for residential uses.

Surface water from the San Juan-Chama Drinking Water Project that is utilized through the San Juan-Chama Drinking Water Project is the primary source of potable water supply for the Water Authority. Groundwater is used to supplement surface water supplies to meet peak demands and to provide supply during drought periods or other times when surface water is not available. The Water Authority also owns and operates two (2) non-potable water systems to provide irrigation and industrial water in the service area. In calendar year 2022, the Water Authority’s potable water resources use consisted of 55% from groundwater and 45% from San Juan-Chama surface water. The non-potable water supply is derived from 4% of reuse of treated effluent and non-potable for irrigation. The groundwater supply is produced from 60 wells grouped in 17 well fields located throughout the metropolitan area and the San Juan-Chama surface water is diverted from the Rio Grande. Total well production capacity is approximately 255 million gallons per day (“MGD”). Eliminating high arsenic wells (those greater than ten (10) parts per billion arsenic) results in available production capacity of 179 MGD. Peak day demand for 2022 was 146 MGD. The Water Authority also has five (5) arsenic treatment facilities that remove naturally occurring arsenic from groundwater. Each well field includes chlorination for disinfection as required by the Safe Drinking Water Act.

Water storage reservoirs provide for fire, peak hour and uphill transfer to storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 pounds per square inch (“psi”) for consumers. 61 reservoirs are located throughout the service area, with a total reservoir storage capacity of 245,000,000 gallons. If demand requires, reservoir water can also be transferred to a higher zone or across zones through an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 39 potable water pump stations housing 130 booster pumps, with a total capacity of 748 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,059 miles of pipelines, consisting of active distribution mains, transmission mains, well collector and hydrant legs, and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Water Authority’s service

area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the Water System for control from a central control facility.

Water Supply

Existing Water Resources

On September 4, 2003, the New Mexico Office of the State Engineer granted the 1993 application of the City's Water Utility Department (the "Utility") to appropriate groundwater in the Middle Rio Grande Administrative Area. This water rights permit allows the withdrawal of groundwater from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

<u>Years</u>	<u>Annual Diversion Limit (acre-feet)</u>
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous groundwater permit limited the Water Authority's pumping to 132,000 acre-feet per year. The permit is governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications adopted by the State Engineer in 2000.

The Water Authority also holds groundwater diversion permit RG-4462 with 14 groundwater wells permitted and eight (8) wells drilled in the Corrales trunk with a maximum diversion limit of 10,000 acre-feet per year. The permit and wells were acquired when the Water Authority acquired New Mexico Utilities, Inc. in 2009.

The average annual groundwater withdrawal for the five (5) years ending in Calendar Year 2022 was 51,679 acre-feet with a maximum withdrawal of 70,516 acre-feet occurring in Calendar Year 2021. Additionally, the Water Authority has the right to use consumptively 74,622.2 acre-feet of surface water per year. This figure consists of imported Colorado River water pursuant to a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama Drinking Water Project, pre-1907 water rights of 4,916.7 acre-feet, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other native water rights. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Water Authority also has approximately 113,021.87 acre-feet of San Juan-Chama water (as of December 2022) from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu, Heron, and Elephant Butte Reservoirs). In July 2003, the Water Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for Calendar Year 2022 were 40,092 acre-feet with an average of 41,073 acre-feet over the last five (5) years.

The Water Authority believes that water received pursuant to the contract for San Juan-Chama water and the native water rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a customer population of more than 1,000,000 using 135 gallons per capita per day ("GPCD") with 40% consumptive use and 60% return flow. Alternatively, these same water resources will support a customer population of 500,000 using water at the rate of 250 gallons per person per day with the same consumptive use and return flow. The current service population is approximately 654,067, and the current usage was approximately 127 GPCD (during Calendar Year 2022), down from an average of 250 GPCD when compared to the period of 1987 through 1993. The Water Authority believes this decrease can be attributed to the Water Authority's Water Conservation Program.

San Juan-Chama Drinking Water Project

Imported Colorado River water from the San Juan-Chama Drinking Water Project was purchased in 1963 and began flowing into the Rio Grande in the early 1970's. This water was intended to be directly diverted or to provide legally required offsets for the effects of pumping the aquifer on the Rio Grande. Studies in the 1990's showed that the Rio Grande is not directly connected to the aquifer and that continued sole reliance on groundwater would lead to water quality impacts and land surface subsidence. The policy to transition to direct diversion and full use of the imported Colorado River water (San Juan-Chama water) was adopted in 1997 along with seven (7) dedicated rate increases to pay for the construction and operation.

Construction of the San Juan-Chama Drinking Water Project began in August 2004 following the completion of the diversion and environmental permitting. The San Juan-Chama Drinking Water Project came on-line on December 5, 2008. The San Juan-Chama Drinking Water Project consists of a diversion dam on the Rio Grande, 18 pipeline segments, approximately 44 miles of pipeline, a raw water pump station, a raw water intake and fish passage structure designed to protect habitat on the Rio Grande and the endangered Rio Grande Silvery Minnow, and a surface water treatment plant. Construction costs for the project were approximately \$385 million with an additional \$70 million for design, construction inspection and land purchases.

The San Juan-Chama Drinking Water Project diverts San Juan-Chama water in combination with native water from the Rio Grande for purification to replace sole reliance on the aquifer. Under a permit with the New Mexico Office of the State Engineer, the native water is diverted from the Rio Grande to the surface water treatment plant where the water is purified through a state-of-the-art multi-barrier treatment system designed to remove particulate matter, sediment and bacterial and microbial contaminants. The treatment plant is capable of processing 90 million gallons of water each day. The purified drinking water is then blended with groundwater at the existing reservoirs to supplement drinking water supplies. The State Engineer's permit has many conditions that require diversion from the Rio Grande to be curtailed or stopped including a minimum flow requirement at the Central Avenue gauge. The minimum flow requirements have reduced the ability to divert San Juan-Chama water from the Drinking Water Project since the beginning of operations due to drought. Even with the reduced diversions in the summer months, the aquifer in the Middle Rio Grande Basin has been rising since 2008. Since that time, the water table has risen as much as 55 feet in some areas of the basin and it is predicted to rise for another decade. The San Juan-Chama Drinking Water Project provides Water Authority customers with a significant additional source of drinking water, which design and construction has been recognized nationally.

Water Supply Plan

Prior to 1997, the water supply plan for the Water Authority's service area, which was based on technical knowledge of the surface and groundwater systems at the time, could be summarized as follows: the City would pump groundwater to meet water system demands; groundwater pumping would cause additional seepage (induced recharge) from the river, and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama Diversion Project. Technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation concluded that the Water Authority's wastewater return flows were sufficient to offset the annual seepage from the Rio Grande associated with the Water Authority's groundwater pumping.

In 1997, the City Council adopted the Water Resource Management Strategy ("1997 WRMS") as the City's water supply plan. The 1997 WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The 1997 WRMS: (1) calls for the City (or the Water Authority as successor) to more fully utilize its renewable water resources in order to reduce reliance on groundwater to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas; (3) provides for the development of a groundwater drought reserve, which was recommended by resource economists in a report commissioned to provide for the Water Authority's anticipated year 2060 water demands; (4) includes

recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the 1997 WRMS was \$425.2 million (including \$10.8 million for costs of site selection and acquisition, \$385 million for the drinking water supply project, and \$29.4 million for three (3) reclamation and reuse projects).

In 2007, the Water Authority adopted a new WRMS as its water supply plan (the “2007 WRMS”). The 2007 WRMS is a combination of existing policies from the original 1997 WRMS with several new policies that were developed in cooperation with federal, state, and local agencies and significant public involvement and education. The 2007 WRMS outlines 13 policies including continued support for the San Juan-Chama Drinking Water Project and the remaining reuse and reclamation projects.

The four (4) specific projects identified in the 1997 WRMS have been implemented. The Water Authority received a permit from the Office of the State Engineer for diverting and consuming San Juan-Chama water in the amount of 96,200 acre-feet per year on July 8, 2004. The final revised Order and Permit (SP-4830) for the San Juan-Chama Drinking Water Project was received in December 2014, which completed the legal process. The Water Authority received a Record of Decision on the National Environmental Policy Act process on June 1, 2004 and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concluded that the effects of the San Juan-Chama Drinking Water Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat.

With respect to the three (3) water reclamation and reuse projects identified in the 1997 WRMS, the Industrial Recycling Project has been completed and operational since approximately August 2000. The North I-25 Non-Potable Surface Water Project began full operations in January 2004. Together these two (2) projects provide approximately 2,600 acre-feet of water each year for irrigation use in the Northeast Heights of the City. The Southside Municipal Effluent Polishing and Reuse Project utilizes approximately 1,000 acre-feet per year of treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of the City. The completion and operation of the Southside Reuse Project completes the four (4) projects as called for in the original 1997 WRMS and updated 2007 WRMS to provide a safe and sustainable water supply to 2060 (which is as far as the 1997 WRMS projected).

As a result of the implementation of the 2007 WRMS, the aquifer has been rising throughout the Middle Rio Grande. Although the region has experienced numerous droughts, the water supply is increasing in the City’s area as a result of the Water Authority’s transition to surface water (San Juan-Chama Drinking Water Project), reuse and significant water conservation efforts. Over the last 20 years, the Water Authority has saved approximately 1,000,000 acre-feet of groundwater through conservation and conjunctive-use of its resource portfolio.

Following the past successful water planning work in 1997 and 2007, in September 2016 the Board adopted Water 2120. Water 2120 is a long-range water supply plan that provides policy directives to meet water supply gaps for a range of potential future demands over the next 100-years. Water 2120 also reflects updates in the scientific literature on climate modeling enhancing the Water Authority’s understanding of the new water resources to manage. The document consists of 13 policies and more than 60 sub-policies to guide implementation of the plan including programs and projects needed to provide a safe, sustainable and resilient water supply for the next 100-years.

The plan focuses on full utilization of the water rights and resources already owned by the Water Authority. The overall approach to Water 2120 was to simulate a number of scenarios of supply and demand over the next 100-years, with current supplies and rights, and to quantify key results. To fill the gaps in supply, numerous potential water supply alternatives were examined, and simulations were run. One of the key policies in the new water supply plan was to implement a groundwater management strategy that protects a large quantity of the aquifer for future generations. A management level was established such that new supplies would be implemented over time to reduce long-term aquifer drawdown and allow future generations the opportunity to utilize that savings account.

In addition to the groundwater management plan, the new 100-year plan focuses on utilizing the existing rights owned by the Water Authority with additional water conservation. Additional water reuse and storage provide flexibility for the future along with increased ASR (defined below). Watershed restoration and management are also part of the new plan to ensure the Water Authority is taking the necessary steps to protect the environment from potentially devastating fires and watershed damage.

Aquifer Storage and Recovery

Aquifer storage and recovery (“ASR”) is a means of storing excess water in the aquifer to reduce evaporation and provide a groundwater drought reserve when surface water supplies are not available. ASR is another water resources management tool that the Water Authority is implementing to ensure a safe and sustainable water supply. The Water Authority initiated the first land application project, called the Bear Canyon ASR Project, in 2009. In November 2014, the Water Authority received the full-scale permit for the Bear Canyon ASR Project and began regular operations. The current recoverable volume at the Bear Canyon ASR project is 2,031.1 acre-feet. The full scale permit allows for up to 3,000 acre-feet of recharge per year with a maximum of 10,000 acre-feet.

The Water Authority received a permit from the New Mexico Office of the State Engineer for the large scale ASR project capable of injecting approximately 5,000 acre-feet a year into the aquifer which will provide for additional storage that will assist in further expanding the drought supply for the Water Authority. Construction was completed on the large-scale ASR in March 2019 and injection went on-line in January 2020. The large scale ASR currently has a recoverable volume of 2,134.5 acre-feet. Additional ASR projects are called for in the new 100-year plan that would include both infiltration and direct injection.

South Valley Drinking Water Project

Construction of the South Valley Drinking Water Project is being completed in phases and is managed by the Bernalillo County Public Works Department. The Water Authority is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of the County and allow the residents to connect to the System and end their use of wells. The project will provide water service to approximately 3,200 developed parcels in the Southwest Valley. Phase 1, consisting of a major transmission line, was completed in August 2007. The Water Authority contributed \$9 million of the \$14 million cost. Phases 2 and 2A consist of a water distribution system to 1,240 households in the area and were completed in May 2008 with an estimated cost of \$8.5 million with the Water Authority’s share at \$7.5 million. Phase 3, consisting of the Pajarito Reservoir and transmission line, was completed in December 2009, and Phase 4, consisting of the Pajarito Pump Station, was completed in May 2011, with the Water Authority committing \$8.4 million. The Water Authority and County recently partnered to complete Phases 7A, 7B, and 7C of the water line project in the Los Padillas area, also known as the Los Padillas Water Project. The Water Authority contributed \$250,000 in addition to the labor and equipment to install the water lines. The County contributed \$1.7 million toward the project. The Water Authority expended an additional \$2.575 million for installation of transmission/distribution piping on Coors Blvd. as an additional component to the Los Padillas Water Project. Construction of this project was completed in March 2022, and such piping connected the distribution systems that were installed in Phases 2, 5, and 6, and will provide waterline connections for the future identified Phases 8 and 9. For Phases 8 and 9 of the South Valley Drinking Water Project, the County has provided \$8 million of Rescue Act funds to the Water Authority for planning, design, and a portion of construction. See “FINANCIAL INFORMATION – Financial Management – *Other Projects*” for a description of other Rescue Act funding provided by the County to the Water Authority. Currently, the Water Authority and its engineering consultant are actively engaged in planning and design work for Phases 8 and 9, which will include a Preliminary Engineering Report, and a final design package for construction that the Water Authority expects will be ready for bid by December 2023.

Arsenic Standard Applicable to Water Supply

The U.S. Environmental Protection Agency (the “EPA”) promulgated regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. When the EPA adopted the standard, Congress allowed large water systems the opportunity to apply for a maximum three-year exemption, which the Water Authority applied for and was granted.

Two (2) projects were instituted to comply with the arsenic standard. The first and most important is the San Juan-Chama Drinking Water Project, which utilizes a treatment process that removes arsenic. The second project is the College Arsenic Treatment Plant, which treats high arsenic well water from the Gonzales to College Well Collector Line project.

The Water Authority continues to be in compliance with EPA’s arsenic regulations but because of diversion limitations placed by the State Engineer on the San Juan-Chama Drinking Water Project, additional arsenic removal treatment systems to remove arsenic from the Water Authority’s existing facilities or other production facilities with lower arsenic water may be needed to meet demand in the future.

The Water Authority is currently developing a long-term strategy for utilizing existing wells that are currently out of service within the System due to high arsenic levels and to identify priority arsenic treatment plant projects for design and construction by the end of Fiscal Year 2024.

Water Conservation Program

In an effort to extend the lifetime of the Water Authority’s water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. The City utilized Calendar Years 1987 through 1993 as the baseline period, with gross community per capita water use at an average of 250 gallons per day. Gross community water use needed to be reduced to 175 GPCD to achieve the 30% conservation savings goal. At the end of 2005, Water Authority customers had reduced their per capita use 33% compared with use during the established baseline period.

In 2004, the Water Authority adopted a water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995 to be implemented in 2005 with reduction rates of 1% per year until 2014 to achieve a usage of 150 GPCD. This goal was achieved three (3) years early in 2011.

In 2013, the Water Authority adopted an additional reduction goal to reduce per capita usage from 150 GPCD to 135 GPCD over the next ten (10) years. A program was established to accomplish the goal following significant public input and meetings with the Board. The elements consisted of increased public education, “test your toilet month,” new rebate programs, and revisions to the xeriscape program. As part of Water 2120, the Water Authority adopted a new conservation goal of 110 GPCD by 2037. In March 2018, an updated water conservation plan was adopted which revises the rebate programs and places a greater emphasis on outdoor efficiency in order to achieve the new goal. In 2022, usage was reduced to 127 GPCD.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing efforts, converting high water use landscaping with xeriscaping, replacing high water use washing machines with low use models, installing rain water harvesting equipment, rain sensors, and more efficient sprinkler system heads. Free irrigation audits are available to all customers. The Water Authority has developed water management software to assist large water users such as Albuquerque Public Schools, the City, and the County in tracking and reducing water usage. Finally, the Water Authority has established water budgets for over 1,300 large turf customers.

The Water Conservation Program has achieved significant reductions in water use since 1995 and is recognized as one of the most successful water conservation programs in the United States. The Water Authority imposed 5% rate increases in Fiscal Years 2012, 2014, 2015, 2016 and 2018 to help address

System revenues lost due to conservation. There was no rate increase in Fiscal Years 2019 through 2022. On May 18, 2022, the Board approved a 5% System rate increase for Fiscal Year 2023. A rate increase is not anticipated for Fiscal Year 2024. However, a rate increase is anticipated for Fiscal Year 2025. See “FINANCIAL INFORMATION – Rates and Charges of the System.”

Surface and Groundwater Protection Plan

The Albuquerque/Bernalillo County Groundwater Protection Policy and Action Plan (“GPPAP”) was adopted by the City and County in 1994. The goals of the GPPAP are to prevent any additional groundwater contamination in the County, to facilitate clean-up of existing contamination, and to promote the coordinated protection and prudent use of groundwater. In 2009, the GPPAP was updated to include surface water quality protection measures, as the Water Authority started its use of the San Juan-Chama Drinking Water Project water. The Water Authority, City, and County have jointly established a Water Protection Advisory Board (“WPAB”) which replaced the GPPAP to address surface water quality protection in addition to groundwater quality protection. Additionally, the WPAB studies and advises the Water Authority, City, and County on surface and groundwater protection concerns, including policies necessary to enhance protection of surface and groundwater quality including promoting consistency among the governmental entities in pursuing these goals.

Kirtland Air Force Base Fuel Spill

In 1999, the United States Air Force discovered an underground fuel leak around its bulk fuel storage facility at Kirtland Air Force Base (the “KAFB”) in the Southeast portion of the City. The Air Force, in conjunction with the New Mexico Environment Department (“NMED”) and the City, immediately began to investigate the scope of the leak and to take the necessary regulatory steps. The Air Force installed a soil vapor remediation system which began extracting fuel vapor from the soil in 2003 and was operational until 2014. Beginning in 2015, the Air Force started groundwater remediation with a pump and treat system that currently utilizes four (4) extraction wells located inside the contamination plume. Other intermediate remediation efforts, including bioventing and 1,2-dibromoethane bioremediation, have been disapproved by NMED and discontinued. The groundwater pump and treat is currently the only operational remediation at the site. The Air Force conducts staggered sampling of the total 174 wells in the groundwater monitoring network with 71 wells sampled in Q1 and Q3 and 167 wells sampled in Q2 and Q4 of each year. The 302 soil vapor monitoring points are sampled on a semi-annual frequency. The Water Authority’s groundwater supply wells remain safe and have not experienced contamination. The project remains in the site characterization phase with a Phase I RCRA Facility Investigation (RFI) Report submitted in 2018 and the Phase II RFI Report has yet to be submitted. NMED approval of these reports is necessary to proceed into the Corrective Measures Evaluation (CME) phase where a final remedy will be selected and the site can proceed with cleanup. The Water Authority continues to advocate for rapid cleanup of the contamination, providing technical reviews of project documents, and by requesting that the Air Force resume technical working group meetings. In 2022, the Water Authority drilled, installed, and began sampling the data gap groundwater monitoring well it received capital outlay funding for in 2021. The well was installed at the northern extent of the contamination and was first identified as critical to the characterization of contamination in groundwater during the Water Authority’s review of the 2018 Phase I RFI Report. The Water Authority also requested capital outlay funding to study the benefit of installing an additional data gap groundwater monitoring well. Additionally, the Water Authority participated in all public meetings, stakeholder meetings, and requested a follow up to the Technical Working Group meeting held in 2021 with the NMED and Air Force, but this request was not fulfilled. NMED also increased their oversight on the Air Force and issued notices of disapproval regarding several work plans and reports that did not meet the standard of work the site requires. The Air Force has accepted responsibility for the cost of the remediation and has stated its commitment to dedicate the necessary resources to remediate the fuel leak. For additional information concerning the KAFB Bulk Fuels Facility jet fuel leak remediation project, please see www.kirtland.af.mil/BFF. *Neither the information on (nor accessed through) such website of KAFB is incorporated herein by reference, either expressly or by implication, and the Water Authority does not assume any responsibility for the accuracy of the information on such website.*

Drought Relief Measures

The Water Authority adopted the City's Drought Management Strategy when the Water Authority was created in 2004. The Drought Management Strategy was updated and approved over the years by the Board, most recently in 2012. The purpose of a Drought Management Strategy is to preserve and protect the aquifer and also to meet water conservation goals during a drought. In March 2018, the Drought Management Strategy was renamed "The Plan for Customer Demand Reduction During Drought" and was incorporated into the water conservation plan. All elements of the plan remained the same which identified four (4) levels of drought as follows: drought advisory, drought watch, drought warning and drought emergency, and provides various educational steps and voluntary and mandatory conservation measures to reduce water usage during each of these drought levels. The Board declared a Stage One Drought Watch on March 17, 2021, in response to drought conditions that have persisted in the region, which remains in effect. Under this stage, Water Authority staff increased public awareness efforts regarding conservation, doubled water waste fines for customers allowing water to flow or overspray onto streets and sidewalks. Fines are also doubled for time-of-day violations; sprinklers are not allowed between 11 a.m. and 7 p.m. from April 1-October 31. A third measure provides \$20 rebates to customers for the completion of a virtual Water Smart drought class. These measures are implemented to manage customer demand under hot, dry weather and poor snowpack conditions.

Water Usage

The System's water component serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10.4% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths with yields ranging from approximately 500 gallons per minute to more than 3,700 gallons per minute. During Calendar Years 2018-2022, the Water System supplied the following water volumes to customers within the service area including contributions from both surface water and groundwater supplies:

WATER USAGE⁽¹⁾

2018-2022

<u>Calendar Year</u>	<u>Gallons Produced (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2018	30,140,000	27,696,655	91.89%
2019	29,393,000	27,073,469	92.11%
2020	30,878,760	28,431,768	92.08%
2021	30,460,000	27,967,068	91.82%
2022	29,352,000	26,768,692	91.20%

⁽¹⁾ There is a difference between gallons produced and gallons billed. Gallons which are produced but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered. These variables fluctuate from year to year and impact the percentage billed. The fire protection usage is not metered but is built into the rate covenant for the System and is not considered a free use. In addition, the above usage figures do not account for reuse of non-potable water for reuse as part of the Southside Water Reuse Project.

Source: Water Authority.

The top ten (10) water customers of the System are:

WATER SYSTEM TOP TEN CUSTOMERS⁽¹⁾
Fiscal Year 2022

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected Revenue</u>	<u>% of Total Revenue</u>
City of Albuquerque	2,680,909	\$8,652,685	5.96%
Albuquerque Public Schools	554,451	2,850,179	1.96
University of New Mexico	303,565	1,367,733	0.94
Kirtland Air Force Base	135,938	661,475	0.46
Bernalillo County	164,743	633,197	0.44
Sumitomo	123,605	299,841	0.21
Central New Mexico Community College	60,242	282,441	0.19
Water Authority	42,114	269,330	0.19
Lovelace Health	81,082	266,959	0.18
Albuquerque Academy	93,628	213,690	0.15
Total	4,240,277	\$15,497,530	10.68%
Total Revenue for Water System		\$145,215,374	

⁽¹⁾ Includes non-potable water customers. Amounts may not foot due to rounding.
Source: Water Authority.

Wastewater Plant and Collection System

The System's wastewater component consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant (the "SWRP"). The wastewater treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent disinfection using ultraviolet light prior to discharge to the Rio Grande.

Treatment plant capacity is based upon 76 MGD hydraulic capacity. Existing flows at the plant have averaged 45.5 MGD over the past five (5) years, but these figures do not reflect the amount of non-potable water being reused for irrigation and industrial use at the SWRP. The Water Authority has an operational industrial pretreatment program approved by the EPA. The EPA recognized that the Water Authority's pollution prevention efforts have been largely responsible for the Water Authority maintaining compliance with strict standards contained in NPDES Permit #NM0022250, with the most recent renewal of such permit effective December 1, 2019 (as renewed, the "NPDES Permit"). The Water Authority's wastewater effluent discharge consistently meets all requirements contained in the NPDES Permit.

The Water Authority received an Administrative Order (an "AO") from the EPA for violations of the NPDES Permit associated with sanitary sewer overflows, laboratory reporting issues, and plant violations from 2001 to 2010. The Water Authority received two (2) additional AOs for an overflow which occurred on February 27, 2015 as a result of a major power failure. The first 2015 AO required that the Water Authority implement electrical and other improvements to prevent another power failure and the potential for another spill. All of that work was completed in 2015 and a project completion report was filed with the EPA. The second 2015 AO included adoption of the Corrective Action Plan items that were completed and a project completion report was submitted to the EPA in June 2018.

Since January 2003, the wastewater treatment plant has had a 6.6 mega-watt cogeneration facility to provide most of its power needs. The cogeneration facilities are complemented by a 1 mega-watt ground mounted solar energy array and a 6.3 mega-watt covered parking mounted solar energy array. These on-site power generating facilities normally supply 100% of the wastewater treatment plant's present electrical needs, along with providing heating of various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. The SWRP currently generates electricity from the biogas produced in the digesters. In accordance with the State's

Energy Transition Act, the Water Authority permanently retired the Renewable Energy Certificates (“REC”) associated with digester gas. Over the past three (3) years, they had no marketable value.

The Water Authority currently manages wastewater sludge using two (2) methods: surface disposal and production of compost. The Water Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated surface disposal site is used when seasonal market conditions are not favorable for sale of compost product. During Fiscal Year 2022, 23% of all sludge produced at the treatment plant was beneficially recycled into compost and sold. The Water Authority’s Compliance Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing. The entire laboratory is also accredited by the American Association for Laboratory Accreditation. The Water Authority reduces expenses by analyzing a majority of the bacteriological samples at the Water Authority’s internal water quality lab.

The following table sets forth the quantity of wastewater treated and customers served through the Wastewater System for Calendar Years 2018-2022:

**TREATED WASTEWATER
Calendar Years 2018-2022**

<u>Calendar Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2018	19,183,906	198,545
2019	18,432,870	200,116
2020	17,666,960	201,349
2021	17,728,286	203,015
2022	16,618,000	203,951

Source: Water Authority.

The top ten (10) wastewater customers of the System are:

**WASTEWATER SYSTEM TOP TEN CUSTOMERS⁽¹⁾
Fiscal Year 2022**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected Revenue</u>	<u>% of Total Revenue</u>
Kirtland Air Force Base	744,147	\$1,419,668	1.85%
University of New Mexico	849,535	1,128,833	1.47
Albuquerque Public Schools	69,188	698,685	0.91
City of Albuquerque	99,175	696,034	0.91
Creamland Dairies	48,902	502,826	0.65
Lovelace Health	57,483	158,867	0.21
Bernalillo County	32,665	146,005	0.19
Central New Mexico Community College	25,643	116,475	0.15
Sandia Peak Services	81,297	96,997	0.13
Four Hills Mobile Home Park	35,162	87,358	0.11
Total	2,043,197	\$5,051,748	6.58%
Total Revenue Wastewater System		\$76,845,065	

⁽¹⁾ Amounts may not foot due to rounding.

Source: Water Authority.

Management of the System

Water Authority management is responsible for day-to-day operations of the System, policy, System expansion, budget, rates, personnel reorganizations, unbudgeted intra-year positions, negotiation or renegotiation of labor contracts and litigation relating to the System. The individuals described in the following paragraphs are the present management for the Water Authority.

Mark Sanchez, Executive Director. Mr. Sanchez has been the Executive Director of the Water Authority since its inception in 2004, and was formerly the Director of Council Services for the Albuquerque City Council. Mr. Sanchez holds a Master's Degree in Business Administration from New Mexico Highlands University and a Master's Degree in Public Administration from the University of New Mexico. He is a graduate of the Harvard JFK School of Government Program for Senior Executives in State and Local Government. Mr. Sanchez has held executive-level positions in government, private sector and the non-profit sector in the areas of water, reuse and wastewater, business and government policy, housing and community development, health, human and social services, job training and economic development. Mr. Sanchez serves as Chairman of the New Mexico Interstate Stream Commission, Past-President of the National Association of Clean Water Agencies. He has been very active at the local, State and national levels on water, reuse and wastewater utility issues.

Stan Allred, Chief Financial Officer/Chief Operations Officer. Mr. Allred held the position of Finance Officer, Water Utility Department from June 2003 until May 2008 when he was promoted to Chief Financial Officer. Mr. Allred is responsible for the Financial/Business Services Group which includes all finance, accounting, information services and Water Authority warehouse functions. He has over 35 years of financial and cost accounting experience. Prior to employment with the Water Authority, Mr. Allred was employed as a director with a multi-billion dollar national long-term care corporation. Mr. Allred was involved with corporate financial reporting requirements and rate setting for Medicare and 15 different state Medicaid systems. Mr. Allred has a BBA with a concentration in Accounting from the University of New Mexico. In 2020, Mr. Allred also became the Chief Operations Officer of the Water Authority, where he is responsible for the Water Authority's operations group including the water and wastewater treatment plants, wastewater collection systems and lift/vacuum stations, and water distribution and transmission lines. In addition, Mr. Allred is responsible for managing the Compliance Division.

Elizabeth Anderson, Chief Planning Officer. Mrs. Anderson has held the Chief Planning Officer position since March 2020. Previous roles in the Water Authority include Chief Innovation and Performance Manager, Water Quality Program Manager, and Senior Engineer in Centralized Engineering. Before joining the Water Authority, Mrs. Anderson worked as an engineering consultant for 11 years. She has over 20 years of experience in planning, design, construction, and operations of water and wastewater facilities. Mrs. Anderson has a B.S. in Civil Engineering and an M.S. in Environmental/Water Resources Engineering from the University of New Mexico. Mrs. Anderson is a licensed professional engineer and a certified operator for water and wastewater systems.

Hobert "H" Warren, Field Division Manager. Mr. Warren has served as the Field Division manager since 2018. He obtained his Bachelor of Business Administration from the University of New Mexico. His career has spanned over 26 years in the areas of operations, compliance, collections, construction, transition planning, automated meter reading implementation, smart water, billing systems, and rate studies. Prior to employment with the Water Authority, Mr. Warren was the local operations manager for a company that owns and operates more than 130 regulated water and wastewater systems in nine (9) states.

Charles S. Leder, P.E., Plant Division Manager. Mr. Leder has held the Division Manager position since July of 2012 after serving as a Principal Engineer for Plant Operations since March 2010. He has over 46 years of experience in planning, design, construction, and operations of water and wastewater facilities. Mr. Leder has a B.S. from the Johns Hopkins University, and an M.S. in Sanitary Engineering from the Georgia Institute of Technology.

Cody R. Stinson, Chief Information Officer. Mr. Stinson has a B.A. from the University of New Mexico in Management of Information Systems, and a M.B.A. from the University of New Mexico in Management of Technology. Mr. Stinson also has over 24 years of Information Technology experience, including work for the New Mexico State Judiciary, and as Deputy Chief Information Officer for the County. Mr. Stinson has managed several large implementations, including the Video Arraignment Process for the Bernalillo County Metropolitan Court, and the County's procurement and implementation of its Enterprise Resource Planning solution, which was SAP.

Charles W. Kolberg, General Counsel. Prior to becoming General Counsel for the Water Authority, Mr. Kolberg served for four (4) years as Risk Manager for the City of Albuquerque, where he managed an internally funded insurance company covering all municipal liability exposures. Prior to becoming Risk Manager, Mr. Kolberg practiced as a litigation attorney for 17 years with 12 of those years as an Assistant City Attorney handling all aspects of municipal law including substantial litigation on water resource issues. Mr. Kolberg attended the University of New Mexico before obtaining his B.A. in Political Science from the University of Colorado in 1981. He received his Juris Doctor in 1986 from Arizona State University.

Andres E. Santiago, Risk Manager. Has held the position of Risk Manager at the Water Authority since 2019, after serving as the Director of Risk Management for Bernalillo County since 2016. Prior to returning to the public sector, he worked for a Global Materials Science Company; W. L Gore and Associates, as a Regulatory Affairs and Risk Manager, directing corporate compliance and global risk programs. Mr. Santiago has over 28 years of experience working both in public and private sectors. Mr. Santiago earned both his B.A. in Political Science and M.S. of Public Administration from the University of New Mexico.

David Morris, Public Affairs Manager. Mr. Morris has been the head of communications and public relations for the Water Authority since 2007. He holds a B.A. in Journalism from the University of New Mexico and a M.A. from the LBJ School of Public Affairs at the University of Texas at Austin. He has more than 25 years of communications experience, with stints in advertising, healthcare, and international development.

Erica L. Jaramillo, SHRM-CP, PHR, Human Resources Manager. Ms. Jaramillo has been with Water Authority Human Resources since 2011 and was promoted to Human Resources Manager in 2020. She graduated with Honors from University of Phoenix with a B.S. in Business Management. Ms. Jaramillo is also a proud graduate of Leadership Sandoval County in 2011. She has over 24 years of experience in management and human resources in both the private and public sector, specializing in employee development, mediation and labor relations.

Danielle Shurn, Compliance Manager. Ms. Shurn began managing the Compliance Division in 2020 after joining the Water Authority as the Water Quality Program Manager in 2019. She has a B.S. in Environmental Science from Allegheny College and a Master of Water Resources degree from the University of New Mexico. Ms. Shurn has over 15 years of experience working at the NMED in State and Federal regulatory compliance programs that oversee statewide wastewater and drinking water systems. During her 10 years at the NMED Drinking Water Bureau, Ms. Shurn achieved extensive experience in creating programs that promote the development of managerial, financial and technical capacity for New Mexico public water systems through educational assistance and technical support.

Mark P. Kelly, P.E., Water Resources Manager. Mr. Kelly has been the Water Resources Manager since October 2020. Prior to his current position, he was the Water Authority's Compliance Manager. Mr. Kelly has 19 years of engineering experience in water and wastewater system design, as well as landfill design. He has a B.S. in Environmental Engineering from the New Mexico Institute of Mining and Technology.

FINANCIAL INFORMATION

Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years ended June 30, 2018-2022.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS					
Current Assets					
Cash and investments	\$179,464,851	\$154,903,452	\$159,849,423	\$172,814,612	\$148,814,465
Accounts and leases receivable	23,964,523	20,507,045	20,636,353	19,601,149	19,518,630
Due from other governments	6,726,082	1,488,611	329,245	183,575	422,691
Prepaid assets	683,898	462,303	323,566	66,263	27,705
Notes receivable	1,723,247	1,218,622	1,039,307	872,650	741,487
Total Current Assets	212,562,601	178,580,033	182,177,894	193,538,249	169,524,978
Noncurrent Assets					
Long-term receivables	5,540,882	5,552,923	5,439,559	5,004,280	4,863,339
Restricted Assets					
Cash and investments	52,818,145	15,457,559	89,078,154	47,168,017	9,451,333
Total Restricted Assets	58,359,027	21,010,482	94,517,713	52,172,297	14,314,672
Capital Assets, net of accumulated depreciation/amortization					
Buildings and other improvements	1,009,392,052	1,041,081,143	1,040,382,749	1,055,575,339	1,069,080,592
Leases	219,544	505,102	890,386	1,418,603	-
Purchased water rights	49,251,368	49,251,368	49,251,368	49,251,368	49,251,368
Land	25,462,800	25,416,568	25,360,568	25,265,606	25,204,444
Machinery and equipment	11,010,292	13,044,015	14,732,858	13,850,563	12,168,692
Construction work in progress	58,299,962	48,902,132	44,782,159	23,607,887	32,261,354
Total Capital Assets	1,153,636,018	1,178,200,328	1,175,400,088	1,168,969,366	1,187,966,450
Total Noncurrent Assets	1,211,995,045	1,199,210,810	1,269,917,801	1,221,141,663	1,202,281,122
TOTAL ASSETS	1,424,557,646	1,377,790,843	1,452,095,695	1,414,679,912	1,371,806,100
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	6,394,516	6,882,821	847,366	848,944	851,337
Deferred amounts related to pensions	5,019,966	20,480,718	10,451,756	14,974,502	12,103,929
Deferred amounts on refunding	10,578,504	13,695,887	14,249,960	17,196,455	20,142,951
Total deferred outflows of resources	21,992,986	41,059,426	25,549,082	33,019,901	33,098,217
LIABILITIES					
Current Liabilities					
Accounts payable	21,528,999	14,392,083	27,026,101	16,679,973	14,242,259
Accrued payroll	3,553,590	2,408,685	2,486,502	1,834,689	1,663,520
Claims payable, current portion	1,719,711	1,708,055	1,732,003	1,690,735	1,411,264
Accrued compensated absences	4,035,189	3,339,179	3,166,267	3,887,137	3,955,443
Deposits	1,020,390	941,470	892,117	877,364	818,630
Lease	167,639	449,265	468,754	1,491,546	-
Current portion debt obligation bonds	63,495,000	56,725,000	53,010,000	51,335,000	49,210,000
Loan agreements/lines of credit	780,280	594,441	4,908,241	4,692,256	4,481,483
Water rights contract	1,359,809	1,319,619	1,280,611	1,242,757	1,206,021
Accrued interest for debt obligations	11,989,511	11,879,342	12,709,316	13,181,001	11,894,018
Total Current Liabilities	109,650,118	93,757,139	107,679,912	96,912,458	88,882,638
Noncurrent Liabilities					
Debt obligations					
Bonds net premium/discounts	562,886,873	550,216,161	595,086,218	571,510,789	549,231,176
Loan agreements/line of credit	9,732,008	7,970,873	27,359,460	32,279,020	37,053,284
Water rights contract	-	1,359,809	2,679,428	3,960,039	5,202,796
Total Debt Obligations	572,618,881	559,546,843	625,125,106	607,749,848	591,487,256
Other Noncurrent Liabilities					
Claims payable, net of current portion	3,061,967	3,097,210	2,239,516	1,913,763	2,078,628
Lease liability, net of current portion	72,539	109,476	495,601	-	-
Net pension liability	41,794,768	74,155,075	64,315,537	59,487,543	51,278,088
Net post-employment benefit obligation liability	24,278,782	30,393,823	25,399,296	34,650,853	36,642,124
Accrued compensated absences	1,094,118	1,479,230	1,252,621	96,159	140,834
Total Other Noncurrent Liabilities	70,302,174	109,234,814	93,702,571	96,148,318	90,139,674
Total Noncurrent Liabilities	642,921,055	668,781,657	718,827,677	703,898,166	681,626,930
TOTAL LIABILITIES	752,571,173	762,538,796	826,507,589	800,810,624	770,509,568
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to leases	433,068	610,045	951,377	1,280,371	-
Deferred amounts related to other post-employment benefits	15,558,882	13,880,527	15,701,138	9,331,810	8,204,942
Deferred amounts related to pensions	17,723,870	661,834	1,027,092	2,060,504	3,483,273
NET POSITION					
Net investment in capital assets	578,778,699	589,167,871	594,404,243	568,941,434	571,387,320
Unrestricted	81,484,940	51,991,196	39,053,338	65,275,070	51,319,214
TOTAL NET POSITION	\$660,263,639	\$641,159,067	\$633,457,581	\$634,216,504	\$622,706,534

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2018-2022.

The following table shows the historical revenues and expenditures for the System for Fiscal Years ended June 30, 2018-2022:

Revenues and Expenditures

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019⁽¹⁾</u>	<u>2018⁽²⁾</u>
Operating Revenues					
Charges for services	\$224,194,834	\$225,663,414	\$225,609,119	\$219,984,311	\$226,396,492
Operating Expenses					
General and administrative	61,872,732	61,977,062	69,394,965	66,274,400	64,227,419
Source of supply, pumping, treating, distr.	54,988,517	50,881,255			
			51,686,336	48,844,000	48,470,479
Non-capitalized major repair	17,184,915	21,576,088			
Amortization	453,147	493,756	19,138,683	13,012,052	7,784,840
Depreciation	86,136,347	86,167,169	528,217	736,098	-
Total Expenses	220,635,658	221,095,330	84,985,126	84,319,801	82,630,526
Operating Income/Loss	3,559,176	4,568,084	225,733,327	213,186,351	203,113,264
Non-operating revenues (expenses)			(124,208)	6,797,960	23,283,228
Interest on investments	647,128	622,445	2,163,600	3,117,644	831,945
Interest expense	(17,351,811)	(17,193,522)	(19,842,367)	(20,068,297)	(18,294,865)
Utility expansion charges	8,421,390	9,060,038	8,916,871	6,884,954	9,685,634
Water Supply Charges	1,873,759	1,612,875	838,525	437,646	363,963
Debt issuance costs	(667,711)	(340,821)	(665,000)	(629,086)	-
Lease of stored water	200,177	809,838	294,824	1,845,393	78,537
Other revenues	1,152,842	2,225,007	1,217,438	2,978,492	2,583,477
Total non-operating income	(5,724,226)	(3,204,140)	(7,076,109)	(5,433,254)	(4,751,309)
Income (loss) before contributions	(2,165,050)	1,363,944	(7,200,317)	1,364,706	18,531,919
Capital contributions	21,269,622	6,337,542	6,441,394	10,145,264	13,000,401
Change in Net Position	19,104,572	7,701,486	(758,923)	11,509,970	31,532,320
Net Position July 1	641,159,067	633,457,581	634,216,504	622,706,534	591,174,214
Net Position June 30	\$660,263,639	\$641,159,067	\$633,457,581	\$634,216,504	\$622,706,534

(1) Fiscal Year 2019 results were restated to reflect certain capital asset and grant activity that was previously omitted from the Fiscal Year 2019 audited financial statements and to reflect the implementation of GASB Statement No. 87, Leases in Fiscal Year 2020, which decreased the net position as of June 30, 2019 by approximately \$35,057. Such restatement had no effect on Net Revenues of the System or debt service coverage for System obligations for Fiscal Year 2019.

(2) Fiscal Year 2018 results were restated to reflect certain capital asset and grant activity that was previously omitted from the Fiscal Year 2018 audited financial statements, which increased the net position as of June 30, 2018 by approximately \$6,169,438. Such restatement had no effect on Net Revenues of the system or debt service cover for System obligations for Fiscal Year 2018.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2018-2022.

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Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service for Fiscal Years ended June 30, 2018-2022.

System Debt Service Coverage Calculation Fiscal Years 2018-2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total operating revenues	\$224,194,834	\$225,663,414	\$225,609,119	\$219,984,311	\$226,396,492
Non-operating revenues (expenses):					
Interest	647,128	622,445	2,163,600	3,117,644	831,945
Expansion charges	10,295,149	10,672,913	9,755,396	7,322,600	10,049,597
Other Expenses	-	-	-	-	-
Other Revenues	<u>1,353,019</u>	<u>3,034,845</u>	<u>2,860,879</u>	<u>5,220,372</u>	<u>3,899,312</u>
Total adjusted revenues	<u>\$236,490,130</u>	<u>\$239,993,617</u>	<u>\$240,388,994</u>	<u>\$235,644,927</u>	<u>\$241,177,346</u>
Total operating expenses	\$220,635,658	\$221,095,330	\$225,733,327	\$213,186,351	\$203,113,264
Less:					
Franchise fees	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Non-capitalized system obligations	(17,184,915)	(21,576,088)	(19,138,683)	(13,012,052)	(7,784,840)
OPEB Life Insurance Benefits	-	-	-	-	-
Depreciation	(86,136,347)	(86,167,169)	(84,985,126)	(84,319,801)	(82,630,526)
Amortization	(453,147)	(493,756)	(528,217)	(736,098)	-
Total adjusted operating expenses	<u>\$116,861,249</u>	<u>\$112,858,317</u>	<u>\$121,081,301</u>	<u>\$115,118,400</u>	<u>\$112,697,896</u>
Release from Rate Stabilization Fund	-	-	-	-	-
Net revenues available for debt service	<u>\$119,628,881</u>	<u>\$127,135,300</u>	<u>\$119,307,693</u>	<u>\$120,526,527</u>	<u>\$128,479,450</u>
Total senior debt service	<u>\$61,704,698</u>	<u>\$62,276,955</u>	<u>\$62,696,267</u>	<u>\$60,553,383</u>	<u>\$44,519,167</u>
Senior debt service coverage	2.18x	2.06x	1.91x	1.99x	2.89x
Subordinate debt service	<u>\$9,804,228</u>	<u>\$10,004,234</u>	<u>\$10,106,849</u>	<u>\$10,098,204</u>	<u>\$12,846,335</u>
Combined total debt service	<u>\$71,508,926</u>	<u>\$72,280,299</u>	<u>\$72,803,116</u>	<u>\$70,651,587</u>	<u>\$57,365,502</u>
All in debt service coverage	1.88x	1.78x	1.64	1.71x	2.24x

Source: Water Authority and data extracted from the Annual Comprehensive Financial Reports for Fiscal Years 2018-2022.

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Operating Revenue

The following table outlines the Water Authority's revenue from water and wastewater charges and other operating revenue as measured in the Statement of Revenues, Expenses and Change in Net Position for Fiscal Years ended June 30, 2018-2022.

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUE

Fiscal Year	Revenue Water Charges⁽¹⁾	Revenue Wastewater Charges	Other Operating Revenue⁽²⁾	Total Operating Revenue
2018	\$148,315,450	\$76,253,042	\$1,828,000	\$226,396,492
2019	141,267,719	76,848,592	1,868,000	219,984,311
2020	147,244,774	76,231,345	2,133,000	225,609,119
2021	147,199,054	76,441,792	2,022,568	225,663,414
2022	145,215,374	76,845,065	2,134,395	224,194,834

(1) Revenue from Water Charges excludes franchise fees as revenue for the Water Authority. Franchise fees are a pass-through, and therefore should not be included as revenue for the Water Authority.

(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2018-2022.

Utility Expansion Charges

In order to fund expanded capacity needs of the System, all new customers are charged one-time utility expansion charges ("UECs") for water and wastewater services. The charges are calculated by analyzing the average forecast of new customers over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. The Development Fees Act, NMSA 1978 Sections 5-8-1 through 5-8-42, as amended from time to time, authorizes the imposition of utility expansion charges and provides for a method of calculation of such charges which is consistent with historical calculations by the Water Authority and the City. Under the Development Fees Act, the Water Authority is required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed method, applicable to any impact fee imposed on or after July 1, 1995.

The current UECs have been reviewed and updated as contemplated under the Development Fees Act. The determination of water and wastewater UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed, as part of an approved 10-year plan. When UECs are charged to new customers, the charge is apportioned to reflect the capacity that customer is requesting, depending on the size of service. Larger sized service installations have greater use capacity needs, and thus a greater proportion of the UEC cost basis is allocated to that service size.

The Water Authority may adjust the UECs annually by the Engineering News Records ("ENR") indexes. These cost indices are the building cost or construction cost indices ("BCI" and "CCI") per the ENR. The ENR tracks changes in building and construction costs (the difference between the levels of labor costs; the CCI being more heavily weighted on labor costs) for a 20-city average. These indices are commonly used to estimate the replacement costs of utility infrastructure. The Water Authority's rate consultant recommends the comparison of the CCI and BCI as the best approach to apply to UECs and the water supply charge discussed herein.

The following table sets forth the current water and wastewater utility expansion charges.

UTILITY EXPANSION CHARGES
(Effective 7/01/2022)

<u>Meter Size</u>	<u>Water Charge</u>	<u>Wastewater Charge</u>
¾"	\$3,557	\$2,668
1"	5,929	4,447
1 ½"	11,857	8,894
2"	18,977	14,229
3"	37,945	28,526
4"	59,289	45,592
6"	118,583	91,190
8" & over	189,730	142,291

Source: Water Authority.

During Fiscal Years 2018 through 2022, the Water Authority received the following revenue from the collection of UECs.

REVENUE FROM UTILITY EXPANSION CHARGES

<u>Fiscal Year</u>	<u>Total UEC Revenues⁽¹⁾</u>
2018	\$10,049,597
2019	7,322,600
2020	9,755,396
2021	10,672,913
2022	10,295,149

⁽¹⁾ Includes water resource charge.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2018-2022.

Water Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the Water Authority. Revenues generated from the expansion of the System must be sufficient to support the costs of water and wastewater facilities and the related infrastructure. The facilities constructed must meet the level of service standards agreed upon between the developer and the Water Authority in the applicable development agreement. Increased revenues should correlate to the additional operational and maintenance expenses for the System expansion. The developer bears the risk and expense for any revenue shortfall related to the System expansion.

Water Resource Charge

The Water Resource Charge ("WRC") is assessed by the Water Authority at the time of meter sale or application for service to any new water customer requesting connection to the System in an area not located within the Water Authority's service area requiring a development agreement. The proceeds from the WRC are dedicated and restricted to the development of new water resources, rights or supplies to serve the beneficiary new customers outside of the service area consistent with the Water Authority's Regional Water Plan and WRMS and other guiding principles adopted by the Water Authority. The amount of the WRC is adjusted annually by BCI or CCI as published by ENR. The WRC does not apply to non-potable water service. The Water Authority's rate consultant has reviewed the methodology used in the calculation in developing the WRC and has agreed to its development and it is one that is widely applied in the industry. The WRC has an eight-year phase-in, which began in Fiscal Year 2020. However, on May 19, 2021, the Board suspended any increase in the UEC and WRC through Fiscal Year 2022 to mitigate the economic impact of the COVID-19 pandemic. On May 18, 2022, the Board reinstated the eight-year phase-in and updated the effective dates of each year of the WRC phase-in and increased the UEC by 5% for Fiscal Year 2023.

The following table sets forth the current Water Resource Charges.

**CURRENT WATER RESOURCE CHARGES – YEAR THREE PHASE-IN
(Effective 7/01/2022)**

<u>Meter Size</u>	<u>Water Resource Charge</u>
¾"	\$2,916
1"	4,860
1 ½"	9,720
2"	15,552
3"	34,021
4"	58,321
6"	131,223
8" & over	155,524

Source: Water Authority.

Rate Stabilization Fund

The Rate Stabilization Fund reserves water and wastewater revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The funding cap for the Rate Stabilization Fund is \$9 million; which is the current balance for Fiscal Year 2023. Any expenditure from this Rate Stabilization Fund requires an appropriation approved by the Board.

Additional Charges

The following variable charges are in effect for all accounts to which the specific criteria for each charge apply –

Water Commodity Charge: Water usage metered or estimated is at a rate of \$2.119 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. The surcharge amount added for each unit exceeding 200% of the customer's individual winter average water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit. A second tier surcharge for each unit exceeding 300% of the customer's individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable WRC per unit. A third tier surcharge for each unit exceeding 400% of the customer's individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit.

Wastewater Commodity Charge: All wastewater discharged is charged at a rate of \$1.464 per unit for residential, commercial, industrial and institutional customers and \$0.763 per unit for wholesale customers based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

The Water Authority continues to keep water and wastewater rates at a competitive level. Based on results for the 2021 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the American Water Works Association ("AWWA"), the Water Authority was ranked at or below average for water and wastewater rates, based on a usage of 7,480 gallons for water and 7,480 gallons for wastewater.

Water/Wastewater Billing and Collections

The Water Authority imposes all rates and charges through a water and wastewater rate ordinance (the “Rate Ordinance”). Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property for which the Water Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The Water Authority performs all meter reading services in connection with the System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. A penalty of 1.5% per month may be imposed on any delinquent account. The Water Authority may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer’s utility statement.

The Water Authority has previously made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has historically averaged 2.49% and as of December 31, 2022 was 1.82%.

Rates and Charges of the System

The Water Authority has mandated that the operation and maintenance of the System be self-sustaining. Consistent with this mandate, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and wastewater services. The ordinances and resolutions authorizing issuance of System obligations prohibit Net Revenues of the System from being transferred to other funds, and require Net Revenues to be used for lawful System purposes including redemption of System obligations or paying costs and expenses relating to administration of System obligations.

The capital and operating budgets for the System are submitted by the Executive Director to the Board by April of each year for the Fiscal Year which begins July 1. The Board considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next Fiscal Year no later than May of each year.

The Federal Water Pollution Control Act Amendments of 1974 (the “Amendments”) have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation’s waters. As a result, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the Water Authority receives federal grant funds through the EPA, the requirements under the Amendments must be met. Accordingly, the Water Authority has incorporated the following items into the wastewater rate structure:

- (i) Costs benefiting both water and wastewater operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and wastewater service.

- (ii) Budgeted wastewater categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for wastewater rate-making purposes.

- (iii) A “high-strength sewage treatment surcharge” is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges

Customers pay fixed rates for water and wastewater services as well as additional charges which vary depending on the volume of water used or discharged. These fixed rates are designed to cover, at a minimum, customer service costs and all debt service costs. The rate structure is designed to ensure that debt service costs are covered, regardless of changes in conditions such as drought or the continued success of the Water Authority's water conservation efforts. Residential customers pay fixed water rates (depending on service size) between \$10.28 and \$1,956.89, while commercial customers pay between \$10.77 and \$2,029.82. For wastewater service, residential customers pay a fixed wastewater rate (depending on service size) between \$3.14 and \$350.08, while commercial customers pay between \$3.89 and \$444.73.

Increases to Rates and Charges

The Water Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2015-2023 as described below due to a decrease in consumption levels. On May 18, 2022, the Board increased System rates and charges by 5% effective July 1, 2022.

Implemented and Approved Increases in Rates and Charges

<u>Fiscal Year</u>	<u>% Increase</u>		
	<u>General Operations</u>	<u>WRMS</u>	<u>Franchise Fee</u>
2015	5	0	0
2016	5	0	0
2017	0	0	0
2018	5	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0
2022	0	0	0
2023	5	0	0

Source: Water Authority.

Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2018 through 2022.

<u>Meter Size</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
¾"	183,398	184,464	185,668	186,802	187,847
1" and 1 ¼"	17,975	17,843	17,847	17,815	17,831
1 ½"	2,467	2,522	2,522	2,549	2,567
2"	2,575	2,713	2,737	2,811	2,796
3"	606	626	609	606	603
4"	284	287	286	286	288
6"	66	66	66	69	68
8" and over	43	43	44	44	44
Non-metered	4,485	4,527	4,541	4,560	4,593
Total	211,899	213,091	214,320	215,542	216,637

Source: Water Authority.

HISTORY OF WATER USERS BY CLASS

	Fiscal Year				
<u>Class</u>	2018	2019	2020	2021	2022
Residential	183,018	183,942	184,919	185,889	186,730
Multi-Family	7,851	7,876	7,907	7,925	7,943
Commercial	12,023	12,100	12,159	12,242	12,314
Institutional	3,680	3,701	3,766	3,807	3,829
Industrial	122	121	119	123	128
Other Meter	720	824	909	996	1,099
Solid Waste Only	1,365	1,392	1,402	1,410	1,418
Non-meter	3,120	3,135	3,139	3,150	3,176
Total	211,899	213,091	214,320	215,542	216,637

Source: Water Authority.

According to the Water Authority's records for Fiscal Year 2022, the top ten (10) retail customers of the System, in the aggregate, accounted for no more than 15.84% of the total billed consumption for the Water System, 10.67% of the total revenue of the Water System, 12.30% of the total billed consumption for the Wastewater System and 6.57% of the total revenue of the Wastewater System. During Fiscal Year 2022, 52.42% of billed water consumption was residential, while 14.96% was classified as commercial. The balance consisted of multi-family users consuming 17.27%, institutional users consuming 5.18%, industrial users consuming 1.65% and special contracts and hydrants users consuming 8.52%.

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**Selected Water/Wastewater System Statistics
(Calendar Year)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Estimated Population (Service Area)	680,946	683,207	685,486	665,392 ⁽¹⁾	654,067 ⁽¹⁾
Number of Meters Billed	207,858	209,029	210,357	211,444	212,258
Estimated Persons Per Meter	3.28	3.27	3.26	3.25	3.08
Annual Pumpage (1,000 Gallons)	30,139,000	29,392,000	30,878,760	30,466,000	29,351,780
Annual Water Billed (1,000 Gallons)	27,696,655	27,073,469	28,431,768	27,967,068	26,768,692
Average Daily Pumpage (Gallons)	82,572,603	80,526,027	84,599,000	83,468,493	79,219,834
Peak Day Pumpage (Gallons)	147,000,000	147,000,000	141,450,000	142,984,000	142,460,000
Average Daily Production Per Meter (Gallons)	397	385	402	395	373
Well Pumping Capacity (per 24 Hour Period)	176,000,000	176,000,000	176,000,000	176,000,000	176,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	
Fire Hydrants	15,853	15,948	16,076	16,194	16,337
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines ⁽²⁾					
-Water	2,756	2,767	2,783	2,802	2,821
-Wastewater	1,914	1,920	1,926	1,936	1,946
Surface Water	38	38	38	38	38

⁽¹⁾ The decrease in Estimated Population is attributable to a change in population metrics used when determining estimated population (e.g. a decrease in the average household from 2.45 to 2.38 in the Biennial 2020 Census data).

⁽²⁾ Estimated.

Source: Water Authority.

Financial Management

Financial Policies

The Water Authority has implemented various financial policies to facilitate its performance based budgeting process which requires balanced budgets. The Water Authority spent approximately \$49 million in Fiscal Year 2022, and will continue an increase in funds transfer from the General Fund of \$3 million annually, for System rehabilitation. Basic system capital needs are expected to be funded with 50% cash and grants and 50% bond or loan proceeds. The Water Authority's policy with respect to debt issuance is to target coverage of 150% of debt service on all lien levels for current and future years with the debt service coverage being monitored at the end of each quarter. Additionally, the Water Authority's policy when issuing bonds to finance basic capital needs is to not exceed a final maturity of 12 years. Pursuant to the Water Authority's "no net expense" System expansion policy, infrastructure for new development within or outside the System's service area will not be funded from the System's existing customer base. The Water Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

Budget Process

The Water Authority operates on a Fiscal Year basis, from July 1 through June 30. The Board adopted a Budget Ordinance on December 8, 2004 that provides for the formulation and approval of the Water Authority's annual operating and capital budgets. The Budget Ordinance requires the establishment of five-year goals and one-year objectives to guide the budget process. The goals and objectives provide the framework for the delivery of services, implementation of planned capital improvements, promoting active citizenship participation and measuring performance. The operating budget is prepared on an accrual basis of accounting. The Executive Director formulates the operating budget to be consistent with the goals and objectives as established and approved by the Board. Operating and capital budgets are submitted by the Executive Director to the Board at the April meeting each year and, following at least two (2) public hearings, must be approved or amended and approved before or at the May meeting each year.

The annual operating and capital budgets determine the Water Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The Water Authority's Chief Financial Officer and staff are responsible for monitoring and controlling operation and project expenditures to ensure that budgeted appropriations are not exceeded. Financial status reports are presented to the Board quarterly. Budget amendments during or after the end of the Fiscal Year require approval by the Board, except that the Executive Director has authority to transfer or change line-item expenditures within the operating budget up to 5% or \$100,000, cumulatively, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the Water Authority's budget.

The Executive Director develops the CIP which consists of a ten-year plan of capital expenditures, including a detailed yearly CIP budget which is submitted to the Board in accordance with the Budget Ordinance. Development of the CIP plan is based on information collected and analyzed on the Water Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the Water Authority's short- and long-term financial needs and reflected in the CIP plan and operating budget. The budget amounts of the capital project funds are individual project budgets authorized by the Board for the entire length of the project which are not necessarily the same as the Water Authority's Fiscal Year. The Executive Director may transfer funding up to 10% of an existing capital project as approved by the Board, provided the change does not significantly alter the project's scope. The Budget Ordinance also sets forth requirements for Board review and approval of applications or proposals for State and federal grants.

Capital Implementation Program

The blueprint for the Water Authority's capital program is the Decade Plan, a ten-year capital plan required to be updated biennially in even numbered Fiscal Years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project

scope, schedule, budget, justification and alternatives. The Decade Plan requires approval by the Board with at least one (1) public hearing and due deliberation. In those Fiscal Years where the Decade Plan must be updated, the new Decade Plan must be approved by the Board before that year's Capital program budget can be approved. This policy ensures there is always an approved two-year planning element in place for every approved annual capital program budget.

The Water Authority's capital program is comprised of categories of projects, each with its own funding rules. The Basic Capital Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Capital Program but are funded from the same revenue stream that funds the Basic Capital Program. Since the Basic Capital Program is the first in line to get this revenue, the size and scope of these special projects depend upon the availability of resources. "Dedicated Revenue" projects have a revenue element in the rate structure dedicated for that specific purpose and accordingly, their size and scope are dependent upon the revenue stream generated. The Water Authority has increased in recent years its utilization of State and federal grants to fund some capital projects in whole or in part.

Basic Capital Program needs are incorporated into the water/wastewater rate structure. The Rate Ordinance requires that Basic Capital Program needs are funded, on average, by 50% from cash, with the balance of capital funding obtained through debt financing. The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Capital Program. System growth projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a developer agreement, or by direct appropriation to Water Authority capital projects. UEC revenue is considered cash for purposes of meeting the 50% test.

Decade Plan

The current Decade Plan, Fiscal Year 2022 – Fiscal Year 2031, is designed to focus on meeting the basic utility needs for water and wastewater assets, balancing growth and rehabilitation, and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and System reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at targeted levels of rehabilitation investment as outlined in the "Capital Needs" table set forth below.

The development of this Decade Plan continued the use of risk analysis techniques combined with an asset management strategy to determine where the Water Authority's capital resources should be expended in order to maximize the benefit to rate payers. The Water Authority's asset management plan is intended to provide a business model for managing infrastructure assets to minimize the total costs of owning and operating them at an acceptable level of risk. Ratepayers' investment in the infrastructure is maximized as a result. The adopted Decade Plan represented the funding decisions made by a broad array of staff and managers throughout the Water Authority. Project prioritization resulted from discussions within the Water Authority and with outside consultants engaged to assist the Water Authority in charting a path for its Basic Capital Program.

The internal assessment of the condition of the Water Authority's infrastructure and future system needs as well as changes in the external environment in which the Water Authority operates will necessarily lead to changes in revenue allocation over time.

Asset Management Plan

The Water Authority's asset management program is an extensive business model that helps utility managers make better acquisition, operations and maintenance, renewal, and replacement decisions. The principles of asset management were developed to address the critical problem of aging public infrastructure and changing utility business environment. In Fiscal Year 2019, the Water Authority

upgraded its Maximo® Enterprise Asset Management System/Computerized Maintenance Management System and integrated mobile work order technology to improve the accuracy of the asset data.

The Water Authority anticipates the following capital needs through Fiscal Year 2031.

CAPITAL NEEDS* (in 000's)

Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total	%
Total Capital Needs	\$88,101	\$81,217	\$83,129	\$81,130	\$82,821	\$83,985	\$83,985	\$83,985	\$83,985	\$83,985	\$836,323	100%
Bond Funded	\$43,000	\$43,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$310,000	37%
Cash Funded	\$45,101	\$38,217	\$55,129	\$53,130	\$54,821	\$55,985	\$55,985	\$55,985	\$55,985	\$55,985	\$526,323	63%

* Projections, subject to change. Amounts indicated are rounded.

Source: Water Authority's Fiscal Year 2022-2031 Decade Plan.

The basic growth program has shifted in focus from placing new pipe in the ground to achieving performance improvement goals and meeting mandated standards. The discretionary spending in the Fiscal Year 2022 growth program budget continues initiatives in information technology support for the operating divisions. The remainder of the growth program is primarily non-discretionary and includes funding for the low-income connection program managed by the County and repayment to developers as connections are made to the System.

In addition to seeking improvements in efficiency and effectiveness through its AMP, the Water Authority utilizes the American Water Works Association's ("AWWA") Benchmarking Performance Indicators Survey ("Survey") in developing its performance plan. The Survey provides utilities an opportunity to collect and track data from already identified and tested performance measures, based on the same collection process and definitions. The most recent Survey data was compiled in 2022 by AWWA from 168 different utilities. The performance plan uses the survey data as a basis for its performance measures to track the Water Authority's performance with that of other utilities and to provide guidance in the one-year objectives and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented by the Water Authority.

Looking forward, the Water Authority must continue to spend \$76 million (2010 dollars) per year in CIP funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in a recent asset management study commissioned by the Water Authority. The CIP infrastructure renewal budget is scheduled to increase by \$3 million per year, an effort that started in Fiscal Year 2015.

Approved Fiscal Year 2023 Budget

The approved Fiscal Year 2023 budget is the Water Authority's financial plan for Fiscal Year 2023. The development of this financial plan has been guided by the Water Authority's Ten-Year Financial Plan, Five-Year Goals, One-Year Objectives, Performance Plan and the Guiding Principles. In the development of the approved budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources, and is balanced, fiscally conservative and sound.

Revenue for Fiscal Year 2023 is estimated to be \$244.7 million and includes a 5% rate increase for Fiscal Year 2023. The appropriation for Fiscal Year 2023 for CIP is \$79.2 million. \$66.5 million is appropriated for the basic rehabilitation capital programs, \$6.0 million for growth-related projects, \$6.4 million for special projects, and \$0.3 million for Water 2120 projects. The \$6.4 million for special projects is comprised of \$1.0 million for Automated Meter Infrastructure, \$2.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, and \$3.0 million for an Intergovernmental Agreement to use economic development funds from the County for the Thunderbird Kirtland Development, LLC (aka MaxQ) water and sewer extensions and other necessary infrastructure improvements. The project consists of a mixed-use business park comprised of two (2) phases totaling approximately 35 acres located in the Ridgecrest Trunk.

The Fiscal Year 2023 Budget represents a financial plan to provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address the Water Authority's priorities for Fiscal Year 2023 to improve services and gain operating efficiencies.

The Fiscal Year 2023 Budget includes nonrecurring funding for an employee incentive program. This program will reward employees for cost savings as a result of a decrease in work-related losses. Funding for this program is contingent on the Water Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Water Authority's Workers Compensation expense in the last five (5) Fiscal Years.

In the preparation of the Fiscal Year 2023 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. Personnel expenses include a 2.0% step increase in wages, a 7.9% increase in health benefit costs and a 0.5% increase in PERA pension costs. The most significant expense continues to be debt service payments, which comprise 32.0% of the total general fund operating expense in Fiscal Year 2023.

For Fiscal Year 2023 revenues are expected to be \$0.9 million more than expenses. This is expected to bring the Working Capital or Fund Balance to \$41.0 million at June 30, 2023. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenditures as defined by the Rate Ordinance. For Fiscal Year 2023, the Rate Stabilization Fund remains at \$9.0 million, the Risk Reserve is \$0.5 million, and the Soil Amendment Facility Reserve increases to \$2.1 million.

Successes and Benchmarks

The Water Authority's success can be measured in a number of different ways. One of these is recognition by industry peers and professional organizations. In recent years, the following recognition and awards have been received by the Water Authority:

- Fiscal Year 2023 Government Finance Officers Association ("GFOA") Distinguished Budget Presentation Award;
- Fiscal Year 2021 GFOA Certificate of Achievement for Excellence in Financial Reporting (both Comprehensive and Popular);
- AQUARIUS award from the EPA for the Water Authority's efforts to bring water service to the Village of Carnuel;
- 2021 American Council of Engineering Companies ("ACEC") Engineering Excellence Award, Power Loop A & B, Phase 1 (Carollo Engineers, designer);
- 2021-22 AWWA Partnership for Safe Water Treatment-Presidents Award;
- 2019-20 Partnership for Safe Water Treatment – Director's Award;
- 2019-21 Partnership for Safe Water Distribution – Director's Award; and
- 2019-20 Partnership for Clean Water Treatment – Director's Award.

Other achievements in the preceding Fiscal Year include achieving 20% reliance on renewable energy sources. Design also progressed on the To'Hajiilee Transmission Line project that will provide high-quality potable water to the To'Hajiilee Navajo community, and the Volcano Cliffs Arsenic Treatment Facility that will treat water from 5 existing wells, providing approximately 12 MGD of potable water for the users in the westside of the Water Authority's service area. The Water Authority expects that both of

these projects will go to construction in Fiscal Year 2024. The Intel Raw Water Transmission Line project will be completed before the end of Fiscal Year 2023, with construction expected to be completed by April 2023. Additionally, the extensive multi-year, \$250 million refurbishment of the SWRP continued on schedule.

Other Projects

The operational cornerstone of the Water 2120 is the San Juan-Chama Drinking Water Project, which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After almost ten (10) years of operation, the San Juan-Chama Drinking Water Project – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey.

The San Juan-Chama Drinking Water Project provided approximately 46% of all water distributed to Water Authority customers in calendar year 2022. The Water Authority’s goal is to have the San Juan-Chama Drinking Water Project supply 70-75% of all customer demand in the future. Flow conditions in the Rio Grande may limit the ability to fully realize this goal on a consistent basis.

Customer Service Division (“CSD”) and Northwest Service Area (“NWSA”) have been successfully integrated into a single group that handles call center, treasury, billing, and new service applications. Field Divisions – Distribution and Meter Operations work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (work order and asset management) and Customer Care & Billing in order to create operating procedures for a paperless, real-time work order system, where field activities are dispatched, updated and closed out on a mobile platform. In addition, Clevest is used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives.

The sanitary sewer interceptor system is the backbone of the Water Authority’s current wastewater collection system. It is designed to carry large flows from the collection line system for delivery to the plant for treatment. 46% (approximately 111 miles) of the current interceptors within the system are made of concrete and have suffered substantial hydrogen sulfide corrosion damage along the upper portions of the pipe. Such corrosion damage could result in complete pipe failure and cause a sinkhole to form at any time within the public right-of-way. The Fiscal Year 2023 budget reflects an increase of \$3.3 million from Fiscal Year 2022 that will be used to continue to evaluate, plan, design, and construct for sanitary sewer interceptor rehabilitation or complete removal and replacement of severely deteriorated sewer interceptor lines that are beyond feasible rehabilitation.

At the SWRP, funding will continue to be used to rehabilitate and make improvements to the existing digesters. Construction consists of cover replacement coatings for Digester 10, as well as piping gallery adjustments between Digesters 4-6. At the Primary Clarifiers 1-4, odor control rehabilitation will require to cover 1-4 for future operational flexibility and to meet the ultimate SWRP design flowrate. Lastly, the SWRP landscaping will be significantly improved by installing new access gates, create privacy, create attractive visual landscaped berms, and increase security at the critical centralized SWRP facility.

The Information Technology/GIS funding allocations will be utilized to purchase new/upgrade all hardware and software applications and the databases that support those applications. Applications include Finance Enterprise (formerly known as OneSolution), Kronos, LIMS, and GIS, among others. Funding will be used to address the mobile, security and telecommunications environments and to provide continual efficiencies to reduce costs and maintain backups of mission critical systems.

In Fiscal Year 2022, the Water Authority finalized a subrecipient agreement for the purpose of carrying out a portion of County’s Rescue Act spending. See “COVID-19.” The following projects will continue in Fiscal Year 2023 not to exceed \$58,816,573 in Federal assistance and will assist the County in utilizing such funds:

- Carnuel Sewage Collection System (\$3,845,000) – Funding will be used for construction of a force main system that will provide sewer service to Carnuel residents and has a direct positive community impact and reduction in groundwater pollution (eliminates septic systems). The Water Authority has received \$155,000 in Capital Outlay funding through the State. Rescue Act funding will be used for the construction phase.
- Metropolitan Detention Center (“MDC”) Water & Sewer Improvements (\$4,200,000) – Funding will be used to install a lift station and force main at the MDC facility for improved sewer service. This will eliminate potential compliance violations and costly operations and maintenance for the existing on-site lagoon treatment system.
- Mesa del Sol Non-Potable Reuse Booster Pump & Reservoir (\$4,896,536) – Funding will be used to design and construct a re-use reservoir, booster pump and transmission lines to provide adequate pressures for re-use system throughout Mesa del Sol.
- South Valley Drinking Water Project Phases 8 & 9 (\$8,000,000) – Funding will be used to design and construct waterlines for residents and businesses in the South Valley of the City that currently rely on private wells.
- Kirtland Air Force Base Tijeras Interceptor Rehabilitation (\$15,000,000) – Funding will be used to design and rehabilitate the existing interceptor line through KAFB as well as support the Max Q development project.
- Volcano Cliffs & Corrales Trunk Reservoir & Transmission Line (\$15,000,000) – Funding will be used to design and construct a reservoir and transmission line for increased water capacity and transfer within Volcano Cliffs trunk and Corrales trunk.
- Bosque Non-Potable Water Reclamation Plant and Reuse System (\$2,875,037) – Consistent with Water 2120, this project extends the Water Authority’s water resources through conservation and direct and indirect potable reuse. This project would provide non-potable water for industrial purposes and irrigation needs to parks, schools, and golf courses. Rescue Act funding will complete the 1st phase, which is underway, that includes finalizing the layouts for the facility (conceptual design) and submission of a NPDES permit to discharge to the Rio Grande south of Montano Road. This funding will also begin the 2nd phase that consists of preliminary and final design.
- Basic Rehabilitation Program (\$5,000,000) – Funding will be used for on line contingency work and normal repair and maintenance work in the groundwater plant system.

OTHER POST-EMPLOYMENT BENEFITS

Public Employees Retirement Association

The Water Authority participates in a pension plan organized on a statewide basis and operated by the State. The Public Employees’ Retirement Association of New Mexico (“PERA”), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the “Plan”), computed as a percentage of salary, from both employee and employer for all full-time employees. The majority of State and municipal employees in the State participate in the Plan. The Water Authority’s liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The Water Authority has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan. However, on June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved Statement No. 68, as subsequently amended by GASB Statement No. 71, which requires governments providing defined benefit pensions to recognize their long-term obligation

for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the Water Authority, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. As of June 30, 2022, the Water Authority reported a net pension liability of \$41,794,768 for its proportionate share of the net pension liability. See “Detailed Notes (E) – Defined Benefit Pension Plan – Public Employees Retirement Association” in APPENDIX A hereto.

As required by State law, eligible employees are required to contribute between 13.15% and 14.65% of their gross salary, depending on the specific plan type. The Water Authority is required to contribute 9.80% of the gross covered salary. The Water Authority has elected to pay a percentage of the employee’s contributions. The contribution requirements of plan members and the Water Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the State Legislature. The Water Authority’s employer contribution to PERA for the Fiscal Years ended June 30, 2022, 2021, and 2020 were \$3,478,865, \$3,492,946, and \$3,389,467, respectively, which equal the amount of the required contributions for each Fiscal Year. The Water Authority’s total paid contributions for Fiscal Year ended June 30, 2022 were \$7,244,893.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at www.pera.state.nm.us.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2022**

Membership ⁽¹⁾	117,862
Actuarial Information	
Accrued Liability ⁽²⁾	\$23.5 Billion
Actuarial Value of Assets ⁽³⁾	\$16.3 Billion
Unfunded Actuarial Accrued Liability (“UAAL”)	\$7.2 Billion

(1) Includes both state and municipal divisions.

(2) Includes accrued liability of both the retired and active members.

(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25% annual return.

As of June 30, 2022, PERA has an amortization or funding period of infinite years, based on the employer and member contribution rates in effect as of July 1, 2022. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 70.0% as of June 30, 2022. The State’s portion of the UAAL of the PERA Fund is approximately 60%, or \$4.0 billion. On a market value basis, PERA’s funded ratio is approximately 70.4% as of June 30, 2022.

On February 18, 2019, New Mexico Governor Michelle Lujan Grisham established a nineteen-member solvency task force to provide recommendations to address PERA’s unfunded liability. On August 29, 2019, the solvency task force provided multiple recommendations to the Governor that, if implemented, may eliminate PERA’s unfunded liability within 25 years. The recommendations were presented during the 2020 Legislative Session and resulted in the Legislature’s passage of Senate Bill 72 which, among other things, incrementally increases both Water Authority and Water Authority employee contribution rates beginning July 1, 2022. The legislation also increases the current 2.0% cost-of-living adjustment to 2.5% for retirees over the age of 75, disability retirees and retirees with pensions less than \$25,000 after 25 years of service. Cost-of-living adjustments for all other retirees will eventually be based on the fund’s investment performance and funding status and will range from 0.5% to 5.0%. A copy of the solvency task force report can be found at nmpera.org.

Defined Contribution Retirement Plan

The Water Authority approved a Declaration of Trust for a 401(a) qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees in 2004. Under this defined contribution plan, an employee's eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory and only a small number of Water Authority employees participate in the plan. Under the plan the employer contributes 19.01% of earnings for full-time employees and 7% for part-time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute a specified percentage of the employee's salary. Total Water Authority contributions to the plan were \$415,960 in Fiscal Year 2022.

New Mexico Retiree Health Care Authority Plan

Water Authority employees are provided, through the New Mexico Retiree Health Care Fund (the Fund), a cost-sharing multiple-employer defined benefit plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, to administer the Fund. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. The Fund provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority were \$709,917 for the year ended June 30, 2022 equal to its required contributions for the year.

The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Healthcare Authority at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107 or at: <https://www.nmrhca.org/administration/financial-documents/>.

Retiree Life Insurance Plan

The Water Authority, as of the Fiscal Year ended June 30, 2022, participated in the City's Life Insurance Benefit Plan (the "City Plan"). The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Water Authority. Upon retirement, an eligible Water Authority employee will continue to be covered by the City Plan at no cost to the employee. Employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. New employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount. The number of Water Authority retired employees covered under the City Plan at June 30, 2022 was 275. The number of active employees at June 30, 2022 was 284.

In Fiscal Year 2014, the City and the Water Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set

the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution (“ADC”) each year in accordance with GASB 75. The ADC consists of two (2) basic components, which have been adjusted with interest to the Water Authority’s Fiscal Year end: 1) the amounts attributed to service performed in the current Fiscal Year (the normal cost), and 2) amortization of the unfunded actuarial accrued liability (“UAAL”). Therefore, the discount rate used is 5.0%, the long term expected return on trust assets. In addition, the discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-years. The Water Authority’s contributions to the trust for the Fiscal Year ended June 30, 2022 were \$50,238.

INVESTMENT POLICIES AND PROCEDURES

The Water Authority’s funds are invested by the Water Authority’s Chief Financial Officer pursuant to the Water Authority’s Investment Policy (the “Investment Policy”). According to the Investment Policy, all the investments should be made in accordance with the “Prudent Person” rule (all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived) and on the basis of competitive bids and/or offers. The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Finally, diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

The Investment Policy seeks to balance four (4) primary objectives:

- Maximize investment returns while minimizing risk;
- Maintain a level of liquidity to ensure that unanticipated cash needs are met;
- Allow for diversification of the Water Authority’s portfolio; and
- Recognize the impact of the Water Authority’s investment program on the local economy.

The Investment Policy permits the Water Authority to invest in (a) U.S. Treasury obligations; (b) U.S. Government agency and instrumentality obligations; (c) bonds or negotiable securities of the State or of any county, municipality, or school district within the State which has a taxable valuation of real property for the last preceding year of at least \$1,000,000 and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five (5) years last preceding; (d) time deposits in banks and savings and loan associations; (e) interest bearing checking accounts in banks and savings and loan associations; (f) passbook savings accounts; (g) banker’s acceptances; (h) SEC Rule 2a-7 money market funds whose portfolios consist of the foregoing securities; and (i) the Local Government Investment Pool pursuant to Section 6-10-10.1, NMSA 1978.

FORWARD-LOOKING STATEMENTS

This Annual Information Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Information Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE WATER AUTHORITY DOES NOT PLAN TO

ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

Except as stated in this Annual Information Statement, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the Water Authority's knowledge threatened, involving the Water Authority which may result, either individually or in the aggregate, in final judgments against the Water Authority which would have a material adverse effect on the Water Authority's existence or its financial condition.

APPROVAL OF ANNUAL INFORMATION STATEMENT

This Annual Information Statement and its distribution and use for the purposes herein have been authorized and approved by the Water Authority.

Approved by:

/s/ Mark Sanchez

Executive Director

APPENDIX A

Albuquerque Bernalillo County Water Utility Authority Annual Comprehensive Financial Report For the Fiscal Years ended June 30, 2022 and 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT



6/30/2022

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY
AUTHORITY

For the Fiscal Years Ended June 30, 2022 and 2021

Albuquerque, New Mexico

PREPARED BY FINANCIAL/BUSINESS SERVICES DIVISION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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INTRODUCTORY SECTION





LETTER OF TRANSMITTAL

November 30, 2022

To: Members of the Board of the Albuquerque Bernalillo County Water Utility Authority
Customers of The Albuquerque Bernalillo County Water Utility Authority

We are pleased to present the Annual Comprehensive Financial Report ("ACFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2022 and 2021. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority's financial affairs must be examined, audited and approved annually by the New Mexico State Auditor's office.

Responsibility for the accuracy of the data and the completeness and fairness of the ACFR, including all disclosures, rests with the Water Authority management. To the best of management's knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of Water Authority operations. All disclosures necessary for the reader to gain an understanding of the Water Authority's financial activity have been included.

The Water Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the Water Authority's assets are adequately safeguarded against loss, theft, or misuse, and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to give reasonable assurance that 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of management's knowledge and belief, the Water Authority's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

SJT Group LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditor and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2022 and 2021. The independent auditor's report is located at the front of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter

of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditor's report.

Profile of the Water Authority

In January 2003, the New Mexico Legislature approved, and the Governor signed Senate Bill 887, which transferred the municipal Water and Wastewater Utility of the City of Albuquerque to the Albuquerque Bernalillo County Water Utility Authority (Water Authority). Senate Bill 887 became law in June 2003 (NMSA 1978 § 72-1-10). In December 2003, the Water Authority, the City of Albuquerque (City) and Bernalillo County (County) entered into an operations and maintenance agreement to continue the day-to-day management of the water utility under the City. Transition of the utility to full control by the Water Authority was completed in July 2007. During the 2005 New Mexico Legislative Session, Senate Bill 879 became law, investing the Water Authority with the statutory powers provided to all New Mexico public water and wastewater utilities, and, as such, making it a political subdivision of the state.

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 687,405 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of Bernalillo County. About one-third of unincorporated County residents are customers of the water system.

The Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of the City of Albuquerque, and a non-voting member from the Village of Los Ranchos.

The Board is responsible, among other things, for passing resolutions, adopting the budget, appointing committees and hiring the Water Authority's Executive Director. The Water Authority's Executive Director is responsible for carrying out the policies and resolutions of the governing board and for overseeing the day-to-day operations of the Water Authority.

The Board is required to adopt an initial budget for the fiscal year no later than May 31 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the Water Authority's financial planning and control. The budget is appropriated by fund.

The Board is also required to adopt one-year objectives related to five-year goals based on the American Water Works Association's business model. The Water Authority budget for operations and capital implementation is driven by the five-year goals and one-year objectives.

The Water Authority's Vision is to go beyond our customer's expectations. We value high quality and reliable service to our customers at a reasonable cost, supporting the regional community, the environment and our employees. The Water Authority's Mission is to:

- Assure responsive customer service
- Provide reliable, high quality, affordable and sustainable water supply, wastewater collection treatment, and reuse systems
- Support a healthy, environmentally sustainable, and economically viable community

Summary of Local Economy

Albuquerque is the largest city in New Mexico and accounts for nearly half of the state's economic activity. The local economic base is fairly diverse and includes government, services, trade, agriculture, tourism, manufacturing, and research and development. A growing Sunbelt metropolis, Albuquerque offers many outdoor attractions, including the Rio Grande, which bisects the city north to south, and the adjacent Sandia Mountains.

Two interstate highways cross Albuquerque: I-40, one of the nation's major east-west arterials, and I-25, a north-south route from Canada to Mexico. The Burlington Northern Santa Fe Railroad, with north-south and east-west lines, hauls 90 percent of freight originating in the state and 80 percent of cargo terminating here. Albuquerque is a stop on Amtrak's Chicago-to-Los Angeles route.

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 674,393 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

Some of the top industries in Albuquerque are aerospace and defense, energy technology including solar energy, and semiconductor and computer chip manufacturing. Major employers in the Albuquerque area include Kirtland Air Force Base, Sandia National Laboratory, Amazon fulfillment center, Faneuil Inc, Netflix, and Intel Corp. The flagship campus of the 25,000-student University of New Mexico is in Albuquerque, as is the UNM Health Sciences Center and Central New Mexico Community College, providing thousands of jobs for local residents.

As with the rest of the nation, the Water Authority's service area has been severely impacted by the COVID-19 pandemic, with Albuquerque's unemployment at 5.1% as of June 2022. That is on par with the state's unemployment rate of 5.2%, and the national rate of 6.9%. Moving forward in 2022, the total employment in the Albuquerque MSA is forecast to increase by 3.7%, with gains in nearly every sector, including the public sector which will increase 1.7%.

Private sector gains will mostly be had in a combination of the sectors employing the largest number of people and those hit hardest during the pandemic. Leading the gains will be accommodation and food services with an increase of 10.9%.

Professional and technical services will expand in 2022 by 4.3%. In 2021, employment in this sector expanded 1.8% and has been one of the most consistent performers over the last several years.

The large healthcare sector bounced back from unprecedented losses in 2020 by increasing 2.2% in 2021 and will increase 1.3% in 2022.

Also moving ahead for the year will be manufacturing, increasing 3.7%, construction increasing 2.2%, educational services increasing 6.7%, and transportation and warehousing increasing 3.8%.

The only industry projected to shed jobs in the year is agriculture, decreasing 8.5%.

Government will add jobs in the aggregate in 2022. Local government will lead the way and increase 2.2%, especially as tribal businesses continue to backfill jobs lost to the pandemic, and state government, with an excellent funding outlook, will increase 2.2%. Federal government will decrease 0.2%.

In the longer term, through 2027, the Albuquerque MSA economy is forecasted to add 23,378 jobs for 1.2% average annual growth (AAG) as it regains jobs lost in 2020. Job levels in the MSA should exceed 2019 levels by 2023. By the end of the forecast window, the economy should have 6.0% more jobs than in 2019. Both the private sector and public sector will see positive growth over the period with the private sector increasing 1.2% AAG and the government sector increasing 1.1% AAG.

After projected declines in 2020, total housing permits in the City of Albuquerque bounced back in 2021. For the remainder of the forecast period, permits should trend upward and average about 1,718 per year.

The biggest challenge facing the Water Authority is navigating the after-effects of the COVID-19 pandemic. Widespread supply chain disruptions, labor shortages, inventory impairment, and price increases have had an effect on operations. Staff have been tasked to monitor expenses and to prioritize projects to better manage reduced resources.

In response to the pandemic, the Water Authority had suspended service disconnections for non-payment but resumed disconnections in May 2022.

An overview of the general demographics and economic conditions in the Albuquerque MSA can be found in the Statistical Section of this report.

Long-Term Financial Planning

The Water Authority uses a ten-year financial plan that factors in resources, expenses, capital needs and debt service requirements. The financial plan provides the Water Authority with the ability to compare the impact of future financial activity and issues to determine the most appropriate method of maintaining the Water Authority's financial stability. The Water Authority reviews water and wastewater rates bi-annually to ensure that inter- and intra- class equity is maintained.

To plan for the future and to ensure financial stability, an amendment to the Water Authority's Rate Ordinance was approved by the Board in June 2013 which increased rate revenue by 5% in fiscal years 2014, 2015, 2016 and again in 2018. There was no rate increase in fiscal years 2020, 2021 and 2022. A 5% rate revenue adjustment is planned for fiscal year 2023. The Water Authority will be preparing a cost-of-service study in 2022 to look at future needs of the system.

Effective July 1, 2007, the Water Authority Board approved policies that impact financial planning for the future. A Rate Stabilization Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate increases. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Resource Charge (WRC) based on the building cost or construction cost indices was implemented. This adjustment will allow the Water Authority's capital program to maintain constant dollars with inflationary increases in the future. A Water Resource Charge was established to provide the resources for the Water Authority to begin the planning, acquisition and development of new water sources to meet

the demands of new customers outside the established service area without impacting existing customers.

In FY20, the Water Authority established a reserve to provide funds for the future closure and post-closure care costs for the utility's Soil Amendment Facility, which processes byproducts of wastewater treatment. The New Mexico Solid Waste Rules, 20.9.3.27 NMAC, require the registration of a composting facility with the New Mexico Environment Department. As part of this registration, the agency must provide financial assurance for the closure and nuisance abatement (Rule 20.9.10.9 NMAC) in the event the facility is to be closed. Management analysis of GASB Statement No. 18 determined that no liability needs to be recorded as the facility does not store byproducts on-site.

The Water Authority also develops a Decade Plan every two years that guides the Capital Implementation Program (CIP). The projects included in the plan are identified for near-term and future work and include both rehabilitation needs and growth-related activities. The Water Authority's financial planning considers basic program needs as part of its revenue requirements, and, by policy, requires financing fifty percent of basic program rehabilitation CIP work from water and wastewater rate revenues. The balance of capital funding is obtained through revenue bond or loan financing. Growth-related projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriations to CIP projects. The development of a Decade Plan allows for long-term planning for both initial construction and rehabilitation costs as well as additional operating costs to operate and maintain new water and wastewater facilities.

In September 2020, the Water Authority Board approved a Memorandum of Agreement creating the San Juan-Chama Project Contractors Association (SJCPCA) with various political subdivisions, public entities, and federally recognized Indian tribes for the protection of the San Juan-Chama Project and the associated water supply for the mutual benefit of the water users represented by the parties to the agreement. The Water Authority was elected by the SJCPCA to serve as the fiscal agent. The fiscal agent duties are to manage the fiscal affairs of the SJCPCA, with the supervision of the SJCPCA Board, to collect an annual assessment from each member and any special assessments approved by the SJCPCA Board, and to manage the investment of SJCPCA funds which shall be held in trust for the members and used for the purposes of the agreement. In May 2021, the Water Authority Board established a fund and budget for the San Juan-Chama Project Contractors Association.

Major Initiatives

The foundation of the Water Authority's long-term water resources planning efforts is *Water 2120*, a policy document approved by the Water Authority's Board in 2016. The operational cornerstone of *Water 2120* is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After a decade of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at:

<https://www.youtube.com/watch?v=Z6stQZw2L1M&feature=youtu.be>.

Selected priorities for FY23 include:

- Continue community outreach programs and communication.
- Complete a comprehensive asset management plan to understand and document the asset condition, risk assessment, remaining useful life, and replacement cost for every asset and begin life cycle cost accounting.
- Implement at least one planned Interceptor Rehabilitation project and at least one planned Small Diameter Sanitary Sewer Rehabilitation project.
- Work with the Navajo Nation to design and construct water conveyance infrastructure to deliver water provided by the Navajo Nation.
- Implement countermeasures identified in Phase 1 of the Final Security Plan based on the vulnerability assessments and track and measure metrics related to the National Institute of Standards and Technology Cybersecurity Framework standards.
- Continue implementation of *Water 2120*– with completion of a Groundwater Management Plan, Environmental Plan, Reuse Plan, and an analysis of proposed water conservation rebate compliance with the rebate ordinance.

Relevant Financial Policies

Written long-term financial policies are contained in state statute and Water Authority Ordinances that serve as a basic framework for the financial management of the Water Authority. These policies are intended to assist members of the Water Authority's governing board and Water Authority staff to evaluate current financial activities. These policies are to be reviewed on an annual basis in conjunction with the annual budget.

The budget and accounting basis for the Water Authority is on an accrual basis. Revenues are recognized when earned, and expenses are recognized as they are incurred. The Water Authority is operated as an enterprise fund, which is an accounting entity with a self-balancing set of accounts established to record the financial position and results that pertain to a specific governmental activity. Appropriations are at the fund level, the level at which expenses may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. Appropriations may be made or modified during the year by resolution. Appropriations revert to fund/working capital balance to the extent they have not been expended or encumbered at fiscal year-end.

The Water Authority has maintained a conservative approach to financial targets, which includes a twelve-year or- less debt term for basic capital financing, an average of 50% cash financing for basic capital projects and a minimum of 133% annual debt service coverage for senior lien debt.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its annual comprehensive financial report for the Fiscal Year ended June 30, 2021. This was the eighth time since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff

believes that its current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2022. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

Additionally, the Water Authority received the Popular Annual Financial Reporting Award, which recognizes high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the public and other interested parties without a background in public finance. The Water Authority has been the recipient of this award for the past six years.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Water Authority's Financial/Business Services and CIP/Asset Management Divisions. We would like to express our appreciation to all members of the Water Authority who assisted and contributed to the preparation of this report. Due credit also should be given to the Water Authority Board members for their unfailing support for maintaining the highest standards of professionalism in the management of the Water Authority's finances.

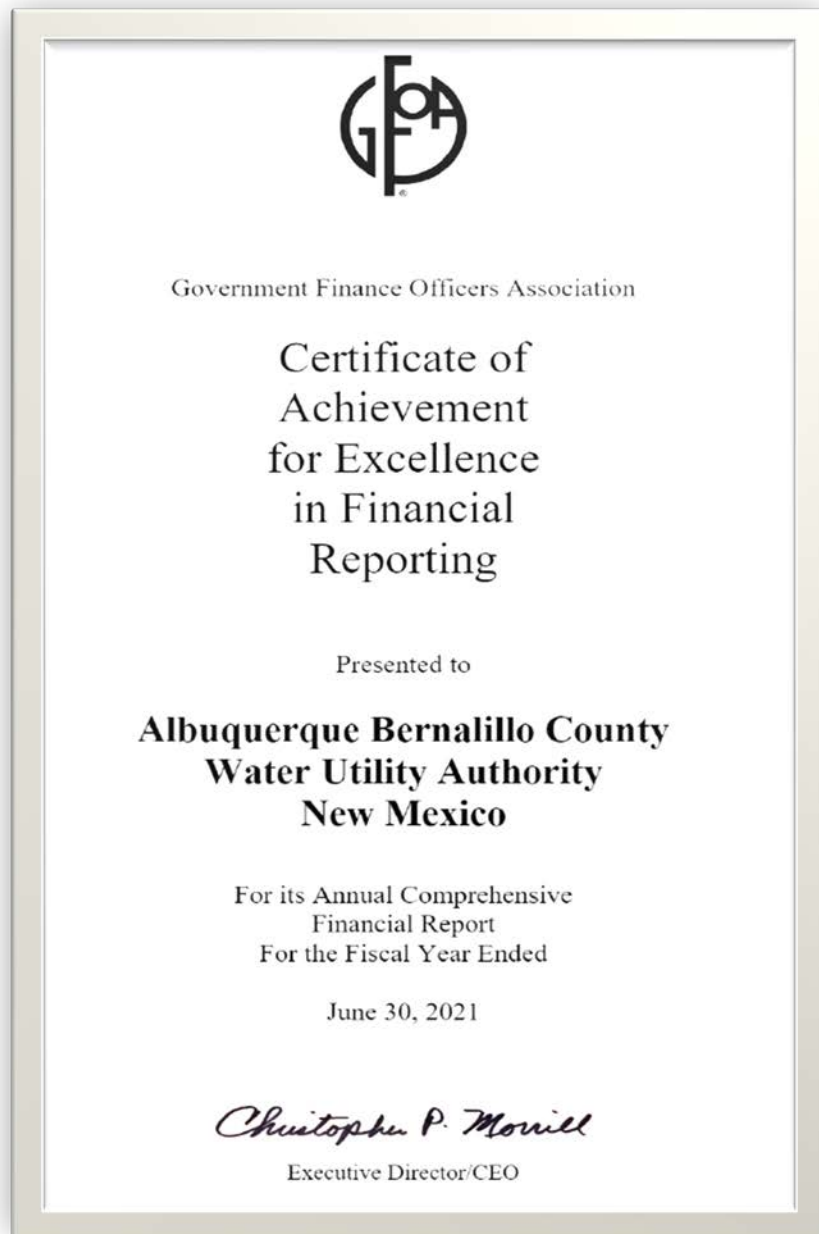
Respectfully submitted,

Mark S. Sanchez
Executive Director

Stanley R. Allred
Chief Financial Officer/Chief Operations Officer

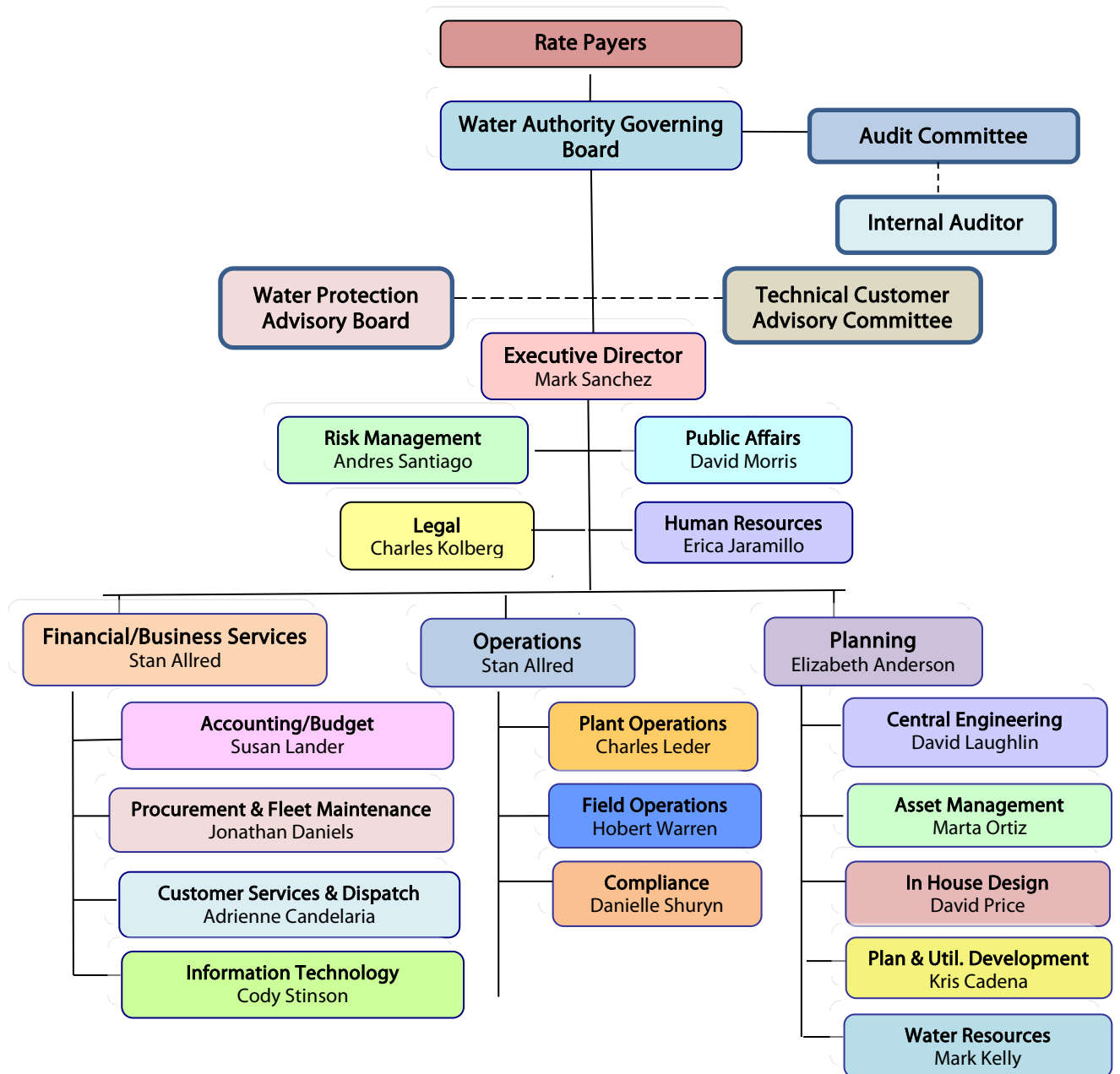
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

ORGANIZATIONAL CHART



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SYSTEM OFFICIALS



GOVERNING BOARD MEMBERS

KLARISSA J. PEÑA	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 3	CHAIR
DEBBIE O'MALLEY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 1	VICE CHAIR
TAMMY FIEBELKORN	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 7	MEMBER
TRUDY E. JONES	CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 8	MEMBER
TIMOTHY M. KELLER	CITY OF ALBUQUERQUE, MAYOR	MEMBER
CHARLENE E. PYSKOTY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 5	MEMBER
STEVEN MICHAEL QUEZADA	BERNALILLO COUNTY COMMISSIONER, DISTRICT 2	MEMBER
GILBERT BENAVIDES	VILLAGE OF LOS RANCHOS BOARD TRUSTEE	EX-OFFICIO

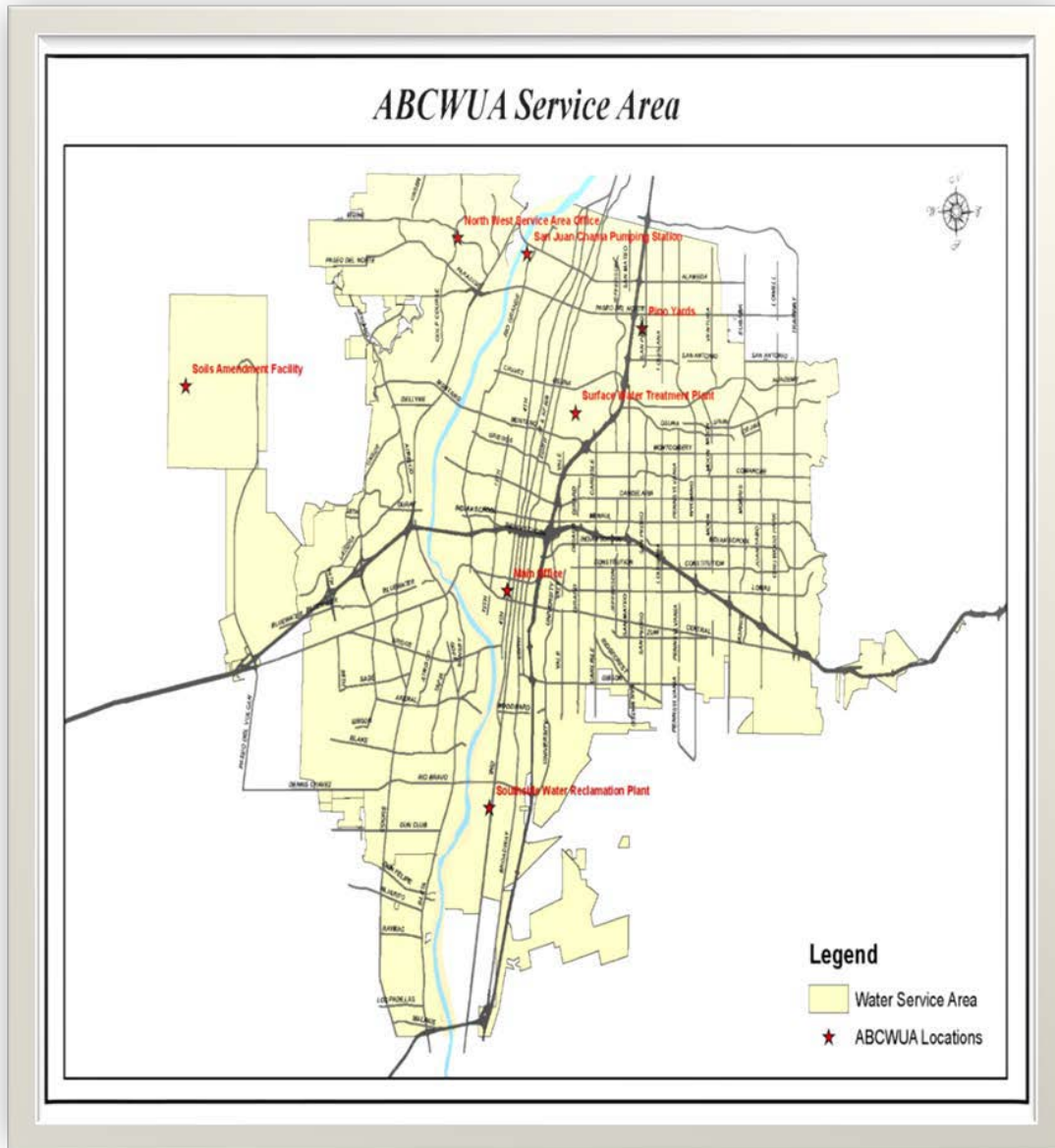
EXECUTIVE LEADERSHIP

MARK S. SANCHEZ	EXECUTIVE DIRECTOR
STANLEY R. ALLRED	CHIEF FINANCIAL OFFICER/ CHIEF OPERATIONS OFFICER
ELIZABETH ANDERSON	CHIEF PLANNING OFFICER
CHARLES KOLBERG	GENERAL COUNSEL
ERICA L. JARAMILLO	HUMAN RESOURCES MANAGER
ANDRES E. SANTIAGO	RISK MANAGER
DAVID R. MORRIS	PUBLIC AFFAIRS MANAGER

ONE CIVIC PLAZA STE 5012 / PO BOX 568
ALBUQUERQUE, NM 87103
www.abcwua.org

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SERVICE AREA MAP





FINANCIAL SECTION





Independent Auditor's Report

The Board of Directors of the
Albuquerque Bernalillo County Water Utility Authority
and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2022, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2022, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial

Statements section of our report. We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Prior Period Financial Statements

The financial statements of the Water Authority as of and for the year ended June 30, 2021, were audited by a predecessor auditor, whose report dated November 18, 2021, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, schedule of pension contributions, schedules of changes in the net OPEB liability, schedules of OPEB contributions, and notes to required supplementary information related to pensions on pages 25-34 and 89-97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The other schedules required by 2.2.2 NMAC on pages 134-136 and the schedule of expenditures of federal awards on page 137, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
November 30, 2022



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

As management of the Albuquerque Bernalillo County Water Utility Authority (Water Authority), we offer readers of the Water Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal, which can be found on pages 6-12 of this report.

FINANCIAL HIGHLIGHTS

The Water Authority's financial position, measured by the change in net position, increased 2.98 percent during fiscal year 2022, compared to an increase of 1.22 percent during fiscal year 2021.

- The assets and deferred outflows of resources of the Water Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$660.3 million (net position). The portion of net position that can be used to meet the Water Authority's on-going obligations to customers and creditors, unrestricted net position, is \$81.5 million.
- Operating revenues decreased from \$225.7 million in 2021 to \$224.2 million in 2022.
- Capital contributions were \$21.3 million in 2022 compared to \$6.3 million in 2021.
- Debt service coverage for senior liens increased to 218% from 206% for fiscal year 2022; which continues to remain above the 133% requirement established by the governing board and bond covenants.
- Taking advantage of the historically low interest rate environment and the Water Authority's strong credit ratings, the Water Authority issued \$73.3 million in revenue bonds on October 28, 2021.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Authority's basic financial statements. The Water Authority's basic financial statements contain four components: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. The Water Authority, for financial statement reporting purposes, is a special purpose government engaged only in a business-type activity. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations which are the provision of water and wastewater services to customers within the designated service area. The principal operating revenues result from exchange transactions in which each party receives and gives up essentially equal values.

Measurement Focus / Basis of Accounting:

The Water Authority's financial statements included herein present financial information using a recognition concept comprised of two elements, measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. In general, a specific measurement focus is matched with the corresponding basis of accounting that supports the measurement focus.

For governments to achieve the objective of accountability, financial information must be both relevant and reliable for reasonably informed users. Financial reports must satisfy numerous and diverse needs or objectives, including short-term financial position and liquidity, budgetary and legal compliance, and issues having a long-term focus such as capital budgeting and maintenance. Additionally, differences exist in the amount of detail that various users need. Presentations using different measurement focus/basis of accounting formats are required to meet these complex objectives.

The flow of economic resources measurement focus combined with the accrual basis of accounting is the most expansive perspective and recognizes any transaction which adds or subtracts economic resources from the entity. This measurement focus is used with the accrual basis of accounting so that revenues are recognized in the accounting period in which they are earned and become measurable without regard to availability and expenses are recognized in the period incurred, if measurable.

The budgetary basis of accounting can be any comprehensive basis of accounting chosen by the entity including hybrids of the accrual, modified accrual or the cash basis of accounting. The Water Authority's budgetary basis is consistent with the accrual basis of accounting except for the accounting for debt service, which includes debt service principal payments, certain cash transfers, capital contributions and capital outlay.

Basic Financial Statements:

The Water Authority's financial statements are designed to provide readers with a broad overview of the Water Authority's finances, in a manner comparable to a private-sector business.

The statement of net position presents information on the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating, absent extraordinary events.

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Water Authority's net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities for the fiscal year.

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 43-88 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) demonstrating the Water Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees. Additional information can be found in the notes to the financial statements in Note III. E. and G. starting on page 63.

FINANCIAL ANALYSIS

Table 1 presents a summarized comparative statement of net position for the last three fiscal years.

Table 1
Water Authority's Condensed Net Position
(In thousands of dollars)

	FY2022	FY2021	FY2020	FY2022 vs FY2021	FY2021 vs FY2020
Assets:					
Current and other assets	\$270,922	\$199,591	\$276,696	\$71,331	(\$77,105)
Capital assets	1,153,636	1,178,200	1,175,400	(24,564)	2,800
Total assets	1,424,558	1,377,791	1,452,096	46,767	(74,305)
Total deferred outflow of resources	21,993	41,059	25,549	(19,066)	15,510
Liabilities:					
Long-term liabilities	642,921	668,782	718,827	(25,861)	(50,045)
Other liabilities	109,650	93,757	107,680	15,893	(13,923)
Total liabilities	752,571	762,539	826,507	(9,968)	(63,968)
Total deferred inflow of resources	33,716	15,152	17,680	18,564	(2,528)
Net position:					
Net investment in capital assets	578,779	589,168	594,404	(10,389)	(5,236)
Unrestricted	81,485	51,991	39,054	29,494	12,937
Total net position	\$660,264	\$641,159	\$633,458	\$19,105	\$7,701

As would be expected for a utility, the largest portion of the Water Authority's net position is the net investment in capital assets (87.7 percent). This category reflects the Water Authority's total investment in capital assets (e.g., infrastructure, buildings, machinery, equipment, and right to use leases); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Total assets in FY2022 increased \$46.8 million from FY2021 and decreased \$27.5 million from FY2020. The decrease was primarily due to a decrease in investments and restricted cash from the increase in spending in the Capital Improvement Program.
- Other liabilities in FY2022 increased \$15.8 million from FY2021 and increased \$1.9 million from FY2020. The increase in FY2022 was primarily related to an increase in accounts payable and debt obligation requirements.
- Long-term liabilities in FY2022 decreased \$25.8 million from FY2021 and decreased \$75.8 million from FY2020. The decrease in FY2022 was primarily due to the net pension and OPEB liabilities.

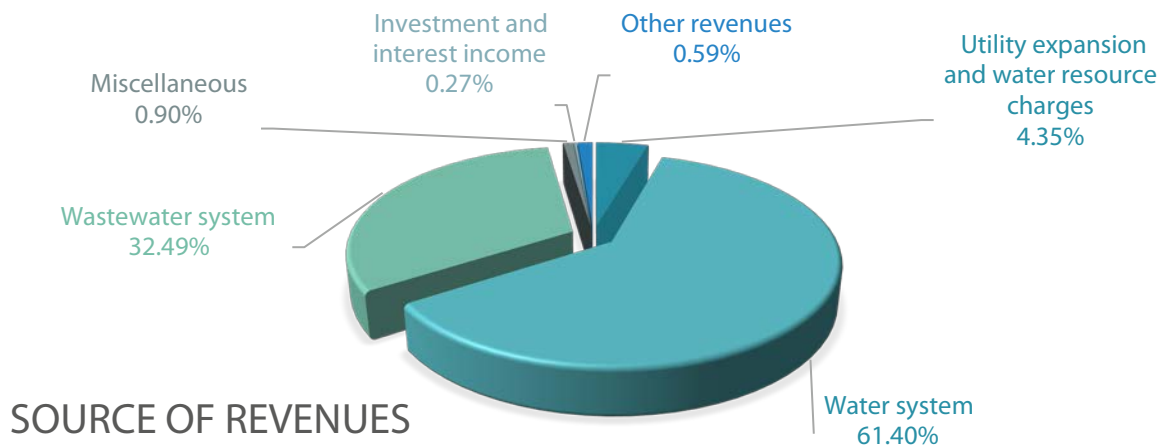
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years.

Table 2
Water Authority's Condensed Changes in Net Position
(In thousands of dollars)

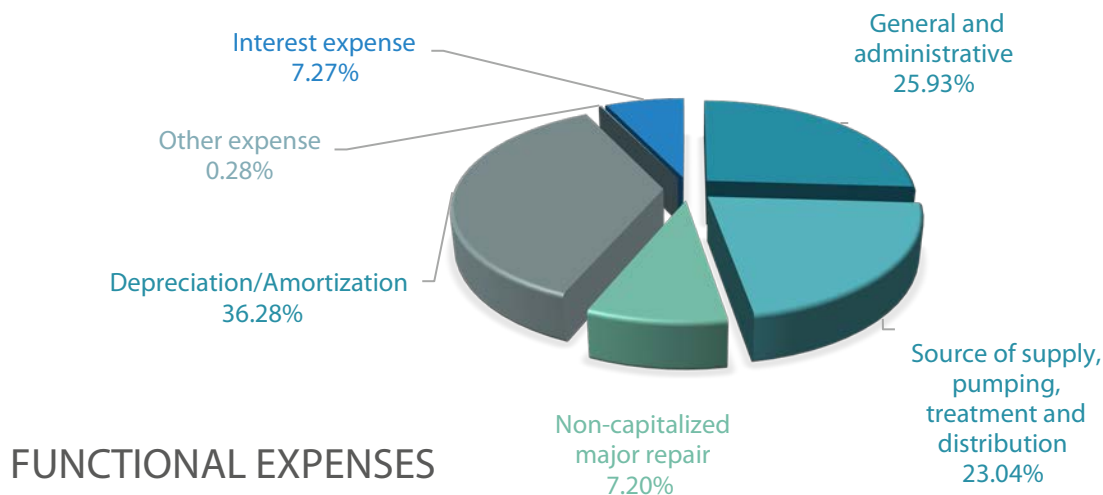
	FY2022	FY2021	FY2020	FY2022 vs FY2021	FY2021 vs FY2020
Revenues:					
Water system revenue	\$145,215	\$147,199	\$147,245	(\$1,984)	(\$46)
Wastewater system revenue	76,845	76,442	76,231	403	211
Miscellaneous revenue	2,134	2,023	2,133	111	(110)
Utility expansion charges	8,421	9,060	8,917	(639)	143
Other non-operating revenue	3,874	5,270	4,514	(1,396)	756
Total revenues	236,489	239,994	239,040	(3,505)	954
Expenses:					
Operating	220,635	221,095	225,733	(460)	(4,638)
Non-operating	18,020	17,534	20,507	486	(2,973)
Total expenses	238,655	238,629	246,240	26	(7,611)
Income (loss) before capital contributions	(2,165)	1,364	(7,200)	(3,528)	8,564
Capital contributions	21,270	6,337	6,441	14,932	(104)
Change in net position	19,105	7,701	(759)	11,404	8,460
Net position, beginning of year	641,159	633,458	634,217	7,701	(759)
Net position, end of year	\$660,264	\$641,159	\$633,458	\$19,105	\$7,701

While the statement of net position displays the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, the loss before capital contributions was \$2.165 million, a decrease of \$3.5 million from FY2021 and an increase of \$5.0 million from FY2020.

Table 2 shows FY2022 revenues decreased \$3.5 million from FY2021 and decreased \$2.6 million from FY2020; primarily related to a decrease in water consumption levels. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of customers and the customer base.



FY2022 operating expenses (exclusive of depreciation and amortization) decreased by \$0.4 million from FY2021 and decreased \$6.2 million from FY2020. The primary factors are related to cost efficiencies within operating expenses. Non-capitalized major repairs decreased primarily due to a decrease in meters, rehabilitation projects, and information technology professional services either valued under the capitalization threshold or not meeting the capitalization threshold.



CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Water Authority's Capital program is comprised of different categories of projects, each with its own funding rules. The Basic Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Program but are funded from the same revenue stream that funds the Basic Program. The Rate Ordinance states that, on average, 50 percent of

the cost of capital projects which constitute the normal (Basic) capital program of the water and wastewater system shall be paid with cash rather than from borrowed funds. The balance of capital funding is obtained through revenue bond or loan financing. The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Program. System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Water Authority capital projects. The current Rate Ordinance requires no less than \$30.0 million for Basic rehabilitation program. Additionally, \$2.0 million is budgeted annually for the Automated Meter Infrastructure (AMI) program.

The blueprint for the Water Authority's Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2022 is the first year of the two-year planning element included in the 2022-2031 Decade Plan approved by the Board in May 2021.

Table 3 presents the Water Authority's capital assets at June 30, 2022, 2021 and 2020.

Table 3
Condensed Capital Assets
(In thousands of dollars)

	FY2022	FY2021	FY2020	FY2022 vs FY2021	FY2021 vs FY2020
Capital assets not being depreciated:					
Land	\$25,463	\$25,417	\$25,361	\$46	\$56
Construction work in progress	58,300	48,902	44,782	9,398	4,120
Purchased water rights	49,251	49,251	49,251	-	-
Total capital assets not being depreciated	133,014	123,570	119,394	9,444	4,176
Capital assets being depreciated/amortized(net):					
Leases right to use	220	505	890	(285)	(385)
Buildings and other improvements	1,009,392	1,041,081	1,040,383	(31,689)	698
Machinery and equipment	11,010	13,044	14,733	(2,034)	(1,689)
Total capital assets being depreciated/amortized (net)	1,020,622	1,054,630	1,056,006	(34,008)	(1,376)
Total capital assets	\$1,153,636	\$1,178,200	\$1,175,400	(\$24,564)	\$2,800

Major capital asset additions for the current fiscal year included:

- \$13.6 million – Southside Water Reclamation Plant and collection system improvements
- \$6.3 million – Groundwater production and distribution improvements
- \$5.6 million – Sanitary wastewater pipeline renewal
- \$3.0 million – Drinking water pipeline renewal
- \$2.0 million – Lift Station and Vacuum Station renewal
- \$1.3 million – Drinking water plant treatment systems renewal

The Water Authority's capital assets as of June 30, 2022 total \$1.154 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, right to use leases, water and wastewater distribution systems, and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority's on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant.

More capital asset detailed information can be found in Note III.C. on page 55.

LONG-TERM DEBT

At June 30, 2022, the Water Authority had \$595.7 million in significant long-term debt liabilities outstanding, a net increase of \$17.2 million, or 3.0 percent from the prior year. Long-term debt liabilities consist of bonds payable, notes from direct borrowings payable, and water rights contract payable. The amount of debt due within one year totaled \$65.6 million.

Table 4 presents a summary of the Water Authority's outstanding long-term liabilities at June 30, 2022, 2021, and 2020.

Table 4
Condensed Long-term Liabilities
(In thousands of dollars)

	FY2022	FY2021	FY2020	FY2022 vs FY2021	FY2021 vs FY2020
Notes from direct borrowings	\$10,512	\$8,565	\$31,560	\$1,947	(\$22,995)
Revenue bonds	583,800	567,270	595,930	16,530	(28,660)
Water rights contract	1,360	2,679	3,960	(1,319)	(1,281)
Total	\$595,672	\$578,514	\$631,450	\$17,158	(\$52,936)

The Water Authority issues debt in compliance with its formally adopted debt policy. This policy includes general management, financial management, and debt and capital management. It documents the Water Authority's goals for the use of debt for financing the Water Authority infrastructure and project needs. The following are the ratings received for the Water Authority as of June 30, 2022.

Rating Agency:

Standard & Poor's _____AA+	Rating reflects Very Strong Capacity to Meet Financial Commitments
Moody's _____Aa2	Rating reflects Excellent Financial Position; Bonds Maintain Positive Investment Qualities

More information about the Water Authority's long-term liabilities is presented in Note III.D. on page 55.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The pandemic seems to be moving from the pandemic phase to the endemic phase and businesses and consumers are learning to live with a new normal. Logistics and the lack of availability of raw materials is still an issue, the labor shortage is making it difficult for businesses to retain talent and inflationary pressures are everywhere. Although the state of New Mexico was not hit nearly as hard as other states at the outset of the pandemic, the state is lagging in the recovery. Recent large investments in the state by corporations are evidence that the state is starting to improve its position. New Mexico is steadily recovering jobs and is predicted to return to pre-pandemic levels by 2023.

The Water Authority is committed to fiscal responsibility, which is our assurance we will judiciously spend, earn and generate funds without placing undue hardship on our ratepayers. The adopted fiscal year 2023 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority's financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

The Water Authority has adopted the fiscal year 2023 budget according to the utility's projected estimated revenues. General Fund revenue for FY2023 is estimated to be \$244.7 million, representing an increase of \$12.8 million from the fiscal year 2022 budget amount. There is a 5% rate increase proposed for fiscal year 2023.

The Water Authority will continue to spend \$250 million to upgrade its wastewater treatment plant and add an additional \$36 million per year to Capital Implementation Program (CIP) funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in the most recent asset management study commissioned by the Water Authority. Infrastructure renewal backlog is being addressed over the coming years in order to maintain service levels and protect the health, safety, and economic viability of our community.

On September 23, 2021, S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) downgraded its rating from AAA to AA+, with a stable rating outlook, on the Water Authority's senior

lien obligations. S&P also downgraded its rating from AA+ to AA, with a stable rating outlook, on the Water Authority's subordinate lien obligations.

Helping to guide the Water Authority's efforts is *Water 2120*, the Water Authority's 100-year water resources management strategy, which went into effect during fiscal year 2017. *Water 2120* integrates the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years.

A copy of the *Water 2120* approved document can be obtained at the following website:
<https://www.abcwua.org/your-drinking-water-water-resources-mgt-strategy>.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Water Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, One Civic Plaza NW, Room 5012, Albuquerque, New Mexico, 87102.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash	\$103,374,934	\$143,900,854
Investments	76,089,917	11,002,598
Accounts and leases receivable, net of allowance	23,964,523	20,507,045
Notes receivable, current portion	1,723,247	1,218,622
Due from other governments	6,726,082	1,488,611
Prepaid items	<u>683,898</u>	<u>462,303</u>
Total current assets	<u>212,562,601</u>	<u>178,580,033</u>
NONCURRENT ASSETS:		
Long-term notes receivable	5,540,882	5,552,923
Restricted assets:		
Cash	<u>52,818,145</u>	<u>15,457,559</u>
Total other noncurrent assets	<u>58,359,027</u>	<u>21,010,482</u>
Capital assets, net of accumulated depreciation/amortization:		
Buildings and other improvements	1,009,392,052	1,041,081,143
Leases right to use	219,544	505,102
Machinery and equipment	<u>11,010,292</u>	<u>13,044,015</u>
Net depreciable and amortizable capital assets	1,020,621,888	1,054,630,260
Capital assets, not being depreciated:		
Land	25,462,800	25,416,568
Purchased water rights	49,251,368	49,251,368
Construction work in progress	<u>58,299,962</u>	<u>48,902,132</u>
Total capital assets	<u>1,153,636,018</u>	<u>1,178,200,328</u>
Total noncurrent assets	<u>1,211,995,045</u>	<u>1,199,210,810</u>
TOTAL ASSETS	<u>1,424,557,646</u>	<u>1,377,790,843</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	6,394,516	6,882,821
Deferred amounts related to pensions	5,019,966	20,480,718
Deferred amounts on refunding	<u>10,578,504</u>	<u>13,695,887</u>
Total deferred outflows of resources	<u>21,992,986</u>	<u>41,059,426</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2022, AND 2021

	2022	2021
CURRENT LIABILITIES:		
Accounts payable	\$21,528,999	\$14,392,083
Accrued payroll	3,553,590	2,408,685
Claims payable, current portion	1,719,711	1,708,055
Accrued compensated absences, current portion	4,035,189	3,339,179
Deposits	1,020,390	941,470
Lease liability, current portion	167,639	449,265
Debt obligations, current portion:		
Revenue bonds	63,495,000	56,725,000
Notes from direct borrowings	780,280	594,441
Water rights contract	1,359,809	1,319,619
Accrued interest for debt obligations	11,989,511	11,879,342
Total current liabilities	<u>109,650,118</u>	<u>93,757,139</u>
NONCURRENT LIABILITIES:		
Debt obligations, net of current portion:		
Revenue bonds	562,886,873	550,216,161
Notes from direct borrowings	9,732,008	7,970,873
Water rights contract	-	1,359,809
Total long-term debt obligations	<u>572,618,881</u>	<u>559,546,843</u>
Other noncurrent liabilities:		
Claims payable, net of current portion	3,061,967	3,097,210
Lease liability, net of current portion	72,539	109,476
Net pension liability	41,794,768	74,155,075
Net post-employment benefit obligations liability	24,278,782	30,393,823
Accrued compensated absences, net of current portion	1,094,118	1,479,230
Total other noncurrent liabilities	<u>70,302,174</u>	<u>109,234,814</u>
Total noncurrent liabilities	<u>642,921,055</u>	<u>668,781,657</u>
TOTAL LIABILITIES	<u>752,571,173</u>	<u>762,538,796</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to leases	433,068	610,045
Deferred amounts related to other post-employment benefits	15,558,882	13,880,527
Deferred amounts related to pensions	17,723,870	661,834
Total deferred inflows of resources	<u>33,715,820</u>	<u>15,152,406</u>
NET POSITION		
Net investment in capital assets	578,778,699	589,167,871
Unrestricted	81,484,940	51,991,196
TOTAL NET POSITION	<u>\$660,263,639</u>	<u>\$641,159,067</u>

The accompanying notes are an integral part of these financial statements.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Charges for services:		
Water system	\$145,215,374	\$147,199,054
Wastewater system	76,845,065	76,441,792
Miscellaneous	<u>2,134,395</u>	<u>2,022,568</u>
Total operating revenues	<u>224,194,834</u>	<u>225,663,414</u>
OPERATING EXPENSES:		
General and administrative	61,872,732	61,977,062
Source of supply, pumping, treatment and distribution	54,988,517	50,881,255
Non-capitalized major repair	17,184,915	21,576,088
Amortization	453,147	493,756
Depreciation	<u>86,136,347</u>	<u>86,167,169</u>
Total operating expenses	<u>220,635,658</u>	<u>221,095,330</u>
OPERATING INCOME	<u>3,559,176</u>	<u>4,568,084</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment and interest income	647,128	622,445
Interest expense	(17,351,811)	(17,193,522)
Utility expansion charges	8,421,390	9,060,038
Water resource charges	1,873,759	1,612,875
Debt issuance costs	(667,711)	(340,821)
Lease of stored water income	200,177	809,838
Other revenues	<u>1,152,842</u>	<u>2,225,007</u>
Total non-operating revenues (expenses), net	<u>(5,724,226)</u>	<u>(3,204,140)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(2,165,050)</u>	<u>1,363,944</u>
CAPITAL CONTRIBUTIONS		
Developer contributions	6,322,521	5,127,248
Other contributions	<u>14,947,101</u>	<u>1,210,294</u>
Total capital contributions	<u>21,269,622</u>	<u>6,337,542</u>
CHANGE IN NET POSITION	19,104,572	7,701,486
NET POSITION:		
Net position, beginning of year	<u>641,159,067</u>	<u>633,457,581</u>
Net position, end of year	<u>\$660,263,639</u>	<u>\$641,159,067</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$220,737,356	\$225,792,722
Cash payments for employee wages and benefits	(58,926,981)	(58,099,272)
Cash payments to suppliers for goods and services	(70,655,602)	(91,660,638)
Other operating income	<u>1,144,125</u>	<u>1,960,623</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$92,298,898</u>	<u>\$77,993,435</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets, net	(55,619,874)	(84,241,528)
Principal payments of long-term debt obligations	(58,639,060)	(59,448,852)
Principal payments on lease liabilities	(495,107)	(514,086)
Proceeds from loan agreements	2,541,415	1,918,827
Proceeds from revenue bonds	86,698,548	-
Interest paid on debt obligations	(25,324,807)	(26,418,274)
Proceeds from sale of assets	102,471	280,467
Capital grants, net	9,709,630	50,928
Utility expansion and water resource charges, net	<u>10,002,743</u>	<u>11,190,072</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(31,024,041)</u>	<u>(157,182,446)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	647,128	622,445
Purchase (Sale) of investments	<u>(65,087,319)</u>	<u>61,161,512</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(64,440,191)</u>	<u>61,783,957</u>
NET DECREASE IN CASH	(3,165,334)	(17,405,054)
CASH, BEGINNING OF YEAR	<u>159,358,413</u>	<u>176,763,467</u>
CASH, END OF YEAR	<u>\$156,193,079</u>	<u>\$159,358,413</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	\$103,374,934	\$143,900,854
Restricted cash	<u>52,818,145</u>	<u>15,457,559</u>
	<u>\$156,193,079</u>	<u>\$159,358,413</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$3,559,176	\$4,568,084
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	86,589,494	86,660,925
Other non-operating income, net	1,144,126	1,960,623
Changes in assets and liabilities:		
Increase (decrease) in accounts and leases receivable	(3,457,478)	129,308
Increase in deposits	78,920	49,353
Decrease in deferred amounts related to leases	(176,977)	(341,332)
Increase (decrease) in accounts payable	7,136,916	(12,634,018)
Decrease in accrued payroll, prepaid items, claims payable employee benefits, and deferred amounts related to pensions and other post-employment benefits	(2,886,177)	(2,799,029)
Increase in compensated absences payable	<u>310,898</u>	<u>399,521</u>
TOTAL ADJUSTMENTS	<u>88,739,722</u>	<u>73,425,351</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$92,298,898</u>	<u>\$77,993,435</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Capital contributions received from private developers	\$6,322,521	\$5,127,248
Leases right to use	176,544	108,472
Loss on capital assets	(93,755)	(16,083)
Amortization of premium on revenue bonds	(10,532,836)	(11,512,161)
Amortization of deferred amounts on refunding	3,117,383	3,117,383
Refunding bond proceeds deposited directly into irrevocable trusts	-	47,800,000
Debt service defeased with refunding bond proceeds deposited into irrevocable trusts	-	(43,205,000)
Debt premiums defeased with refunding bond proceeds deposited into irrevocable trusts	-	(1,690,869)
Loss on refunding of bonds	-	(2,563,310)
Debt issuance costs deducted directly from issuance of refunding bonds	(667,711)	(340,821)

The accompanying notes are an integral part of these financial statements.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

I. Summary of Significant Accounting Policies

In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Albuquerque Bernalillo County Water Utility Authority (Water Authority) and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Joint Water and Wastewater Systems (System) would be transferred from the City of Albuquerque, New Mexico, (City) to the Water Authority. The legislation also provided that the debts of the City payable from Net Revenues of the System shall be debts of the Water Authority and that the Water Authority shall not impair the rights of holders of outstanding debts of the System. The legislation also required that the New Mexico Public Regulation Commission audit the System prior to the transfer of money, assets and debts of the System to the Water Authority; the audit was completed in December 2003. By operation of law, functions, appropriations, money records, equipment and other real and personal property pertaining to the System have been transferred to the Water Authority. All policymaking for the System resides with the Water Authority. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Water Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Water Authority as a political subdivision of the state.

The accompanying financial statements present the financial position of the Water Authority at June 30, 2022 and 2021, and the results of its operations for the years ended June 30, 2022 and 2021 in conformity with accounting principles generally accepted in the United States of America.

On an operational level, the Water Authority's relationship with the City of Albuquerque (City) is set forth in a Memorandum of Understanding (MOU) dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis. Since July 1, 2013, the operations of the Water Authority are largely autonomous from the City. The MOU confirmed a significantly altered business relationship between the two parties. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority's group insurance program, and 2) administration of the joint OPEB trust established during fiscal year 2014. In addition, the City leases space of City owned buildings to the Water Authority.

A. Reporting entity

As a political subdivision of the state, the Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of Albuquerque, and a non-voting member from the Village of Los Ranchos. The Water

Authority has the primary accountability for fiscal matters, therefore the Water Authority is a reporting entity as defined by GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. As of June 30, 2022 and 2021, the Water Authority does not have any component units.

The financial statements of the Water Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note.

B. Measurement focus, basis of accounting, and financial statement presentation

The Water Authority accounts for all activities to provide water and wastewater services for the residents of the City of Albuquerque and outlying areas. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services, which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include investment earnings, interest expense, and transactions that result from non-exchange transactions or ancillary activities.

The Water Authority is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow occurs.

C. Assets, liabilities, and net position

1. Cash, deposits, and investments

The Water Authority's cash, for purposes of the statements of cash flows, is considered to be cash on hand and demand deposits.

Investments are presented in the financial statements in accordance with GASB Statement No. 40, Deposits and Investment Risk Disclosures, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

The Water Authority also reports investments under the provisions of GASB Statement No. 72, Fair Value Measurement and Application. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

2. Prepaid items

Amounts paid to vendors for goods and services applicable to future accounting periods are recorded as prepaid items.

3. Accounts and leases receivable

Accounts receivable include water and wastewater accounts that are considered 100% collectible and are subject to a property lien for nonpayment. The Water Authority has adopted Section 3-37-7 NMSA 1978, which permits the write off of uncollectable debt. This avoids excess accrual beyond four years of accounts receivable while also accurately reporting the financial position of the Water Authority and complies with state debt-collection law. Any accounts discharged through bankruptcy court are automatically written off.

In addition, the Water Authority is a lessor for non-cancellable leases and recognizes a lease receivable and a deferred inflow of resources in the financial statements. See Note I. C. 11. for additional accounting policies related to leases.

4. Capital assets

State of New Mexico Administrative Code (Section 12-6-10 NMSA 1978) requires state and local governmental agencies to capitalize capital assets costing in excess of \$5,000. Currently, the Water Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost information is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

Construction costs of water and wastewater lines that are reimbursed by users or that are financed directly or indirectly by developers, property owners and granting agencies are capitalized and recorded as capital contributions.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements____25 – 50 years
Machinery and equipment_____05 – 12.5 years

Interest cost is not capitalized as part of the historical cost of a capital asset; rather it is recognized as an expense on a basis consistent with GAAP.

5. Accounts payable

Accounts payable include both trade and construction contracts that are recorded as the liability is incurred. Trade payables represent payables from daily operations. Construction contracts payable are for the acquisition of new capital projects or for rehabilitation of existing water and wastewater lines and facilities. These contracts are funded by operational revenues, utility expansion charge revenues, and long-term debt proceeds.

6. Accrued compensated absences

The employees of the Water Authority may accumulate limited amounts of vacation pay that is payable to the employee upon termination or retirement. Vacation costs are recognized as a liability when earned by the employee. The amount reported in the current liabilities section is approximately equal to the amount of vacation leave paid in the current fiscal year. The remaining balance is reported in the noncurrent liabilities section of the statement of net position.

The employees of the Water Authority may accumulate limited amounts of sick leave that is payable to the employee upon termination or retirement. Sick leave costs are recognized when vested or taken, whichever occurs first. The amount reported in the current liabilities section is the amount recognized for those employees who are currently eligible to retire as of the end of the fiscal year. The remaining balance is reported in the noncurrent liabilities section of the statement of net position.

7. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. The decrease in unamortized premiums for fiscal year 2022 consists of \$10,532,836 in amortization expense. Amortization expense during fiscal year 2021 was \$11,512,161. Bond issuance costs are expensed as incurred.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element,

represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water Authority has three items that qualify for reporting in this category. The first is a deferred loss on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two deferred outflow of resources are related to pensions and other post-employment benefits.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority's deferred inflow of resources is related to leases, pensions and other post-employment benefits.

See Note III. E. for cumulative change and for details of deferred outflows and inflows of resources related to pensions and see Note III. G. for cumulative change and for details of deferred outflows and inflows of resources related to other post-employment benefits.

9. Net position

The net position of the Water Authority is reported in the following three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is included in the calculation of net investment in capital assets.

Restricted net position - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Net position is reported as restricted when constraints placed on an assets use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The basic concept is that restrictions are not unilaterally established by the reporting government itself and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Water Authority with an explicit understanding between the Water Authority and the resource providers that the funds would be used for a specific purpose.

For example, grants, contributions, and donations are often given under those kinds of conditions. Bond indentures similarly limit the use of proceeds. When both restricted and unrestricted resources are available for use, it is the Water Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Unrestricted net position - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be used to meet the Water Authority's obligations to its customers and its creditors.

10. Estimated amounts reported in financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

11. Leases

Lessee: The Water Authority is a lessee for non-cancellable leases of buildings and equipment and recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The lease liabilities are recognized with an initial, individual value of \$5,000 or more or immaterial component leases that aggregate to a total value of \$5,000 or more. At the commencement of a lease, the Water Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease

commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Water Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- a. The Water Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the current borrowing rate is used as the discount rate for leases.
- b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Water Authority is reasonably certain to exercise.

The Water Authority monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Water Authority is a lessor for non-cancellable leases and recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Water Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Water Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- a. The Water Authority uses its current borrowing rate as the discount rate for leases.
- b. The lease term includes the non-cancellable period of the lease; the term of the lease contract, including options to extend, must be more than 12 months. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Water Authority monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

12. New accounting pronouncements

In fiscal year 2021, the Water Authority implemented GASB Statement No. 98, The Annual Comprehensive Financial Report.

The following GASB pronouncements, which may have a future impact on the Water Authority, have been issued, but are not yet effective, at June 30, 2022.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 100, *Accounting Changes and Error Corrections*
- GASB Statement No. 101, *Compensated Absences*

The Water Authority will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Management is still evaluating the financial impact of these pronouncements.

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, refunding bond proceeds and related transactions, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority's Management and submitted to the Water Authority Board in April for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved, notification is received from DFA, and a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority's budget by program. For FY2022, expenses may not exceed budgetary appropriations

at the fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

III. Detailed Notes

A. Cash and investments

At June 30, 2022, the carrying amount of the Water Authority's deposits and investments was \$232,282,996 and the bank and investment balance was \$233,486,244. The difference represents outstanding checks, deposits, and other reconciling items.

Cash and investments for both restricted and unrestricted balances, were comprised of the following at June 30, 2022 and 2021:

Cash and investments:	June 30, 2022	June 30, 2021
Restricted	\$52,818,145	\$15,457,559
Unrestricted:		
Cash	103,374,934	143,900,854
Investments	76,089,917	11,002,598
Total cash and investments reported in statements of net position	\$232,282,996	\$170,361,011

1. Custodial credit risk

Deposits. Custodial credit risk is the risk that in the event of the bank failure, the Water Authority's deposits may not be recovered. The Water Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). Furthermore, the Water Authority Investment Policy requires all deposits with financial institutions to be collateralized in an amount not less than 102% of the uninsured balance in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). Such collateral is held by an independent third-party financial institution acceptable to the Water Authority. At June 30, 2022 and 2021, \$156,646,749 and \$159,975,047, respectively, of the Water Authority's bank balance was exposed to custodial credit risk as uninsured but collateralized with securities held by the pledging financial institution's trust department. Pledged collateral at June 30, 2022 consisted of the following:

	Rio Grande Credit Union	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,578	\$111,384,658	\$45,762,091
Less: FDIC coverage	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	111,134,658	45,512,091
50% collateral requirement	-	55,567,329	22,756,046
Pledged securities, fair value	-	162,201,900	49,876,415
Pledged in excess of requirement	-	\$106,634,571	\$27,120,369

Pledged collateral at June 30, 2021 consisted of the following:

	Rio Grande Credit Union	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,164	\$128,359,806	\$32,115,241
Less: FDIC coverage	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	128,109,806	31,865,241
50% collateral requirement	-	64,054,903	15,932,621
Pledged securities, fair value	-	142,299,653	42,100,558
Pledged in excess of requirement	-	\$78,244,750	\$26,167,937

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Water Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Water Authority's Investment Policy requires all investment securities purchased by the Water Authority, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for Water Authority's portfolios will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. The custodian is required to provide reports, which list all transactions that occurred during the month and all securities held for the Water Authority at month-end including the book and market value of holdings.

Fair Value Measurements. The Water Authority categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. Following are the Water Authority's investment balances at June 30, 2022 and 2021:

Fiscal Year	Investment Type	Fair Value	Weighted Average Maturity	Category
June 30, 2022	State Treasurer's Investment Pool (LGIP)	\$22,387	0.13	N/A
June 30, 2022	U S Treasury Bills (U S Government obligations)	76,067,530	0.02	Level 1
	Total Investments	\$76,089,917		

Fiscal Year	Investment Type	Fair Value	Weighted Average Maturity	Category
June 30, 2021	State Treasurer's Investment Pool (LGIP)	\$11,002,011	0.13	N/A
June 30, 2021	U S Treasury Bills (U S Government obligations)	587	0.25	Level 1
	Total Investments	\$11,002,598		

As a participant in the New Mexico State Treasurer's Local Government Investment Pool (LGIP), the Water Authority is not required to categorize the value of shares in accordance with the fair value hierarchy. The Water Authority's investment in the LGIP represents a proportionate interest in the Pool's portfolio. The Water Authority's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the LGIP disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the New Mexico State Treasurer's Office, P.O. Box 5135, Santa Fe, NM 87502-5135 or at www.nmsto.gov.

2. Credit risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligation. The Water Authority's adopted Investment Policy manages credit risk by requiring investment in only these security types, which are consistent with state law:

- U S Government obligations
- U S Government Agency obligations
- Repurchase agreements
- Bank, savings and loan association or credit union deposits
- Municipal securities
- Government money market mutual funds
- Local government investment pool

The U.S. Treasury bills and the State Treasurer's LGIP is rated AAAM by Standard & Poor's.

3. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an issuer's investment in a single issuer. U.S. Government securities, mutual funds and external investment pools are exempt from this requirement. The Water Authority's investments comply with the requirements of the investment policy. Generally accepted accounting principles require disclosure of certain investments in any one issuer that exceed five percent concentration of total investments.

4. Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Water Authority's Investment Policy manages interest rate risk by emphasizing the following factors when selecting a specific security for inclusion in the portfolio:

- a. Relative yield to maturity: comparison of return available from alternative investments for comparable maturity dates.
- b. Marketability: analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
- c. Intermarket yield analysis: analysis of the spread relationship between sectors of the market, i.e. treasury bonds or bills versus agency bonds or discount notes, to take advantage of aberrations in yield differentials.
- d. Yield curve analysis: analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
- e. General economic and interest rate outlook: review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

An acceptable method for reporting interest rate risk is weighted average maturity (WAM). As of June 30, 2022, the Water Authority's portfolio has no investment that matured beyond 12 months; the LGIP WAM (R) was 49 days and the WAM (F) was 89 days. The U.S. Treasury bills WAM was 7 days.

B. Accounts and leases receivable, notes receivable, and due from other governments

Accounts receivable are primarily revenues earned from the Water Authority's water and wastewater utility billing system. These are considered 100 percent collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services.

Notes receivable are for utility expansion charges. The borrower can pay the Water Authority for the extension of water and wastewater lines over a ten-year period at 7 percent interest.

Due from other governments are primarily Federal and State grants that related to capital improvement projects and the Water Authority also has various miscellaneous receivables.

Leases receivable are for lease payments expected to be received during the lease term for leases

that the Water Authority is considered a lessor.

Accounts and leases receivable, notes receivable, and due from other governments of the Water Authority for the years ended June 30, 2022 and 2021, are as follows:

Receivables:	June 30, 2022	June 30, 2021
Accounts	\$23,865,977	\$20,545,186
Notes	7,264,129	6,771,545
Due from other governments	6,726,082	1,488,611
Leases	499,890	688,257
Less: allowance for doubtful accounts	(401,344)	(726,398)
Total receivable, net	\$37,954,734	\$28,767,201

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2022 and 2021, are as follows:

	Balances at June 30, 2021	Additions	Transfers/ Deletions	Balances at June 30, 2022
Capital assets not being depreciated:				
Land	\$25,416,568	\$46,232	-	\$25,462,800
Construction work in progress	48,902,132	23,547,855	(14,150,025)	58,299,962
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	123,570,068	23,594,087	(14,150,025)	133,014,130
Capital assets being depreciated/amortized:				
Leases right to use	2,001,346	176,544	(205,990)	1,971,900
Buildings and other improvements	2,581,529,864	36,496,832	17,360,984	2,635,387,680
Machinery and equipment	48,030,296	1,860,431	(4,522,717)	45,368,010
Total capital assets being depreciated/amortized	2,631,561,506	38,533,807	12,632,277	2,682,727,590
Less accumulated depreciation/amortization:				
Leases right to use	(1,496,244)	(462,102)	205,990	(1,752,356)
Buildings and other improvements	(1,540,448,721)	(82,281,178)	(3,265,729)	(1,625,995,626)
Machinery and equipment	(34,986,281)	(3,855,169)	4,483,732	(34,357,718)
Total accumulated depreciation/amortization	(1,576,931,246)	(86,598,449)	1,423,993	(1,662,105,702)
Total capital assets being depreciated/amortized, net	1,054,630,260	(48,064,642)	14,056,270	1,020,621,888
Total capital assets, net	\$1,178,200,328	(\$24,470,555)	(\$93,755)	\$1,153,636,018

	Balances at June 30, 2020	Additions	Transfers/ Deletions	Balances at June 30, 2021
Capital assets not being depreciated:				
Land	\$25,360,568	\$56,000	-	\$25,416,568
Construction work in progress	44,782,159	32,403,905	(28,283,932)	48,902,132
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	119,394,095	32,459,905	(28,283,932)	123,570,068
Capital assets being depreciated/amortized:				
Leases right to use	2,154,701	108,472	(261,827)	2,001,346
Buildings and other improvements	2,498,733,581	54,622,009	28,174,274	2,581,529,864
Machinery and equipment	48,026,953	2,286,862	(2,283,519)	48,030,296
Total capital assets being depreciated/amortized	2,548,915,235	57,017,343	25,628,928	2,631,561,506
Less accumulated depreciation/amortization:				
Leases right to use	(1,264,315)	(493,756)	261,827	(1,496,244)
Buildings and other improvements	(1,458,350,832)	(82,097,889)	-	(1,540,448,721)
Machinery and equipment	(33,294,095)	(4,069,280)	2,377,094	(34,986,281)
Total accumulated depreciation/amortization	(1,492,909,242)	(86,660,925)	2,638,921	(1,576,931,246)
Total capital assets being depreciated/amortized, net	1,056,005,993	(29,643,582)	28,267,849	1,054,630,260
Total capital assets, net	\$1,175,400,088	\$2,816,323	(\$16,083)	\$1,178,200,328

D. Long-term obligations

At June 30, 2022, the Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$583,800,000 and \$10,512,288, respectively. NMFA does not have the option or remedy to accelerate the Water Authority's payment obligations under the outstanding loan agreements in the event of a default.

The Water Authority also has an outstanding contract with the U.S. Department of Interior Bureau of Reclamation in the amount of \$1,359,809.

Changes in the long-term obligations for the years ended June 30, 2022 and 2021, are as follows:

	Balances at June 30, 2021	Additions	Deletions/ Defeasance	Balances at June 30, 2022	Amounts Due In One Year
Revenue bonds	\$567,270,000	\$73,255,000	(\$56,725,000)	\$583,800,000	\$63,495,000
Notes from direct borrowings	8,565,314	2,541,415	(594,441)	10,512,288	780,280
Water rights contract	2,679,428	-	(1,319,619)	1,359,809	1,359,809
Unamortized premiums	39,671,161	13,443,548	(10,532,836)	42,581,873	-
Leases	558,741	98,685	(417,248)	240,178	167,639
Accrued compensated absences	4,818,409	4,346,088	(4,035,189)	5,129,307	4,035,189
Total long-term liabilities	\$623,563,053	93,684,736	(\$73,624,333)	\$643,623,455	\$69,837,917

	Balances at June 30, 2020	Additions	Deletions/ Defeasance	Balances at June 30, 2021	Amounts Due In One Year
Revenue bonds	\$595,930,000	\$47,800,000	(\$76,460,000)	\$567,270,000	\$56,725,000
Notes from direct borrowings	31,559,728	1,918,827	(24,913,241)	8,565,314	594,441
Water rights contract	3,960,039	-	(1,280,611)	2,679,428	1,319,619
Unamortized premiums	52,874,191	-	(13,203,030)	39,671,161	-
Leases	964,355	108,472	(514,086)	558,741	449,265
Accrued compensated absences	4,418,888	3,738,700	(3,339,179)	4,818,409	3,339,179
Total long-term liabilities	\$689,707,201	\$53,565,999	(\$119,710,147)	\$623,563,053	\$62,427,504

Whenever any Event of Default has occurred as defined in the Water Authority Loan Agreement, the NMFA, as lender, may take any or all of the following actions as may appear necessary or desirable to collect the payments then due: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce the rights of the NMFA under the Loan Agreement and compel action from the Water Authority, (b) file suit to enjoin the Water Authority from violating the terms of the Loan Agreement, (c) intervene in any judicial proceeding that affects the Loan Agreement or the Water Authority's System revenues, or (d) require the Water Authority to account for System revenues as a trustee. A judgment requiring a payment of money entered against the Water Authority may reach only the available System revenues pledged under the Loan Agreement. The remedies provided to the NMFA are not intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy as permitted under the Loan Agreement.

1. Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2022, the net revenues were 218% of the annual debt service on all outstanding senior lien obligations.

On October 28, 2021, the Series 2021 Bonds sold at a purchase price equal to \$86,698,548 (representing the \$73,255,000 par amount plus a net original issue premium of \$13,443,548). The interest rate was 5.00 percent with a life of 18 years. Proceeds from the sale of the Series 2021 Bonds will be allocated as follows: (i) approximately \$60 million will be used for capital projects under the Water Authority's Decade Plan, and (ii) approximately \$23.5 million for special projects. Proceeds of the bonds will also be used to pay costs of issuance of the Series 2021 Bonds.

On July 7, 2020, the Taxable Series 2020A Refunding Bonds sold at a purchase price equal to \$47,800,000. Deposit proceeds of the Series 2020A Bonds were placed in an escrow fund, resulting in the defeasance of the NMFA Loan Series 2011 and the partial defeasance of the Series 2013A Bonds. The net present value (NPV) savings equals \$5,199,446 (\$5,196,973 present value of savings from cash flow and \$2,472 refunding funds on hand) or 10.878 percent with an average life of 7.898 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,935,521.

As of June 30, 2022, the construction phase of the \$2,724,282 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2019) has been completed and the Water Authority will now be paying debt service due in annual installments of \$116,731 to \$158,073 through 5/1/2040.

Subordinate Lien Obligations

Water Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these loan agreements, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the annual debt service requirements on all outstanding subordinate lien obligations. If the annual net revenues are less than 120% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2022, the net revenues were 188% of the annual debt service on all outstanding subordinate lien obligations.

On March 5, 2021, the Water Authority entered into a reimbursable loan/grant subordinate lien agreement in the amount of \$2,000,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$800,000 and grant funds totaling \$1,200,000. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project beginning June 1, 2023. This loan/grant will be used to fund the replacement of 16,000 water meters with Advanced Metering Infrastructure (AMI) meters and devices.

On December 30, 2021, the Water Authority entered into a reimbursable loan/grant subordinate lien agreement in the amount of \$2,000,000 with the NMFA/Water Project Fund which consists of an available loan amount of \$800,000 and grant funds totaling \$1,200,000. Payments due for the loan portion start no greater than twenty-four (24) months after the closing date of the project

beginning June 1, 2024. This loan/grant will be used to fund the replacement of 18,000 water meters with Advanced Metering Infrastructure (AMI) meters and devices.

As of June 30, 2022, the construction phase of the \$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021), due in annual installments of \$36,444 to \$41,097 through 6/1/2042.

2. Super Subordinate Lien Obligations

Water Authority super subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. While super subordinate lien obligations are secured by a pledge or a lien on net revenues, this lien is subordinate to the lien on net revenues from senior lien and subordinate lien obligations. In addition, there is no minimum debt service coverage requirement established for super subordinate lien obligations.

3. Revenue bonds and notes from direct borrowings outstanding:

Revenue Bonds:	June 30, 2022	June 30, 2021
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due to defeasance, due in annual installments of \$5,255,250 to \$5,258,750 through 7/1/2023; interest at 3.00% to 5.00%; call provision of 100% at 7/1/2023	\$9,775,000	\$14,315,000
\$55,265,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.00%; no call provision	11,540,000	17,520,000
\$97,270,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014A, due in annual installments of \$1,090,000 to \$11,385,000 through 7/1/2026; interest at 2.00% to 5.00%; call provision of 100% beginning 7/1/2024	52,915,000	62,330,000
\$87,005,000 Subordinate Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014B, due in annual installments of \$450,000 to \$10,695,000 through 7/1/2025; interest at 1.00% to 5.00%; call provision of 100% beginning 7/1/2024	34,145,000	42,380,000
\$211,940,000 Senior Lien Joint Water & Wastewater System Refunding and Improvement Revenue Bonds, Series 2015, due in annual installments of \$3,210,000 to \$18,765,000 through 7/1/2033; interest at 2.85% to 5.00%; call provision of 100% beginning 7/1/2025	150,500,000	167,880,000
\$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$6,585,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	71,350,000	75,805,000
\$75,085,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2018, due in annual installments of \$5,285,000 to \$8,610,000 through 7/1/2030; interest at 5.00%; call provision of 100% beginning 7/1/2026	64,250,000	69,800,000
\$69,440,000 Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020, due in annual installments of \$6,000,000 to \$6,385,000 through 7/1/2032; interest at 5.00%; call provision of 100% beginning 7/1/2028	69,440,000	69,440,000
\$47,800,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Taxable Series 2020A, due in annual installments of \$1,170,000 to \$6,660,000 through 7/1/2038; interest at 0.423% to 2.699%, call provision of 100% beginning 7/1/2029	46,630,000	47,800,000
\$73,255,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2021, due in annual installments of \$1,125,000 to \$6,915,000 through 7/1/2046; interest at 3.00% to 5.00%; call provision of 100% at 7/1/2029	73,255,000	-
Total revenue bonds outstanding	583,800,000	567,270,000
Plus: Unamortized premium	42,581,873	39,671,161
Net revenue bonds outstanding	\$626,381,873	\$606,941,161

Notes from direct borrowings:	June 30, 2022	June 30, 2021
\$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009	\$4,770,344	\$5,315,115
\$1,000,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009), due in annual installments of \$45,415 to \$54,869 through 7/1/2031; interest at 0.75%; no prepayment provision	274,858	324,528
\$2,724,282 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2019), due in annual installments of \$116,731 to \$158,073 through 5/1/2040; interest at 2.00%; no prepayment provision	2,724,170	1,143,331
\$1,515,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2020), due in annual installments of \$43,553 to \$58,122 through 5/1/2052; interest at 1.00%; no prepayment provision	1,490,661	1,429,364
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021), due in annual installments of \$36,444 to \$41,097 through 6/1/2042; interest at 0.25%; no prepayment provision	800,000	352,976
\$800,000 Subordinate Lien New Mexico Finance Authority Water Project Fund Loan (2021), due in annual installments of \$36,365 to \$41,101 through 6/1/2043; interest at 0.25%; no prepayment provision	452,255	-
Total notes from direct borrowings outstanding	10,512,288	8,565,314
Plus: Unamortized premium	-	-
Net notes from direct borrowings outstanding	\$10,512,288	\$8,565,314

Future maturities of revenue bonds as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$63,495,000	\$24,201,137	\$87,696,137
2024	66,050,000	21,248,981	87,298,981
2025	67,110,000	18,188,849	85,298,849
2026	64,990,000	15,165,241	80,155,241
2027	53,975,000	12,409,294	66,384,294
2028-2032	186,290,000	34,482,525	220,772,525
2033-2037	65,350,000	6,193,021	71,543,021
2038-2042	8,805,000	2,110,347	10,915,347
2043-2047	7,735,000	797,500	8,532,500
Total	\$583,800,000	\$134,796,895	\$718,596,895

Future maturities from notes from direct borrowings as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$780,280	\$148,581	\$928,861
2024	859,749	151,496	1,011,245
2025	875,396	135,876	1,011,272
2026	888,448	122,849	1,011,297
2027	901,745	109,580	1,011,325
2028-2032	3,172,581	337,777	3,510,358
2033-2037	1,255,993	176,884	1,432,877
2038-2042	1,246,437	84,821	1,331,258
2043-2047	271,085	22,432	293,517
2048-2052	260,574	8,604	269,178
Total	\$10,512,288	\$1,298,900	\$11,811,188

4. Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Water Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022 and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2022 and 2021, is \$1,359,809 and \$2,679,428, respectively.

Future water rights contract maturities as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$1,359,809	\$41,420	\$1,401,229
Total	\$1,359,809	\$41,420	\$1,401,229

5. Prior Year Debt Refunding (Defeasements)

The Water Authority has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the Water Authority satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2023, is the Series 2013A Bonds in the amount of \$23,450,000.

E. Defined benefit pension plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

1. *Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. The PERA Fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. The laws governing the administration of the fund is set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978). PERA serves as the administrator of the PERA Fund.

The Water Authority participates in one PERA plan; the Municipal General Plan 3.

Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member of the PERA Fund, unless specifically excluded.

PERA issues a publicly available financial report and audited annual comprehensive financial report that can be obtained at the following web address: <http://www.nmpera.org/financial-overview>.

2. *Benefits provided.* For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website.

Following is a general summary of contribution rates and pension factors in effect during FY22 and FY21:

Municipal General Plan 3-FY22			Municipal General Plan 3-FY21	
	Tier 1	Tier 2	Tier 1	Tier 2
Required Contribution Rates for:				
Employer	9.80%	9.80%	9.80%	9.80%
Employee < \$20,000	13.15%	13.15%	13.15%	13.15%
Employee > \$20,000	14.65%	14.65%	14.65%	14.65%
Pension Factor per year of Service	3.0%	2.5%	3.0%	2.5%
Pension Maximum as Percent of Final Average Salary	90%	90%	90%	90%

3. *Contributions and funding policy.* The contribution requirements of PERA Fund members are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature.

The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

Statutorily required contributions to the pension plan from the Water Authority during fiscal years 2022 and 2021 were \$3,478,865 and \$3,492,946, respectively; and employer paid member benefits that were “picked up” by the employer were \$3,766,028 for the year ended June 30, 2022 and \$3,645,223 for the year ended June 30, 2021.

4. *Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* For the year ended June 30, 2022, the Water Authority reported a liability of \$41,794,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2021 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2021. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2021. The Water Authority’s proportion of the net pension liability was based on a projection of the Water Authority’s long-term share of contributions to the pension plan

relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Water Authority's proportion was 3.709593%, which was an increase of 0.042593% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Water Authority reported a liability of \$74,155,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2020 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2020. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2020. The Water Authority's proportion of the net pension liability was based on a projection of the Water Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the Water Authority's proportion was 3.6670%, which was a decrease of 0.0483% from its proportion measured as of June 30, 2019.

The Water Authority recognized pension expense for the fiscal years ended June 30, 2022 and June 30, 2021 of \$3,575,738 and \$2,937,883, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,040,419	\$143,092
Changes of assumptions	13,742	-
Net difference between projected and actual earnings on pension plan investments	-	17,175,250
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	486,940	405,528
Water Authority contributions subsequent to the measurement date	3,478,865	-
Total	<u>\$5,019,966</u>	<u>\$17,723,870</u>

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$2,055,014	-
Changes of assumptions	1,372,018	-
Net difference between projected and actual earnings on pension plan investments	13,560,740	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	-	661,834
Water Authority contributions subsequent to the measurement date	3,492,946	-
Total	<u>\$20,480,718</u>	<u>\$661,834</u>

In fiscal year 2022, the \$3,478,865 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the Water Authority net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	(2,455,241)
2024	(3,092,784)
2025	(3,587,655)
2026	(7,047,089)
2027	-

In fiscal year 2021, the \$3,492,946 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date will be recognized as a reduction of the Water Authority net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$4,801,596
2023	4,413,065
2024	3,783,904
2025	3,327,373
2026	-

5. *Actuarial assumptions.* For fiscal year 2022, the total pension liability in the June 30, 2021 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date: _____ June 30, 2020
 Actuarial cost method: _____ Entry age normal
 Amortization period: _____ Level percentage of pay
 Asset valuation method: _____ Solved for based on statutory rates
 Actuarial assumptions:
 Investment rate of return _____ 7.25% annual rate, net of investment expense
 Projected benefit payment _____ 100 years
 Payroll growth _____ 3.00%
 Projected salary increases _____ 3.25%-13.50% annual rate
 Includes inflation at _____ 2.50%
 Mortality assumption _____ The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
 Experience Study Dates _____ July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the Board for use in the June 30, 2020 actuarial valuation.

For fiscal year 2021, the total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date: _____ June 30, 2019
 Actuarial cost method: _____ Entry age normal
 Amortization period: _____ Level percentage of pay
 Asset valuation method: _____ Solved for based on statutory rates
 Actuarial assumptions:
 Investment rate of return _____ 7.25% annual rate, net of investment expense
 Projected benefit payment _____ 100 years
 Payroll growth _____ 3.00%
 Projected salary increases _____ 3.25%-13.50% annual rate
 Includes inflation at _____ 2.50%
 Mortality assumption _____ The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward

one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.

Experience Study Dates _____ July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2020. These assumptions were adopted by the Board for use in the June 30, 2019 actuarial valuation.

6. *Long-term expected rate of return:* The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	June 30, 2020		June 30, 2019	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	5.90%	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%	15.00%	4.20%
Real Assets to include Real Estate Equity	20.00%	6.00%	20.00%	6.00%
Multi-Risk Allocation	<u>10.00%</u>	6.40%	<u>10.00%</u>	6.40%
Total	<u>100.00%</u>		<u>100.00%</u>	

7. *Discount rate:* A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2021 and June 30, 2020. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

8. *Sensitivity of the Water Authority's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Water Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Water Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA as of June 30, 2021	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority's proportionate share of the net pension liability	\$74,970,615	\$41,794,768	\$14,274,427

PERA as of June 30, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority's proportionate share of the net pension liability	\$106,170,776	\$74,155,075	\$47,607,611

9. *Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in PERA's audited annual comprehensive financial report and can be obtained at the following web address: <http://www.pera.org/financial-overview>.

F. Defined contribution retirement plan

1. *Plan description.* The Water Authority provides a 401(a)-qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees. Under this defined contribution plan, an employee's eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code. New eligible employees are provided a 30-day election period from the date of initial eligibility to elect to participate in the plan.

An employee's election is irrevocable and shall remain in force until the employee terminates employment or ceases to be eligible to participate in the plan. In the event of re-employment to an eligible position, the employee's original election will resume. In no event does the employee have the option of receiving the pick-up contribution amount directly. Participation is not mandatory. Temporary, seasonal and student employees are not eligible for this benefit.

2. *Benefits provided.* The 401(a) plan is a retirement savings plan that allows you to set aside money for retirement. The benefits provided enables employees to reduce current income taxes while boost retirement investments. Employees also have the ability to rollover savings to another public-sector employer's 401(a) plan, a tax-sheltered 403(b) annuity plan, a 457 plan or an IRA if an employee changes employers. Pre-tax contributions are not subject to federal and (in most cases) state income taxes until withdrawn. Earnings accumulate tax-deferred. An employee is vested at 100% when enrolled. In-service distributions are permitted under the plan after the participate attains normal retirement age.
3. *Contributions.* The contribution requirements for defined contribution plan members and the Water Authority are established within the signed agreement with ICMA Retirement Corporation dated February 25, 2004 and as amended October 21, 2015. The contribution requirements may be amended by acts of both parties. Under the plan the employer contributes 19.01% of earnings for all participating employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for employees scheduled to work 20-hours or more per week for the plan year.

Total contributions and total payroll to the plan for 2022 and the three preceding years were as follows:

ICMA 401(a)	Employer Contributions	Total Payroll
Fiscal Year ended:		
6/30/2019	\$398,151	\$2,094,428
6/30/2020	382,018	2,009,564
6/30/2021	402,128	2,115,349
6/30/2022	415,960	2,188,110

G. Post-employment benefit obligations

In addition to providing pension benefits described in Notes E and F, the Water Authority provides certain life insurance and health care benefits for retired employees. Post-employment benefit plan expenses for the years ended June 30, 2022 and 2021, are as follows:

OPEB Expense/(Income):	June 30, 2022	June 30, 2021
Retiree Life Insurance Plan	\$48,038	\$16,828
Retiree Health Care Authority Plan	(3,192,088)	(2,084,915)
Total OPEB Expense/(Income)	(\$3,144,050)	(\$2,068,087)

1. Water Authority Retiree Life Insurance Plan

Summary of Significant Accounting Policies.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water Authority Retiree Life Insurance Plan (Plan) additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for month market investments and participating interest-earning investment contract that have a maturity at the time of purchase of one year or less, which are reported at cost.

- a. *Plan Description.* In fiscal year 2014, the Albuquerque Pooled OPEB Trust Fund was established, by Resolution, as an irrevocable trust and operates pursuant to the OPEB agreement with the City of Albuquerque (City) and the Water Authority to defray future expenses related to retiree life insurance. Prior to July 1, 2013, the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year into the City's Employee Insurance Fund when the Water Authority was formally a component unit of the City. The Albuquerque Pooled OPEB Trust Fund – a single-employer defined benefit plan is administered by the City. The Board of Trustees consists of five members. Two members are appointed based on positions with the City and the remaining members are appointed by the City Chief Administrative Officer. The OPEB Trust Fund is reported as a fiduciary fund in the City's ACFR and can be obtained at the following web address:
<http://www.cabq.gov/dfa/treasury/investor-information/comprehensive-annual-financial-reports/comprehensive-annual-financial-reports/>.
- b. *Benefits provided.* The Water Authority provides continuation of life insurance coverage to its retiring employees through an insured group life arrangement. This life insurance coverage is available for employees hired prior to July 1, 2013 who retire from the Water Authority under the Public Employees Retirement Association (PERA) of New Mexico. Eligibility for retirement under PERA varies based on employment date (Tier), employee type (general or safety) and type of retirement (service, duty disability and non-duty disability).

The benefit provided for Water Authority active employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. Water Authority employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount.

No supplemental or Accidental Death or Dismemberment is available after retirement, though employees may elect to convert coverage lost at retirement to individual coverage at their own expense at the current rates charged by the insurer.

- c. *Employees covered by benefit terms.* At January 1, 2022 valuation date, the OPEB membership for the Water Authority consisted of the following:

Plan membership	
Number of active plan members	284
Number of inactive plan members currently receiving benefits	275
Total	<u>559</u>

- d. *Contributions.* The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year end: 1) The amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL). Therefore, the discount rate used in this valuation is 5.0%, the long term expected return on trust assets. Contributions to the trust for the year ended June 30, 2022 were \$50,238 and were \$48,658 for the year ended June 30, 2021.
- e. *Total OPEB Plan liability.* The Water Authority's total OPEB liability as of June 30, 2022 and June 30, 2021 was \$433,288 and \$268,338, respectively, and was determined by an actuarial valuation of January 1, 2022 and 2021, respectively.

Actuarial Assumptions and Other Inputs (Fiscal Year 2022)– The total liability in the June 30, 2022 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	January 1, 2022
Measurement date	Last day of the prior fiscal year (June 30, 2021)
Funding method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	5.0% as of June 30, 2022 and June 30, 2021 net of plan investment expenses
Discount rates	5.0% as of June 30, 2022 and June 30, 2021
Participants valued	Only current active employees hired prior to July 1, 2013 and retired participants are valued. This plan is closed to new members.
Salary increase	3.25% per year
General inflation	2.50% per year

The demographic actuarial assumptions used are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2020 actuarial valuation, except for a different basis used to project future mortality improvements.

Mortality improvement_____	MacLeod Watts Scale 2020 on a fully generational basis from 2014 forward
Participation rates_____	<i>Active participants:</i> 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance. <i>Retired participants:</i> Existing coverage is assumed apply until the retiree's death.
Dependent coverage_____	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.
Employer cost-sharing_____	Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.35 per \$1,000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.
Development of age-related Premiums_____	The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described in the January 2022 valuation.

Changes recognized during the current measurement period:

None

Actuarial Assumptions and Other Inputs (Fiscal Year 2021)– The total liability in the June 30, 2020 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date_____	January 1, 2021
Measurement date_____	Last day of the prior fiscal year (June 30, 2020)
Funding method_____	Entry Age Normal Cost, level percent of pay
Asset valuation method_____	Market value of assets
Long term return on assets_____	5.0% as of June 30, 2020 and June 30, 2021 net of plan investment expenses
Discount rates_____	5.0% as of June 30, 2020 and June 30, 2021
Participants valued_____	Only current active employees hired prior to July 1, 2013 and retired participants are valued. No future entrants are considered in this valuation.
Salary increase_____	3.25% per year

General inflation_____2.50% per year

The demographic actuarial assumptions used are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2019 actuarial valuation, except for a different basis used to project future mortality improvements.

Mortality improvement_____MacLeod Watts Scale 2020 on a generational basis from 2014 forward

Participation rates_____ *Active participants:* 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance.

Retired participants: Existing coverage is assumed apply until the retiree's death.

Dependent coverage_____ Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.

Employer cost-sharing_____ Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.28 per \$1,000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.

Development of age-related
Premiums_____ The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described above.

Changes recognized during the current measurement period:

None

GASB Statement No. 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year.

Recognition of plan changes and gains and losses – Under GASB Statement No. 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

Timing of recognition: Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Deferred recognition periods: These periods differ depending on the source of the gain or loss.

Difference between projected and actual trust earnings _____	5-year straight-line recognition
All other amounts _____	Straight-line recognition over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARS�, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

- f. *Discounts.* The discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB Statement No. 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When the plan sponsor makes regular, sufficient contributions to the trust in order to prefund the OPEB liabilities, GASB Statement No. 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report of return overall lower liabilities due to future expected benefits being discounted at a higher rate.

- g. *Changes in the Total OPEB Plan Liability.* Year-to-year changes in the components of Net Position are illustrated below:

For reporting at Fiscal Year end	6/30/2022	6/30/2021	6/30/2020	FY2022	FY2021
<u>Measurement date</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>vs FY2021</u>	<u>vs FY2020</u>
Total OPEB liability	\$1,822,401	\$1,813,659	\$1,778,943	\$8,742	\$34,716
Fiduciary Net Position	<u>1,389,113</u>	<u>1,545,321</u>	<u>1,231,908</u>	<u>(156,208)</u>	<u>313,413</u>
Net OPEB liability (asset)	433,288	268,338	547,035	164,950	(278,697)
<i>Deferred Resource (Outflows) Inflows</i>					
<i>Due to:</i>					
Assumption Changes	(5,542)	(28,769)	(41,849)	23,227	13,080
Plan Experience	(29,234)	(76,437)	(113,220)	47,203	36,783
Investment Experience	<u>(54,432)</u>	<u>226,838</u>	<u>75,063</u>	<u>(281,270)</u>	<u>151,775</u>
Net Deferred (Outflows) Inflows	<u>(89,208)</u>	<u>121,632</u>	<u>(80,006)</u>	<u>(210,840)</u>	<u>201,638</u>
Impact on Statement of Net Position	<u>\$344,080</u>	<u>\$389,970</u>	<u>\$467,029</u>	<u>(\$45,890)</u>	<u>(\$77,059)</u>

Change in Net Position during the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2021	\$389,970
OPEB Expense	48,038
Employer Contributions During Fiscal Year	<u>(93,928)</u>
Impact on Statement of Net Position, FYE 6/30/2022	<u>\$344,080</u>

OPEB Expense	
Employer Contributions During Fiscal Year	93,928
Deterioration (Improvement) in Net Position	<u>(45,890)</u>
OPEB Expense (Income), FYE 6/30/2022	<u>\$48,038</u>

Change in Net Position during the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2020	\$467,030
OPEB Expense	16,828
Employer Contributions During Fiscal Year	<u>(93,888)</u>
Impact on Statement of Net Position, FYE 6/30/2021	<u>\$389,970</u>

OPEB Expense	
Employer Contributions During Fiscal Year	93,888
Deterioration (Improvement) in Net Position	<u>(77,060)</u>
OPEB Expense (Income), FYE 6/30/2021	<u>\$16,828</u>

- h. Sensitivity of liabilities to changes in the discount rate. The following presents the total OPEB liability of the Water Authority, as well as what the Water Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current discount rate:

As of June 30, 2022	1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
	\$755,038	\$433,288	\$178,602

As of June 30, 2021	1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
	\$591,188	\$268,338	\$13,457

- i. *OPEB Plan expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* The Water Authority recognized OPEB expense for the years ended June 30, 2022 and June 30, 2021 of \$48,038 and \$16,828, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$39,654	\$10,420
Changes of assumptions	15,689	10,147
Net difference between projected and actual earnings on investments	214,101	159,669
Total	<u>\$269,444</u>	<u>\$180,236</u>

Future recognition of these deferred resources are as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2023	\$28,662
2024	(1,532)
2025	8,552
2026	53,526
2027	-

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$76,437	-
Changes of assumptions	28,769	-
Net difference between projected and actual earnings on investments	-	226,838
Total	<u>\$105,206</u>	<u>\$226,838</u>

Future recognition of these deferred resources are as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2022	(\$17,306)
2023	(16,185)
2024	(46,379)
2025	(41,762)
2026	-

2. New Mexico Retiree Health Care Authority Plan

Summary of Significant Accounting Policies.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) additions to/deductions from the NMRHCA fiduciary net position have been determined on the same basis as they are reported by the NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- a. *Plan Description.* Employees of the Water Authority are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive

group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the state of New Mexico. The funds administered by NMRHCA are considered part of the state of New Mexico financial reporting entity and are OPEB trust funds of the state of New Mexico. NMRHCA's financial information is included with the financial presentation of the state of New Mexico. That report and further information can be obtained at the following website: www.nmrhca.org/financial-audits/.

- b. *Benefits provided.* The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.
- c. *Employees covered by benefit terms.* June 30, 2020, the Fund's measurement date, the following employees were covered by the benefit terms:

<u>Plan membership</u>	<u>June 30, 2021 Measurement Date</u>	<u>June 30, 2020 Measurement Date</u>
Current retirees and surviving spouses	53,092	52,179
Inactive and eligible for deferred benefit	11,754	10,916
Current active members	<u>92,484</u>	<u>91,082</u>
Total	<u>157,330</u>	<u>154,177</u>

<u>Active membership</u>	<u>June 30, 2021 Measurement Date</u>	<u>June 30, 2020 Measurement Date</u>
State general	18,691	17,097
State police and corrections	1,919	1,830
Municipal general	20,357	17,538
Municipal police	1,573	3,159
Municipal fire	756	1,966
Educational Retirement Board	<u>49,188</u>	<u>49,492</u>
Total	<u>92,484</u>	<u>91,082</u>

- d. *Contributions.* Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority for the years ended June 30, 2022 and June 30, 2021 were \$709,917 and \$699,487, respectively, equal to its required contributions for the year.

e. OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

The Water Authority reported a liability at June 30, 2022 and June 30, 2021 of \$23,845,494 and \$30,125,485, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and 2019. The Water Authority's proportion of the net OPEB liability, based on actual contributions provided to the Fund for the years ending June 30, 2021 and June 30, 2020 was 0.72471% and 0.71746%, respectively.

The Water Authority recognized OPEB income for the years ended June 30, 2022 and June 30, 2021 of \$3,192,088 and \$2,084,915, respectively. The Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	348,653	\$3,802,860
Net difference between projected and actual investment earnings on OPEB plan investments	-	683,511
Changes of assumptions	4,774,089	8,620,991
Change in proportion	292,413	2,271,284
Water Authority contributions made after the measurement date	<u>709,917</u>	-
Total	<u>\$6,125,072</u>	<u>\$15,378,646</u>

Deferred outflows of resources totaling \$709,917 represent the Water Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	(\$4,021,283)
2024	(2,732,920)
2025	(1,678,110)
2026	(595,334)
2027	<u>(935,844)</u>
Total	<u>(\$9,963,491)</u>

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$5,349,480
Net difference between projected and actual investment earnings on OPEB plan investments	164,280	-
Changes of assumptions	5,913,848	5,350,080
Change in proportion	-	2,954,129
Water Authority contributions made after the measurement date	699,487	-
Total	<u>\$6,777,615</u>	<u>\$13,653,689</u>

Deferred outflows of resources totaling \$699,487 represent the Water Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	(\$3,286,569)
2023	(2,820,119)
2024	(1,544,354)
2025	(498,779)
2026	<u>574,260</u>
Total	<u>(\$7,575,561)</u>

- f. *Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions:

Actuarial valuation date:	-	June 30, 2021
Actuarial cost method:	-	Entry age actuarial cost method. Age is the age at the member's hire date. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Asset valuation method:	-	Market value of assets
Actuarial assumptions:		
Inflation	-	2.50% for ERB members; 2.50% for PERA members
Projected payroll increases	-	3.25% to 13.00%, based on years of service, including inflation
Investment rate of return	-	7.05%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	-	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	-	PERA members: Healthy-Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%. Disabled-Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

- g. *Rate of return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
Large Cap U.S. Equity	20.0%	7.10%
Mid/Small Cap U.S. Equity	3.0%	7.10%
Developed Non-US Equity	12.0%	7.80%
Emerging Markets Equity	15.0%	10.20%
U.S. Core Fixed Income	20.0%	2.10%
Private Equity	10.0%	11.80%
Credit & Structured Finance	10.0%	5.30%
Absolute Return	5.0%	4.10%
Real Estate	<u>5.0%</u>	4.90%
Total	100.0%	

- h. *Discount rate.* The discount rate used to measure the Fund's total OPEB liability is 3.62% as of June 30, 2021 and 2.86% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employer and plan member contributions will be made at the current contribution rate. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2040. Thus, the 7.00% discount rate was used to calculate the net OPEB liability through 2052. Beyond 2052, the 20-year municipal bond rate (2.16%) was applied. Thus, 3.62% is the blended discount rate.
- i. *Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates (Fiscal Year 2022).* The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority's net OPEB liability would be if it were calculated using a

discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$29,961,306	\$23,845,494	\$19,088,063

The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
\$19,179,459	\$23,845,494	\$27,603,053

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates (Fiscal Year 2021). The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.86 percent) or 1-percentage-point higher (3.86 percent) than the current discount rate:

1% Decrease (1.86%)	Current Discount Rate (2.86%)	1% Increase (3.86%)
\$37,446,102	\$30,125,485	\$24,467,406

The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
\$24,727,390	\$30,125,485	\$34,220,084

- j. *OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the years ended June 30, 2021 and June 30, 2020 at www.nmrhca.org/financial-audits/.
- k. *Payable changes in the net OPEB liability.* The Water Authority reported a payable for the years ended June 30, 2022 and June 30, 2021 of \$0 and \$0, respectively, for outstanding contributions due to NMRHCA.

H. Risk management

The Water Authority is exposed to various risks of loss related to torts and civil claims including theft, damage and destruction of its real and personal assets; contract disputes; employment related exposures; worker's compensation losses; errors and omissions of its officers and officials; and natural disasters. The extent of the Water Authority's third-party loss exposure is reduced because, as a New Mexico governmental entity, the Water Authority is protected by the limitations found in the New Mexico Tort Claims Act.

To manage the impact of all its loss exposure, the Water Authority obtains various commercial insurance policies with coverage for general liability, bodily injury and property liability, pollution liability, public official liability, cyber liability, and crime (Employee Theft/Computer Crime/Forgery/Robbery & Burglary) liability. To temper the cost of its insurance coverage, the Water Authority maintains a Self-Insured Retention (SIR) for a portion of its automobile liability, general liability, and workers compensation exposures and utilizes a liability reserve to finance and account for those liabilities and exposures up to the Self-Insured Retention (SIR). As an additional protection, the Water Authority carries excess policy coverage for both General Liability and Workers Compensation.

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2022, and 2021.

The amounts and change in claims liability in fiscal years 2022 and 2021 were:

	2022	2021
Claims liability at July 1	\$4,805,265	\$3,971,519
Current year claims/adjustments	1,373,174	2,197,406
Claims liquidated	(1,396,761)	(1,363,660)
Claims liability at June 30	\$4,781,678	\$4,805,265

The components of the claims liability at June 30 are:

	2022	2021
Current portion	\$1,719,711	\$1,708,055
Noncurrent portion	3,061,967	3,097,210
Total claims liability	\$4,781,678	\$4,805,265

I. Leases

Lease Receivable: The Water Authority has entered into agreements to lease property to third parties. The leases range in term from two to twenty-five years. The Water Authority received approximately \$29,942 and \$29,119 in monthly lease payments for the years ended June 30, 2022 and 2021, respectively. The lease receivable at June 30, 2022 and 2021 was \$501,883 and \$688,257, respectively; a decrease of 27.1%. The Water Authority has deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. At June 30, 2022 and 2021 the deferred inflow of resources was \$433,068 and \$610,045, respectively; a decrease of 29.0%.

1. Lease Liability: The Water Authority has entered into leases for acquisition and use of buildings and equipment. The Water Authority is required to make principal and interest payments for these leases in the amount of \$487,310 and \$529,016 for the years ended June 30, 2022 and 2021, respectively; using an interest rate of 5% for leases entered into prior to July 1, 2020, and 1.737% for its leases entered into on or after July 1, 2020. The buildings and equipment are amortized over the lease term. The value of the lease liability at June 30, 2022 and 2021 was \$240,178 and \$558,741, respectively; a decrease of 57.0%. The value of the right- to use assets at June 30, 2022 was \$1,971,900 and at June 30, 2021 was \$2,001,346, respectively. The accumulated amortization at June 30, 2022 and 2021 was \$1,752,356 and \$1,496,244, respectively.

J. Commitments and contingencies

Construction Commitments. At June 30, 2022, the uncompleted construction and other commitments for construction improvements and replacements was \$102.9 million. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

Federal and State Grant Commitments. The Water Authority has received federal and state grants designated for specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, Water Authority management believes that such disallowances, if any, will not be material.

Contingencies. In the normal course of business, the Water Authority is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. It is the opinion of Water Authority management that the ultimate resolution of other litigation will not have a material effect on the financial position of the Water Authority.

K. COVID-19 Pandemic

At the time of this report's release, the citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments and businesses have faced supply chain disruptions, labor shortages, revenue declines, increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. These financial statements do not consider the potential financial implications of the pandemic on future operations.

L. Subsequent events

At the November 9, 2022 Water Authority Board Meeting, staff introduced a resolution authorizing the execution and delivery of a Water Project Fund Loan/Grant with the New Mexico Finance Authority in the amount of \$2,000,000 (\$1,800,000 Grant Amount/\$200,000 Loan Amount) for the Phase 7 Advanced Metering Infrastructure Project.

At the November 9, 2022 Water Authority Board Meeting, staff introduced a resolution authorizing the execution and delivery of a Water Project Fund Loan/Grant with the New Mexico Finance Authority in the amount of \$7,100,000 (\$6,390,000 Grant Amount/\$710,000 Loan Amount) for financing the costs of the Volcano Cliffs Arsenic Treatment Facility and Pump Station Upgrade Project.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

MUNICIPAL GENERAL PLAN 3

LAST 10 FISCAL YEARS (*)

Fiscal Year Measurement Date	2022 2021	2021 2020	2020 2019	2019 2018
Water Authority's proportion of the net pension liability (asset)	0.7965%	0.9956%	0.9923%	0.9638%
Water Authority's proportion of the net pension liability (asset)	41,794,768	74,155,075	64,315,537	59,487,543
Water Authority's covered payroll	34,972,804	34,618,321	33,897,914	33,413,035
Water Authority's proportion of the net pension liability as percentage of its covered employee payroll	119.51%	214.21%	189.73%	178.04%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	66.36%	70.52%	71.13%

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
Water Authority's proportion of the net pension liability (asset)	0.9732%	0.9580%	0.8958%	0.8842%
Water Authority's proportion of the net pension liability (asset)	51,278,088	59,008,103	38,165,167	29,351,538
Water Authority's covered payroll	32,774,164	31,630,023	30,540,919	31,037,398
Water Authority's proportion of the net pension liability as percentage of its covered employee payroll	156.46%	186.56%	124.96%	94.57%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

(*) Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information for those years that information is available. Complete information for the Water Authority is not available prior to fiscal year 2015, the year the statement requirements became effective.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS
MUNICIPAL GENERAL PLAN 3
LAST 10 FISCAL YEARS (*)

	2022	2021	2020	2019
Statutory required contribution	3,478,865	\$3,492,946	\$3,389,467	\$3,237,258
Contribution in relations to the statutorily required contributions	(3,478,865)	(3,492,946)	(3,389,467)	(3,237,258)
Annual contributions excess (deficiency)	-	-	-	-
Water Authority's covered payroll	34,972,804	34,618,321	33,897,914	33,413,035
Water Authority's contributions as a percentage of its covered payroll	9.8%	9.80%	9.80%	9.55%

	2018	2017	2016	2015
Statutory required contribution	\$3,190,941	\$3,129,931	\$3,020,676	\$2,959,288
Contribution in relations to the statutorily required contributions	(3,190,941)	(3,129,931)	(3,020,676)	(2,949,288)
Annual contributions excess (deficiency)	-	-	-	-
Water Authority's covered payroll	32,774,164	31,630,023	30,540,919	31,037,398
Water Authority's contributions as a percentage of its covered payroll	9.55%	9.55%	9.55%	9.55%

(*) Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information for those years that information is available. Complete information for the Water Authority is not available prior to fiscal year 2015, the year the statement requirements became effective.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

Changes of Benefit Terms. The PERA and cost-of-living (COLA) and retirement eligibility benefit changes in recent years are described in Note 1 of the PERA audited annual comprehensive financial report is available at the following web address: <http://www.nmpera.org/financial-overview>.

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2020 is available at the web address listed above.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

SCHEDULE OF CHANGES IN THE WATER AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2022	2021	2020	2019	2018
Total OPEB liability					
Service Cost	\$8,979	\$8,696	\$13,024	\$12,404	\$14,174
Interest	89,617	87,837	84,303	81,674	67,539
Differences between expected and actual	(14,816)	-	19,046	8,671	187,222
Changes of assumption	(14,429)	-	14,667	-	60,908
Benefit payments	(60,609)	(61,817)	(50,285)	(51,258)	(39,498)
Total OPEB liability – beginning	1,813,659	1,778,943	1,698,188	1,646,697	1,356,352
Total OPEB liability – ending (a)	1,822,401	1,813,659	1,778,943	1,698,188	1,646,697
Plan fiduciary net position					
Contributions – employer	\$93,928	\$93,888	\$89,757	\$87,675	\$82,290
Net investment income	(189,527)	281,343	106,530	87,979	70,136
Benefit payments	(60,609)	(61,817)	(50,285)	(51,258)	(39,498)
Administrative fees	-	-	-	-	(516)
Change in trust receivable	-	-	-	377	-
Accrued audit service fees	-	-	-	(553)	-
Accrued interest and trust income	-	-	-	34	-
Net change in plan fiduciary net position	(156,208)	313,414	146,002	124,254	112,412
Plan fiduciary net position – beginning	1,545,321	1,231,907	1,085,906	961,133	848,721
Plan fiduciary net position – ending (b)	\$1,389,113	\$1,545,321	\$1,231,908	\$1,085,387	\$961,133
Net OPEB liability – ending (a) – (b)	\$433,288	\$268,338	\$547,035	\$612,801	\$685,564
Plan fiduciary net position as a percentage of the total OPEB liability	76.22%	85.20%	69.25%	63.91%	58.37%
Covered-employee payroll	\$19,194,531	\$21,622,661	\$20,927,400	\$22,590,131	\$24,644,318
Net OPEB liability as a percentage of covered – employee payroll	2.26%	1.24%	2.61%	2.71%	2.78%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. The report was prepared based on a roll forward of the January 1, 2022 actuarial valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts since the 2020 valuation was prepared. Accordingly, no plan (liability) experience was analyzed, and no assumptions were changed. The difference between the expected and actual return on trust assets was reflected. The difference will be recognized over a 5-year period.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

SCHEDULE OF WATER AUTHORITY'S OPEB CONTRIBUTIONS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2022	2021	2020	2019	2018
Actuarially determined contribution during fiscal year	\$50,238	\$48,658	\$59,817	\$61,103	\$59,081
Contributions in relation to the actuarially determined contribution	93,928	93,888	89,757	87,675	82,290
Contribution deficiency (excess)	(\$43,690)	(\$45,230)	(\$29,940)	(\$26,572)	(\$23,209)
Covered – employee payroll	\$19,194,531	\$21,622,661	\$20,927,400	\$22,590,131	\$24,644,318
Contributions as a percentage of covered – employee payroll	0.49%	0.43%	0.43%	0.39%	0.33%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Actuarially determined contribution rates are based on 1) a valuation date no more than 30 months plus 1 day prior to the close of the fiscal year end; and 2) a measurement date up to one year prior to the close of the fiscal year.

Methods and assumptions used to determine contribution rates:

Valuation date	January 1, 2022
Measurement date	Last day of the prior fiscal year (June 30, 2021)
Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	5.0% as of June 30, 2022 and June 30, 2021
Discount rate	5.0% as of June 30, 2022 and June 30, 2021
Participants valued	Only current active employees hired prior to July 1, 2013 and retired participants are valued. No future entrants are considered in this valuation.
Salary increase	3.25% per year
General inflation rate	2.50% per year

The demographic actuarial assumptions used in this valuation are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2019 actuarial valuation, except for a different basis used to project future mortality improvements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN
LAST 10 FISCAL YEARS (*)

	2022	2021	2020	2019	2018
Water Authority's proportion of the net OPEB liability	0.7247%	0.7175%	0.7665%	0.7828%	0.7935%
Water Authority's proportionate share of the net OPEB liability	\$23,845,494	\$30,125,485	\$24,852,261	\$34,038,052	\$35,956,560
Water Authority's covered payroll	\$34,974,312	\$34,615,302	\$33,886,260	\$33,413,155	\$32,774,164
Water Authority's proportionate share of the net OPEB liability as percentage of its covered payroll	68.18%	87.03%	73.34%	101.87%	109.71%
Plan fiduciary net position as a percentage of the total OPEB liability	25.39%	16.50%	18.92%	13.14%	11.34%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

SCHEDULE OF THE WATER AUTHORITY'S OPEB CONTRIBUTIONS
NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN
LAST 10 FISCAL YEARS (*)

	2022	2021	2020	2019	2018
Contractually required contribution	\$709,917	\$699,487	\$692,297	\$677,725	\$645,263
Contributions in relation to the contractually required contribution	(709,917)	(699,487)	(692,297)	(677,725)	(645,263)
Contribution deficiency (excess)	-	-	-	-	-
Water Authority's covered-employee payroll	\$34,974,312	\$34,615,302	\$33,886,260	\$33,413,155	\$32,774,164
Contributions as a percentage of covered – employee payroll	2.00%	2.00%	2.00%	2.00%	1.93%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH CARE AUTHORITY PLAN

Changes of Assumptions. There were no changes of assumptions.



STATISTICAL SECTION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NET POSITION BY COMPONENT

SCHEDULE 1 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2022 – 2018

	2022	2021	2020	2019 ⁽²⁾	2018 ⁽¹⁾
Net investment in capital assets	\$578,779	\$589,168	\$594,404	\$568,941	\$571,387
Unrestricted	81,485	51,991	39,054	65,275	51,319
Total net position	\$660,264	\$641,159	\$633,458	\$634,216	\$622,706

FISCAL YEARS 2017 – 2013

	2017	2016	2015	2014	2013
Net investment in capital assets	\$560,766	\$568,245	\$576,678	\$595,695	\$617,398
Unrestricted	30,408	53,425	23,764	51,027	48,331
Total net position	\$591,174	\$621,670	\$600,442	\$646,722	\$665,729

⁽¹⁾ The 2018 net investment in capital assets amount has been updated to include capital assets previously omitted from the 2018 balances.

⁽²⁾ The 2019 net investment in capital assets amount has been updated to include capital assets right to use lease assets from the 2018 balances.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2022 – 2018

	2022	2021	2020	2019 ⁽³⁾	2018 ⁽²⁾
Operating revenues:					
Water revenues	\$145,215	\$147,199	\$147,245	\$141,268	\$148,315
Wastewater revenues	76,845	76,442	76,231	76,848	76,253
Miscellaneous revenues	2,134	2,023	2,133	1,868	1,828
Non-operating revenues:					
Investment and interest income	647	622	2,164	3,118	832
Utility expansion charges	8,421	9,060	8,917	6,885	9,686
Water resource charge	1,874	1,613	839	438	364
Other revenues	1,354	3,035	1,512	4,823	2,662
Total revenues	236,489	239,994	239,041	235,248	239,940
Operating expenses:					
General and administrative	61,873	61,977	69,395	66,274	64,227
Source of supply, pumping, treatment and distribution	54,988	50,881	51,686	48,844	48,471
Noncapitalized major repair	17,185	21,576	19,139	13,012	7,785
Depreciation and amortization	86,589	86,661	85,513	85,056	82,630
Non-operating expense:					
Interest expense	17,352	17,194	19,842	20,068	18,295
Other expense	668	340	666	629	-
Total expenses	238,655	238,629	246,241	233,883	221,408
Income (loss) before capital contributions	(2,165)	1,363	(7,200)	1,365	18,532
Capital contributions	21,270	6,338	6,441	10,145	13,000
Change in net position	\$19,105	\$7,701	(\$759)	\$11,510	\$31,532

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION (CONTINUED)

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2017 – 2013

	2017	2016	2015	2014	2013 ⁽¹⁾
Operating revenues:					
Water revenues	\$144,343	\$140,551	\$119,707	\$113,061	\$113,875
Wastewater revenues	69,101	68,167	64,171	61,327	58,031
Miscellaneous revenues	1,750	1,339	1,323	1,232	1,142
Non-operating revenues:					
Investment and interest income	86	155	44	160	42
Utility expansion charges	8,117	8,795	7,251	7,872	8,189
Water resource charge	429	462	290	-	8
Other revenues	2,917	5,828	2,158	8,245	1,659
Total revenues	226,743	225,297	194,944	191,897	182,946
Operating expenses:					
General and administrative	63,307	59,910	53,996	54,966	53,433
Source of supply, pumping, treatment and distribution	48,018	46,987	46,525	46,538	48,260
Noncapitalized major repair	5,796	4,285	6,429	5,642	-
Depreciation and amortization	81,648	80,357	83,094	84,788	87,087
Non-operating expense:					
Interest expense	18,449	18,034	19,857	27,546	24,566
Other expense	710	-	2,273	812	-
Total expenses	217,928	209,573	212,174	220,292	213,346
Income (loss) before capital contributions	8,815	15,724	(17,230)	(28,395)	(30,400)
Capital contributions	3,522	5,504	7,348	9,388	4,132
Change in net position	\$12,337	\$21,228	(\$9,882)	(\$19,007)	(\$26,268)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION (CONTINUED)

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2022 – 2013

⁽¹⁾ In 2013, operating revenues are demonstrated by type and franchise fees are not included as revenue or an expense of the Water Authority in these fiscal years. They are a pass-through, therefore, they are not considered to be either a revenue or an expense for the Water Authority. However, the franchise fees are included in charges for services and general and administrative expenses in fiscal years prior to fiscal year 2013. Also, the water resource charge has been separated from utility expansion charges.

⁽²⁾ The Water Authority fiscal year 2018 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2018 balances. Also, in 2018 interest income has been separated from water resource charge and utility expansion charges and is now combined with investment income.

⁽³⁾ The Water Authority fiscal year 2019 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2019 balances. Also, amortization for lease right to use assets was added with the implementation of GASB Statement No. 87.

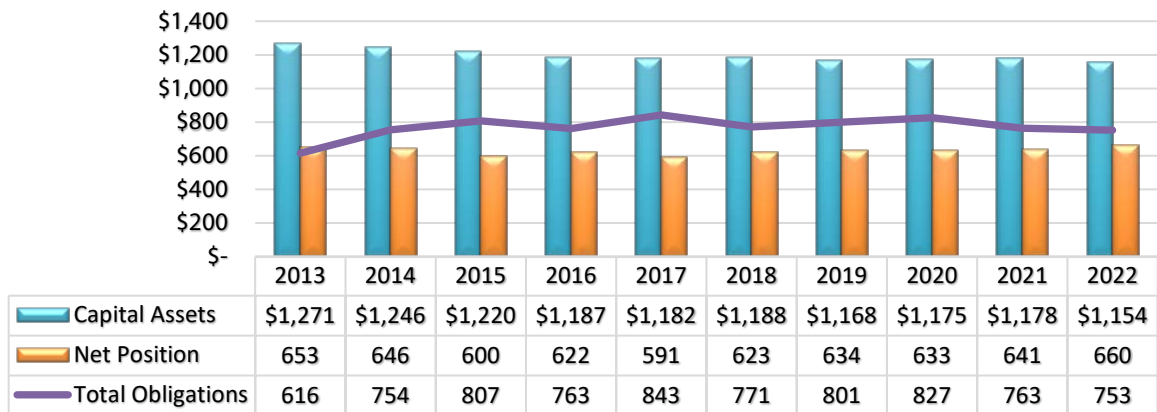
Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

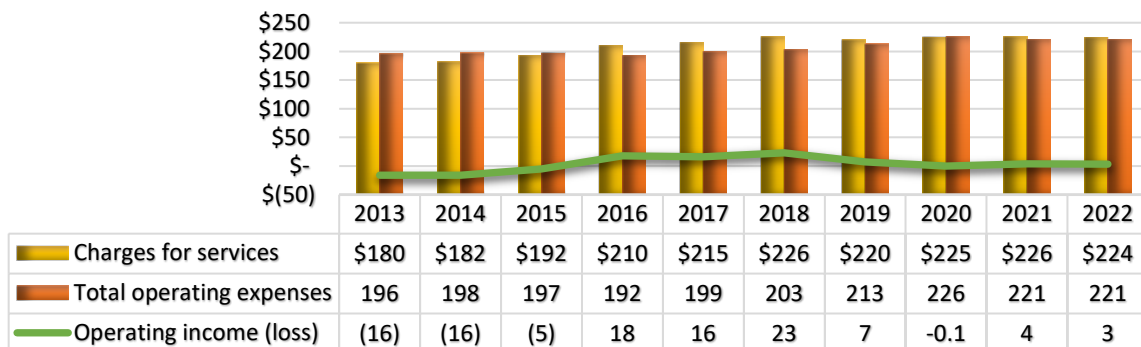
TREND ANALYSIS FOR NET POSITION AND OPERATIONS

SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2022 – 2013

Trend Analysis of Capital Assets, Total Obligations,
and Net Position

Trend Analysis of Authority Operations



Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUES

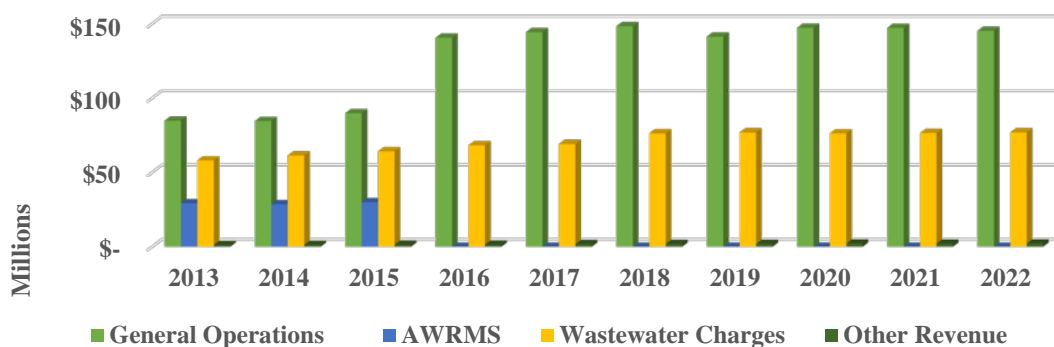
SCHEDULE 4 – LAST TEN FISCAL YEARS

FISCAL YEARS 2022 – 2013

Fiscal Year	General operations	AWRMS ⁽¹⁾	Wastewater charges	Other revenue	Total operating revenue
2022	\$145,215,374	-	\$76,845,065	\$2,134,395	\$224,194,834
2021	147,199,054	-	76,441,792	2,022,568	225,663,414
2020	147,244,774	-	76,231,345	2,133,000	225,609,119
2019	141,267,719	-	76,848,592	1,868,000	219,984,311
2018	148,315,450	-	76,253,042	1,828,000	226,396,492
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2015	89,768,328	29,939,349	64,171,110	1,323,000	185,201,787
2014	84,500,221	28,561,586	61,327,115	1,232,000	175,620,922
2013 ⁽²⁾	84,713,861	29,161,139	58,031,483	1,142,000	173,048,483

⁽¹⁾ In fiscal year 2016 the Albuquerque Water Resource Management Strategy (AWRMS) revenues were combined with General operations revenue as part of the new rate ordinance structure.

⁽²⁾ In fiscal year 2013, General operations revenues are excluding franchise fees as revenue for the Water Authority. They are a pass-through, therefore, should not be included as revenue for the Water Authority.



Source: Water Authority Financial/Business Services Division

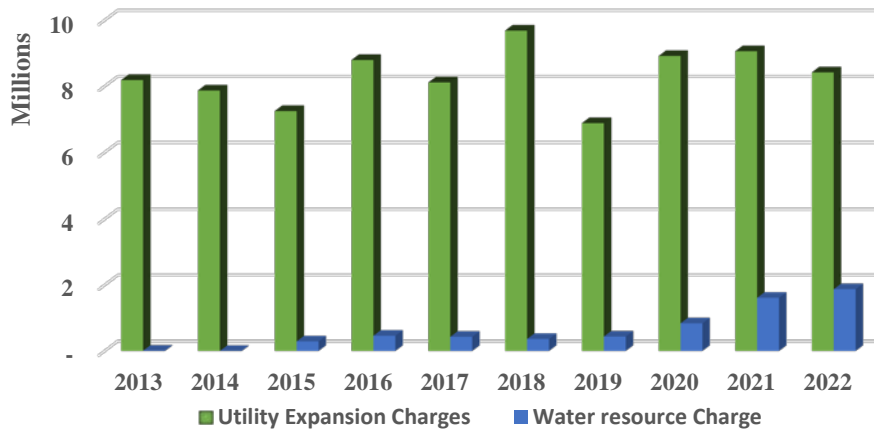
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE FROM UTILITY EXPANSION AND WATER RESOURCE CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2022 – 2013

Fiscal Year	Utility expansion charges	Water resource charge
2022	\$8,421,390	\$1,873,759
2021	9,060,038	1,612,875
2020	8,916,871	838,525
2019	6,884,954	437,646
2018	9,685,634	363,963
2017	8,116,695	429,283
2016	8,795,436	461,502
2015	7,250,838	290,363
2014	7,872,237	-
2013	8,189,953	7,063



Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY CLASS:

2022 – 2018

Class	2022	2021	2020	2019	2018
Residential	186,730	185,889	184,919	183,942	183,018
Multi-family	7,943	7,925	7,907	7,876	7,851
Commercial	12,314	12,242	12,159	12,100	12,023
Institutional	3,829	3,807	3,766	3,701	3,680
Industrial	128	123	119	121	122
Other metered	1,099	996	909	824	720
Subtotal	212,043	210,982	209,779	208,564	207,414
Solid waste only	1,418	1,410	1,402	1,392	1,365
Other non-metered	3,176	3,150	3,139	3,135	3,120
Total	216,637	215,542	214,320	213,091	211,899

2017 – 2013

Class	2017 ⁽¹⁾	2016	2015	2014	2013
Residential	181,814	187,479	186,461	174,193	174,909
Multi-family	7,801	7,268	7,115	6,569	6,430
Commercial	11,913	11,901	11,923	11,303	11,321
Institutional	3,650	2,187	2,150	2,196	2,391
Industrial	119	110	113	99	99
Other metered	616	-	-	-	-
Subtotal	205,913	208,945	207,762	194,360	195,150
Solid waste only	1,362	-	-	-	-
Other non-metered	2,940	-	-	-	-
Total	210,215	208,945	207,762	194,360	195,150

(1) In Fiscal Year 2017, the water users by meter size are illustrated between metered and non-metered accounts.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE (CONTINUED)

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY METER SIZE:

2022 – 2018

Meter size	2022	2021	2020	2019	2018
¾"	187,847	186,802	185,668	184,464	183,398
1" and 1 ¼"	17,831	17,815	17,847	17,843	17,975
1 ½"	2,567	2,549	2,522	2,522	2,467
2"	2,796	2,811	2,737	2,713	2,575
3"	603	606	609	626	606
4"	288	286	286	287	284
6"	68	69	66	66	66
8" and over	44	44	44	43	43
Subtotal	212,044	210,982	209,779	208,564	207,414
Non-metered	4,593	4,560	4,541	4,527	4,485
Total	216,637	215,542	214,320	213,091	211,899

2017 – 2013

Meter size	2017 ⁽¹⁾	2016	2015	2014	2013
¾"	182,232	185,894	184,743	171,395	171,874
1" and 1 ¼"	17,796	17,392	17,447	17,474	17,645
1 ½"	2,381	2,300	2,269	2,238	2,249
2"	2,509	2,386	2,349	2,303	2,352
3"	603	590	575	578	634
4"	282	278	276	270	286
6"	68	64	63	60	63
8" and over	42	41	40	42	47
Subtotal	205,913	208,945	207,762	194,360	195,150
Non-metered	4,302	-	-	-	-
Total	210,215	208,945	207,762	194,360	195,150

Source: Water Authority Financial/Business Services Division

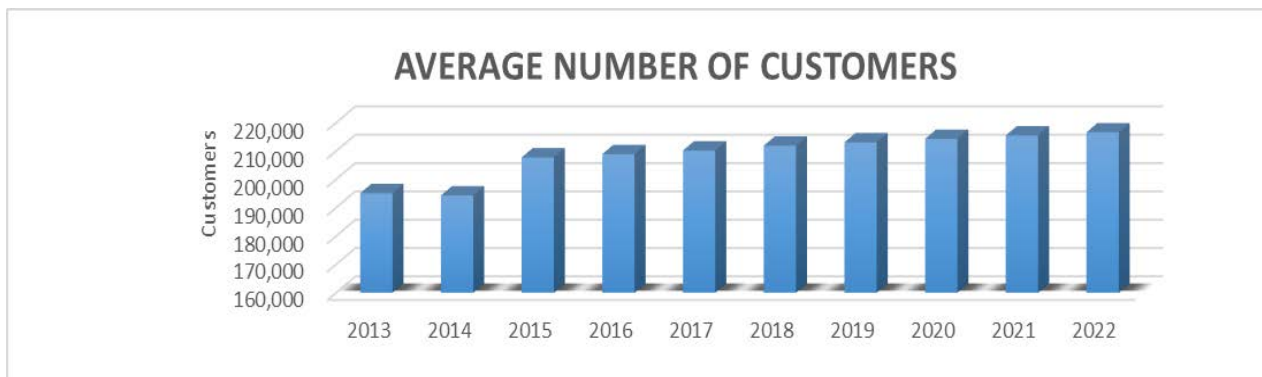
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE (CONTINUED)

SCHEDULE 6 – LAST TEN FISCAL YEARS

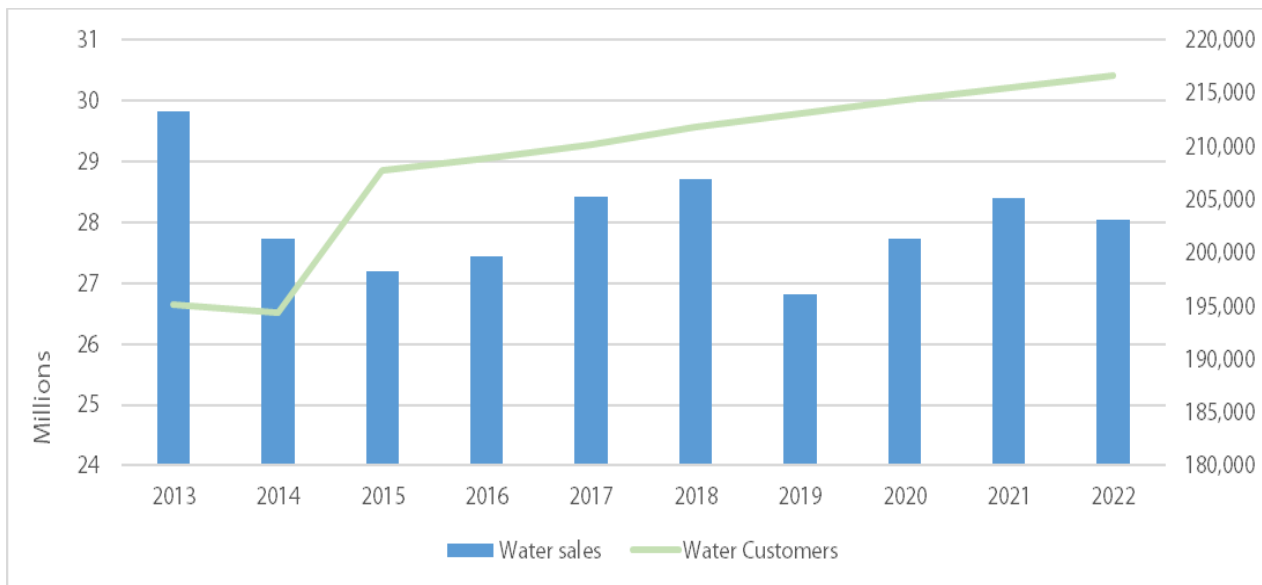
HISTORY OF AVERAGE NUMBER OF ACCOUNTS:

2013 – 2022



WATER SALES VS. NUMBER OF WATER ACCOUNTS:

2013 – 2022



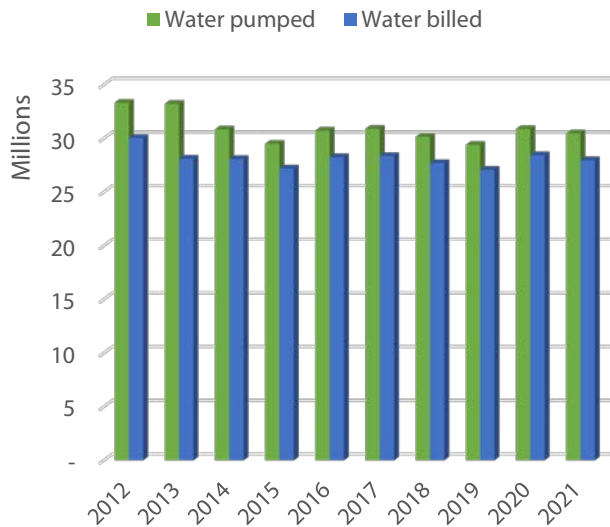
Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

SCHEDULE 7 – LAST TEN CALENDAR YEARS

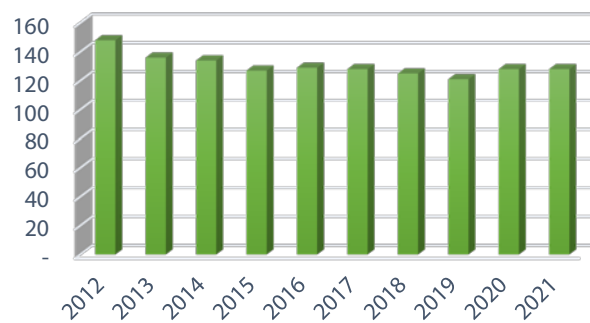
CALENDAR YEARS 2021 – 2012



Calendar year	Water Pumped	Water Billed	% Billed
2021	30,466,000	27,967,068	91.80%
2020	30,878,760	28,431,768	92.08%
2019	29,392,000	27,073,469	92.11%
2018	30,139,000	27,696,655	91.90%
2017	30,895,000	28,357,626	91.79%
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%
2014	30,836,000	28,075,612	91.05%
2013	33,222,000	28,113,371	84.62%
2012	33,318,000	30,044,094	90.17%

Calendar year	Per Capita Water Usage
2021	128
2020	128
2019	121
2018	125
2017	128
2016	129
2015	127
2014	134
2013	136
2012	148

Per Capita Water Usage



Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2022

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$8,652,685	1	5.96%	2,680,909
Albuquerque Public Schools	2,850,179	2	1.96%	554,451
University of New Mexico	1,367,733	3	0.94%	303,565
Kirtland Air Force Base	661,475	4	0.46%	135,938
Bernalillo County	633,197	5	0.44%	164,743
Sumitomo	299,841	6	0.21%	123,605
Central NM Community College	282,441	7	0.19%	60,242
Water Authority	269,330	8	0.19%	42,114
Lovelace Health	266,959	9	0.18%	81,082
Albuquerque Academy	213,690	10	0.15%	93,628
Total	\$15,497,530		10.68%	4,240,277
2022 Total Water Revenue	\$145,215,374			

WATER REVENUE - FISCAL YEAR 2013

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$6,714,624	1	5.90%	2,752,293
Albuquerque Public Schools	2,331,362	2	2.05%	709,846
University of New Mexico	1,066,700	3	0.94%	302,787
Bernalillo County	625,254	4	0.55%	224,123
Kirtland Air Force Base	553,306	5	0.49%	174,674
Water Authority	339,866	6	0.30%	125,383
Lovelace Health	265,555	7	0.23%	117,962
Central NM Community College	257,138	8	0.23%	79,460
Albuquerque Academy	211,199	9	0.19%	114,110
Sumitomo	209,185	10	0.18%	112,453
Total	\$12,574,189		11.06%	4,713,091
2013 Total Water Revenue	\$113,875,000			

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS (CONTINUED)

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2022

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,419,668	1	1.85%	744,147
University of New Mexico	1,128,833	2	1.47%	849,535
Albuquerque Public Schools	698,685	3	0.91%	69,188
City of Albuquerque	696,034	4	0.91%	99,175
Creamland Dairies	502,826	5	0.65%	48,902
Lovelace Health	158,867	6	0.21%	57,483
Bernalillo County	146,005	7	0.19%	32,665
Central NM Community College	116,475	8	0.15%	25,643
Sandia Peak Services	96,997	9	0.13%	81,297
Four Hills Mobile Home Park	87,358	10	0.11%	35,162
Total	\$5,051,748		6.58%	2,043,197
2022 Total Wastewater Revenue	\$76,845,065			

WASTEWATER REVENUE - FISCAL YEAR 2013

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,150,505	1	1.98%	688,730
University of New Mexico	806,373	2	1.39%	537,000
Albuquerque Public Schools	680,831	3	1.17%	167,799
City of Albuquerque	480,441	4	0.83%	161,725
Creamland Dairies	448,602	5	0.77%	53,845
Lovelace Health	145,383	6	0.25%	83,563
Bernalillo County	145,082	7	0.25%	54,142
Central NM Community College	110,357	8	0.19%	36,158
Sandia Peak Services	96,422	9	0.17%	84,394
Four Hills Mobile Home Park	65,688	10	0.11%	36,763
Total	\$4,129,684		7.00%	1,904,119
2013 Total Wastewater Revenue	\$58,031,483			

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OUTSTANDING DEBT RATIO

SCHEDULE 9 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEAR 2022 – 2013

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights Contract	Un-Amortized Premium	Leases	Total	Per Capita*	Per Customer*
2022	\$583,800	\$10,512	\$1,360	\$42,582	\$240	\$638,494	947	2,947
2021	567,270	8,565	2,679	39,671	559	618,744	915	2,871
2020	595,930	31,560	3,960	52,874	964	685,288	1,009	3,198
2019	577,825	35,873	5,203	46,119	-	665,020	979	3,121
2018	551,950	39,938	6,409	48,088	-	646,385	955	3,050
2017	589,880	44,013	7,579	60,241	-	701,713	1,286	3,419
2016	566,455	54,819	8,715	58,712	-	688,701	1,232	3,296
2015	601,985	63,627	9,817	71,578	-	747,007	1,170	3,250
2014	515,450	131,515	10,887	23,864	-	681,716	1,204	3,198
2013	420,780	210,805	11,925	13,334	-	656,844	1,172	3,366

Note:

1. Per Capita is based on the estimated population provided by the US Census Bureau V2021 (Bernalillo County).
2. Per customer is based on the number of customers for the Water Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2013 – 2016.

* Not presented in thousands of dollars

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SENIOR / SUBORDINATE LIEN DEBT COVERAGE

SCHEDULE 10 – LAST TEN FISCAL YEARS (in thousands of dollars)

SENIOR LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2022	\$251,310	\$116,861	\$134,449	\$48,540	\$22,912	(\$9,747)	2.18	1.33
2021	241,449	112,883	128,566	49,354	23,410	(10,488)	2.06	1.33
2020	240,436	120,498	119,938	48,054	23,876	(9,233)	1.91	1.33
2019	235,645	115,118	120,527	45,093	25,534	(10,074)	1.99	1.33
2018	241,177	112,698	128,479	31,018	23,948	(10,447)	2.89	1.33
2017	227,044	111,326	115,718	37,497	23,899	(10,247)	2.26	1.33
2016	226,774	106,897	119,877	43,031	23,794	(10,477)	2.13	1.33
2015	203,834	107,597	96,237	33,819	22,579	(7,205)	1.96	1.33
2014	199,234	108,177	91,057	41,151	31,502	(4,684)	1.34	1.33
2013	184,338	96,611	87,727	39,732	23,773	-	1.38	1.33

SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2022	\$251,310	\$116,861	\$134,449	\$57,319	\$24,722	(\$10,533)	1.88	1.20
2021	241,449	112,883	128,566	58,168	25,624	(11,512)	1.78	1.20
2020	240,436	120,498	119,938	56,782	26,476	(10,455)	1.65	1.20
2019	235,645	115,118	120,527	53,691	28,485	(11,525)	1.71	1.20
2018	241,177	112,698	128,479	42,216	27,303	(12,153)	2.24	1.20
2017	227,044	111,326	115,718	46,901	27,673	(12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20
2015	203,834	107,597	96,237	34,491	25,746	(9,046)	1.88	1.20
2014	199,234	108,177	91,057	42,081	31,889	(4,684)	1.31	1.20
2013	184,338	96,611	87,727	41,265	24,197	-	1.34	1.20

Note: Gross revenues include operating, non-operating, and miscellaneous revenue. Operating expenses exclude depreciation and non-capitalized major repairs. Interest, with accruals, less amortization of premium and/or discount with annual amortization displayed as of 2014.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 11 – LAST TEN FISCAL YEARS

FISCAL YEAR 2022 – 2013

Fiscal Year	Population Albuquerque MSA*	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2022	674,393	\$36,624,935	54.308	4.8%
2021	676,444	31,499,968	46.567	6.9%
2020	679,121	28,264,337	41.619	8.7%
2019	679,096	27,484,373	40.472	4.8%
2018	676,953	26,162,880	38.648	4.5%
2017	545,852	20,689,428	37.903	6.0%
2016	559,121	20,650,016	36.933	6.1%
2015	557,169	20,035,240	35.959	5.7%
2014	566,059	19,385,257	34.246	6.4%
2013	560,454	18,359,913	32.759	6.8%

Note: Population is based on the estimated population provided by the US Census Bureau V2021 (Bernalillo County).

Source: US Census Bureau, the University of New Mexico Bureau of Business and Economic Research (BBER).

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TOP TEN MAJOR EMPLOYERS

SCHEDULE 12 – CURRENT FISCAL YEAR AND NINE YEARS AGO

FISCAL YEAR 2022 AND 2013

Employer	2022			2013		
	Number of Employees	Rank	% of Albuquerque MSA* Employment	Number of Employees	Rank	% of Albuquerque MSA* Employment
Kirtland Air Force Base	20,300	1	5.40%	-	-	-
Sandia National Laboratories	14,500	2	3.86%	7,310	4	1.83%
Presbyterian Health System	11,178	3	2.97%	14,810	3	3.71%
Albuquerque Public Schools	10,297	4	2.74%	25,584	1	6.41%
University of New Mexico Hospital	6,772	5	1.80%	15,360	2	3.85%
City of Albuquerque	5,800	6	1.54%	5,960	5	1.49%
State of New Mexico	4,950	7	1.32%	5,500	6	1.38%
University of New Mexico	4,210	8	1.12%	4,950	7	1.24%
Lovelace Health System	3,589	9	0.95%	4,000	8	1.00%
Bernalillo County	2,494	10	0.66%	-	-	0.00%
Central NM Community College	-	-	-	3,500	9	0.88%
Intel Corporation	-	-	-	2,648	10	0.66%
Total	84,090		22.36%	89,622		22.45%
Total Employment:			375,846			398,867

Sources: New Mexico Partnership and listed employers

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FULL-TIME EQUIVALENT WATER AUTHORITY EMPLOYEES BY FUNCTION

SCHEDULE 13 – LAST TEN FISCAL YEARS

FISCAL YEAR 2022 - 2013

FUNCTION	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Administration:										
Water Authority	7.0	7.0	7.0	15.0	14.0	13.0	8.0	8.0	13.0	12.0
Legal/Risk	0.0	0.0	0.0	0.0	0.0	7.0	5.0	5.0	0.0	0.0
Risk	5.0	5.0	5.0	5.0	6.0	0.0	0.0	0.0	0.0	0.0
Legal	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Human Resources	15.0	15.0	15.0	15.0	14.0	13.0	13.0	13.0	13.0	13.0
Finance	42.0	40.0	39.0	29.5	30.5	31.5	31.5	28.5	27.0	23.0
Customer Service	49.0	51.0	52.0	91.0	91.0	90.0	92.0	80.0	80.0	74.0
Information Technology	38.0	37.0	34.0	27.0	26.0	26.0	25.0	27.0	25.0	25.0
Wastewater Treatment	91.0	91.0	91.0	91.0	92.0	92.0	99.0	99.0	99.0	109.0
San Juan-Chama Water Plant	34.0	34.0	34.0	33.0	30.0	28.0	56.0	56.0	57.0	24.0
Groundwater	53.0	54.0	53.0	53.0	54.0	55.0	26.0	27.0	28.0	68.0
Wastewater Collections	64.0	64.0	62.0	62.0	62.0	61.0	60.0	60.0	65.0	63.0
Water Field Operations	151.0	150.0	153.0	123.0	124.0	124.0	117.0	126.0	126.0	122.0
Compliance	44.0	43.5	44.5	44.5	44.5	45.5	46.0	46.0	44.0	44.0
Water Resources Management	0.0	0.0	0.0	0.0	0.0	0.0	40.0	41.0	35.0	36.0
Planning and Engineering	0.0	0.0	27.0	31.0	26.0	23.0	0.0	0.0	0.0	0.0
Central Engineering	24.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asset Management	5.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Planning & Util. Development	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Resources	14.0	13.0	12.0	12.0	11.0	16.0	0.0	0.0	0.0	0.0
CIP Funded	0.0	0.0	0.0	0.0	7.0	7.0	9.0	9.0	9.0	0.0
Total	640.0	637.5	634.5	633.0	633.0	632.0	627.5	625.5	621.0	613.0

Note: In 2017, Water Resources Management function separated; now the Planning and Engineering and Water Resources divisions. In 2018, the Legal/Risk functions were separated; now the Legal and Risk divisions. In 2019, CIP-Funded positions were moved to various operating divisions. In 2020, Fleet Maintenance was moved to Finance, the Asset Management division was created with staffing from various operating divisions, and Meter Operations moved from Customer Service to Water Field Operations. In 2021, Planning & Engineering function separated; now Central Engineering, Asset Management, and Planning & Utility Development.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2021 - 2017

FUNCTION	2021	2020	2019	2018	2017
Estimated Population (Service Area)	665,392	685,486	683,207	680,946	676,298
Number of Meters (Billed)	211,444	210,357	209,029	207,858	206,606
Estimated Persons Per Meter	3.15	3.26	3.27	3.28	3.27
Annual Pumpage (1,000 Gallons)	30,466,000	30,878,760	29,392,000	30,139,000	30,895,000
Annual Water Billed (1,000 Gallons)	27,967,068	28,431,768	27,073,469	27,696,655	28,357,626
Average Daily Pumpage (Gallons)	83,468,493	84,599,000	80,526,027	82,572,603	84,643,836
Peak Day Pumpage (Gallons)	142,984,000	141,450,000	147,000,000	147,000,000	150,600,000
Peak Day Consumption (Gallons)	137,644,000	140,223,000	145,000,000	143,000,000	147,300,000
Average Daily Production Per Meter (Gallons)	395	402	385	397	410
Well Pumping Capacity (Per 24-hour period)	176,000,000	176,000,000	176,000,000	176,000,000	176,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION (CONTINUED)

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2016 - 2012

FUNCTION	2016	2015	2014	2013	2012
Estimated Population (Service Area)	670,779	658,238	656,305	643,881	638,887
Number of Meters (Billed)	208,140	208,200	206,944	205,316	203,912
Estimated Persons Per Meter	3.22	3.16	3.17	3.14	3.13
Annual Pumpage (1,000 Gallons)	30,720,000	29,498,000	30,836,000	33,222,000	33,318,000
Annual Water Billed (1,000 Gallons)	28,250,591	27,195,260	28,075,612	28,113,371	30,044,094
Average Daily Pumpage (Gallons)	84,164,384	80,816,438	84,482,192	91,019,178	91,282,192
Peak Day Pumpage (Gallons)	159,000,000	146,000,000	144,000,000	157,000,000	175,000,000
Peak Day Consumption (Gallons)	141,000,000	148,000,000	150,000,000	148,000,000	164,000,000
Average Daily Production Per Meter (Gallons)	404	388	408	443	448
Well Pumping Capacity (Per 24-hour period)	178,000,000	184,000,000	183,000,000	187,000,000	196,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	253,000,000	249,000,000	249,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CAPITAL STATISTICS BY FUNCTION

SCHEDULE 15 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2021 - 2017

FUNCTION	2021	2020	2019	2018	2017
Fire Hydrants	16,204	16,076	15,948	15,853	15,731
Number of Miles of Lines:					
Water	2,799	2,783	2,767	2,756	2,739
Wastewater	1,932	1,926	1,920	1,914	1,908
San Juan-Chama	38	38	38	38	37

CALENDAR YEAR 2016 - 2012

FUNCTION	2016	2015	2014	2013	2012
Fire Hydrants	15,646	15,572	15,344	15,249	15,110
Number of Miles of Lines:					
Water	2,729	2,721	2,691	2,680	2,663
Wastewater	1,904	1,900	1,879	1,875	1,869
San Juan-Chama	37	37	37	37	37

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

SCHEDULE 16 – LAST TEN FISCAL YEARS (Data in Acre-Feet (Billion Gallons))

FISCAL YEAR 2022 - 2018

FUNCTION	2022	2021	2020	2019	2018	Average	Maximum
Groundwater Diversion	62,050.1	75,722.0	40,871.0	40,718.2	31,174.1	50,107.1	75,722.0
	(20.22)	(24.67)	(13.32)	(13.27)	(10.16)	(16.33)	(24.67)
System Wells Only	60,790.2	74,742.0	36,209.3	39,791.7	30,434.7	48,393.6	74,742.0
	(19.81)	(24.35)	(11.80)	(12.97)	(9.92)	(15.77)	(24.35)
Surface Water Diversion	31,756.9	20,584.2	59,657.7	51,088.5	66,371.0	45,891.7	66,371.0
	(10.35)	(6.71)	(19.44)	(16.65)	(21.63)	(14.95)	(21.63)
Recovered Surface Water from River	3.2	2.9	43.6	0.0	0.0	N/A	43.6
	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	N/A	(0.01)
Total System Water Diversion	92,547.1	95,329.1	103,716.0	90,880.2	96,805.7	95,855.6	103,716.0
	(30.16)	(31.06)	(33.80)	(29.61)	(31.54)	(31.23)	(33.80)
Groundwater Use	62,050.1	74,742.0	39,417.40	39,791.7	30,434.7	49,287.2	74,742.0
	(20.22)	(24.35)	(12.84)	(12.97)	(9.92)	(16.06)	(24.35)
Surface Water Use	32,673.6	20,587.1	64,298.6	51,088.5	66,370.0	47,003.6	66,370.0
	(10.65)	(6.71)	(20.95)	(16.65)	(21.63)	(15.32)	(21.63)
Percent Groundwater Use	65.5%	78.4%	38.0%	43.8%	31.4%	51.2%	78.4%
Percent Surface Water Use	34.5%	21.6%	62.0%	56.2%	68.6%	48.8%	68.6%
GPCD*	128.0	128.0	128.0	121.0	125.0	126.0	128.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2019		17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2

Note – *GPCD is calculated by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA (CONTINUED)

SCHEDULE 16 – LAST TEN FISCAL YEARS (Data in Acre-Feet (Billion Gallons))

FISCAL YEAR 2017 - 2013

FUNCTION	2017	2016	2015	2014	2013	Average	Maximum
Groundwater Diversion	34,746.7 (11.32)	34,842.0 (11.35)	40,497.3 (13.20)	53,198.7 (17.33)	55,723.5 (18.16)	43,801.6 (14.27)	55,723.5 (18.16)
System Wells Only	34,040.3 (11.09)	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	54,189.8 (17.66)	42,728.8 (13.92)	54,189.8 (17.66)
Surface Water Diversion	62,716.3 (20.44)	59,481.5 (19.38)	54,033.9 (17.61)	42,660.6 (13.90)	49,732.2 (16.21)	53,724.9 (17.51)	62,716.3 (20.44)
Recovered Surface Water from River	0.0 (0.00)	1,077.2 (0.35)	- -	- -	- -	N/A -	N/A -
Total System Water Diversion	96,756.6 (31.53)	94,753.4 (30.88)	93,411.0 (30.44)	94,502.9 (30.79)	103,922.0 (33.86)	96,669.2 (31.50)	103,922.0 (33.86)
Groundwater Use	34,040.3 (11.09)	34,194.7 (11.14)	39,377.1 (12.83)	51,842.3 (16.89)	54,189.8 (17.66)	42,728.8 (13.92)	54,189.8 (17.66)
Surface Water Use	62,716.3 (20.44)	60,558.8 (19.73)	54,033.9 (17.61)	42,660.6 (13.90)	49,732.2 (16.21)	53,940.4 (17.58)	62,716.3 (20.44)
Percent Groundwater Use	35.2%	36.1%	42.2%	54.9%	52.1%	44.2%	54.9%
Percent Surface Water Use	64.8%	63.9%	57.8%	45.1%	47.9%	55.8%	64.8%
GPCD*	128.0	129.0	127.0	134.0	136.0	130.8	136.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan- Chama	Total
As of December 31, 2014		17,875.0	4,916.7	8,397.1	26,272.1	48,200.0	74,472.1

Note – *GPCD is calculated by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2022 - 2018

RATIO TYPE	2022	2021	2020	2019	2018
Operating Ratio Calculation:					
Operating Revenues	\$224,195	\$225,663	\$225,609	\$219,984	\$226,396
/Operating Expenses	220,635	221,095	225,733	213,186	203,113
(1) Operating Ratio:	1.0	1.0	1.0	1.0	1.1

Operating Revenues	224,195	225,663	225,609	219,984	226,396
/Operating Expenses (excl. Depr./Amort.)	134,046	134,434	140,220	128,866	120,482
(1) Operating Ratio, excl. Depr./Amort.:	1.7	1.7	1.6	1.7	1.9

Days Cash on Hand Calculation:					
Unrestricted Cash	179,465	154,904	159,849	172,815	148,814
/Operating Expense (excl. Depr./Amort.)	367	368	384	353	330
(2) Days Cash on Hand:	488.7	420.5	416.1	489.5	450.8

Days of Working Capital Calculation:					
Current Unrestricted Assets	212,563	178,580	182,178	193,538	169,525
Less: Current Liabilities	(109,650)	(93,757)	(107,680)	(96,912)	(88,883)
/Operating Expenses (excl. Depr./Amort.)	367	368	384	353	330
(3) Days of Working Capital:	280.2	230.5	194.0	273.7	244.3

Quick Ratio Calculation:					
Unrestricted Cash	179,465	154,904	159,849	172,815	148,814
+ Receivables, net	33,098	23,677	22,328	20,724	20,711
/Current Liabilities	109,650	93,757	107,680	96,912	88,883
(4) Quick Ratio:	1.9	1.9	1.7	2.0	1.9

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS (CONTINUED)

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2017 - 2013

RATIO TYPE	2017	2016	2015	2014	2013
Operating Ratio Calculation:					
Operating Revenues	\$215,194	\$210,057	\$192,312	\$182,350	\$179,678
/Operating Expenses	198,770	191,540	197,155	198,721	195,437
(1) Operating Ratio:	1.1	1.1	1.0	0.9	0.9

Operating Revenues	215,194	210,057	192,312	182,350	179,678
/Operating Expenses (excl. Depr.)	117,122	111,183	114,060	113,933	108,349
(1) Operating Ratio, excl. Depreciation:	1.8	1.9	1.7	1.6	1.7

Days Cash on Hand Calculation:					
Unrestricted Cash	125,990	101,196	68,886	60,636	38,582
/Operating Expense (excl. Depr.)	321	305	295	297	297
(2) Days Cash on Hand:	392.6	332.2	233.6	205.2	130.0

Days of Working Capital Calculation:					
Current Unrestricted Assets	146,372	121,366	85,288	78,784	57,201
Less: Current Liabilities	(78,147)	(81,583)	(74,295)	(66,823)	(67,802)
/Operating Expenses (excl. Depr.)	321	305	295	297	297
(3) Days of Working Capital:	212.6	130.6	37.3	40.3	(35.7)

Quick Ratio Calculation:					
Unrestricted Cash	125,990	101,196	68,886	60,836	38,582
+ Receivables, net	20,380	20,170	16,401	17,948	18,603
/Current Liabilities	78,147	81,583	74,295	66,823	67,802
(4) Quick Ratio:	1.9	1.5	1.1	1.2	0.8

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS (CONTINUED)

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2022 - 2013

Notes for Financial Benchmarks:

1. Operating Ratio measures self-sufficiency; to keep operations running. Fiscal Year 2014 – 2017 operating expenses exclude non-capitalized major repairs and bad debt expense.
2. Days Cash on Hand is a measure of the ability of the Water Authority to withstand a significant temporary reduction in revenue to continue paying for daily operations.
3. Working Capital is a measure of the Water Authority's liquidity, efficiency, and overall health.
4. Current Ratio is a measure of short-term liability or the ability to pay current bills. National Benchmark: >1.0:>2.0 is preferred

Source: Water Authority Financial/Business Services Division

OTHER SUPPLEMENTARY INFORMATION SECTION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
REVENUES:				
OPERATING:				
Water service	\$90,578,000	\$90,578,000	\$103,697,450	\$13,119,450
Water facilities rehab	32,402,000	32,402,000	37,514,951	5,112,951
Wastewater service	64,869,000	64,869,000	42,286,214	(22,582,786)
Wastewater facilities rehab	27,602,000	27,602,000	34,558,088	6,956,088
Water resources management	4,500,000	4,500,000	4,261,168	(238,832)
COA administrative fees	2,134,395	2,134,395	2,134,395	-
Investment income	500,000	500,000	163,025	(336,975)
Miscellaneous revenue	16,745,000	16,745,000	1,120,481	(15,624,519)
San Juan Chama Project Contractors Association	-	169,695	164,344	(5,351)
CAPITAL:				
Transfer from operating	36,618,000	36,618,000	36,618,000	-
Transfer from debt service	4,000,000	4,000,000	4,000,000	-
Loan proceeds	-	1,570,827	2,541,415	970,588
Bond proceeds	-	86,698,548	86,698,548	-
Federal grants	-	53,816,573	467,702	(53,348,871)
State grants	-	9,794,944	2,157,549	(7,637,395)
Lease of water rights	-	500,000	200,177	(299,823)
Water resource charge	435,000	435,000	1,873,759	1,438,759
Interest income	-	-	22,118	22,118
Miscellaneous revenue	-	46,500,000	12,321,850	(34,178,150)
DEBT SERVICE:				
Utility Expansion Charges	8,000,000	8,000,000	8,421,390	421,390
Interest income	-	-	433,917	433,917
Transfer from operating	77,815,000	77,815,000	77,815,000	-
TOTAL REVENUES	\$366,198,395	\$565,248,982	\$459,471,541	(\$105,777,441)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
EXPENSES:				
OPERATING:				
Administration	\$1,797,000	\$1,797,000	\$1,584,157	\$212,843
Risk	5,643,000	5,643,000	5,680,363	(37,363)
Legal	799,000	799,000	871,915	(72,915)
Human resources	1,778,000	1,778,000	1,690,837	87,163
Finance	4,184,000	4,184,000	4,494,873	(310,873)
Fleet & facility maintenance	3,800,000	3,861,285	4,998,071	(1,136,786)
Customer service	5,226,000	5,226,000	4,816,872	409,128
Information technology	8,728,000	8,728,000	9,866,218	(1,138,218)
Wastewater plant	11,869,000	11,869,000	11,373,374	495,626
SJC water treatment plant	4,570,000	4,570,000	4,064,457	505,543
Groundwater operations	6,883,000	6,825,074	6,516,720	308,354
Wastewater collection	7,571,000	7,571,000	7,422,853	148,147
Water field operations	20,729,000	20,725,641	18,427,539	2,298,102
Compliance	5,682,000	5,682,000	5,127,229	554,771
Planning and engineering	3,844,000	3,878,302	3,801,386	76,916
Asset management	601,000	601,000	590,913	10,087
Water resources	4,643,000	4,608,698	3,511,476	1,097,222
General government*	23,803,000	23,803,000	24,986,229	(1,183,229)
San Juan-Chama	2,747,000	2,747,000	2,545,722	201,278
San Juan Chama Project Contractors Association	-	169,695	148,502	21,193
Transfer to debt service	77,815,000	77,815,000	77,815,000	-
Transfer to capital	36,618,000	36,618,000	36,618,000	-
CAPITAL:				
Capital expense	80,393,000	230,617,207	73,481,454	157,135,753
Transfer to other funds	-	-	-	-
DEBT SERVICE:				
Debt service	81,754,000	81,754,000	82,041,762	(287,762)
Transfer to capital	4,000,000	4,000,000	4,000,000	-
TOTAL EXPENSES	\$405,477,000	\$555,870,902	\$396,475,922	\$159,394,980

* General government expenses include power and chemicals, taxes, and overhead.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
NET EFFECT:				
Revenues over (under) expenses	(\$39,278,605)	\$9,378,080	\$62,995,619	\$53,617,539

Revenues (expenses) not budgeted:	
Depreciation	(86,136,347)
Amortization on premium and discounts	7,415,453
Gain (loss) on capital assets	(93,755)
Non-budgeted miscellaneous expenses	3,582,552
Miscellaneous revenues	(9,397)
Net expenses over revenues not budgeted	(75,241,494)

Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	57,319,441
Principal payments on water rights contract	1,319,619
Expenses recorded in capital general ledger funds	55,628,829
Bond proceeds	(86,698,548)
Loan proceeds	(2,541,415)
Unrealized gain (loss) in fair value of investments	-
Capital contributions	6,322,521
Net changes to conform to generally accepted accounting principles	\$31,350,447

Change in net position	\$19,104,572
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF DEPOSITS AND INVESTMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

BY FINANCIAL INSTITUTION

Account Name	Type of Account	Bank Balance	Outstanding	Book Balance
Bank of Albuquerque:				
Lockbox	Checking – Non-interest bearing	\$45,762,091	-	\$45,762,091
Wells Fargo Bank:				
General Fund	Checking – Non-interest bearing	100,131,990	(1,206,248)	98,925,742
SAF Reserve	Savings	1,486,000	-	1,486,000
Money Market Reserve	Savings	9,500,000	-	9,500,000
Flex Spending	Checking – Non-interest bearing	266,668	-	266,668
Rio Grande Credit Union:				
Money Market	Savings	249,578	-	249,578
NM State Treasurer's Office				
LGIP	Investments	22,387	-	22,387
US Bank:				
Treasury Money Market	Investments	76,067,530	-	76,067,530
Cash on hand		-	-	3,000
Total Deposits		\$233,486,244	(\$1,206,248)	\$232,282,996

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FN MA3864	31418DJJ2	\$641,784	12/01/2034	2.500%
FN MA3864	31418DJJ2	641,784	12/01/2034	2.500%
FN MA3864	31418DJJ2	962,676	12/01/2034	2.500%
FN MA3864	31418DJJ2	11,231,220	12/01/2034	2.500%
FN MA3864	31418DJJ2	1,283,567	12/01/2034	2.500%
FN MA3864	31418DJJ2	1,283,567	12/01/2034	2.500%
FR SB8100	3132D57M8	1,903,545	03/01/2036	1.000%
FR SB8100	3132D57M8	3,807,091	03/01/2036	1.000%
FHMS K055 A1	3137BPVZ9	448,322	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	448,322	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	448,322	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	1,344,965	04/24/2025	2.263%
FHMS KG05 A1	3137FFXK8	5,376,493	02/25/2026	1.234%
FHMS KJ35 A1	3137H3F23	3,673,165	10/25/2026	0.807%
FN BS1997	3140LCGF2	1,776,706	06/01/2028	1.340%
FN BS1997	3140LCGF2	444,176	06/01/2028	1.340%
FN BS1997	3140LCGF2	5,941,304	06/01/2028	1.340%
FNR 2016-2 PB	3136AREU8	2,711,994	02/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	254,219	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,016,878	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,162,114	06/25/2046	2.000%
FNR 2016-37 BE	3136ASQA7	1,398,207	06/25/2046	2.000%
FNR 2009-06 LC	31397M5D5	1,675,994	07/25/2038	3.998%
Location of collateral: Bank of Oklahoma – Oklahoma City, OK				

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL (CONTINUED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2022

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Wells Fargo Bank, N.A.:				
FMAC FEPC	31329KUK8	\$2,929,789	07/01/2035	3.000%
FMAC FEPC	3132DMG41	5,888,628	01/01/2050	3.000%
FMAC FEPC	3133B2YB9	7,380,032	01/01/2052	2.500%
FMAC FEPC	3133KHLN4	5,582,045	02/01/2050	3.000%
FMAC FEPC	3133KNYN7	1,561,514	03/01/2052	3.000%
FNMA FNMS	3138W5GZ5	9,731,268	07/01/2043	3.500%
FNMA FNMS	3138WGXA7	2,096,529	04/01/2036	3.000%
FNMA FNMS	3140FE2L7	1,904,746	03/01/2047	3.500%
FNMA FNMS	3140M8KN8	6,612,821	12/01/2051	2.500%
FNMA FNMS	31417DSC8	333,711	10/01/2042	3.000%
FNMA FNMS	31418DGL0	11,967,305	10/01/2049	3.000%
GNMA G2SF	36179SQV2	34,432,931	10/20/2046	3.000%
GNMA G2SF	36179UGD8	24,055,454	11/20/2048	4.500%
GNMA G2SF	3617MP3V8	19,999,921	06/20/2050	3.000%
GNMA G2SF	3617NYZ35	19,999,996	10/20/2050	3.500%
GNMA G2SF	3617UCHA9	160,133	01/20/2051	2.000%
GNMA G2SF	3617XNBH3	7,000,000	02/20/2052	2.500%
GNMA G2SP	3622ABQ62	565,077	03/20/2052	3.000%
Location of collateral: Bank of New York Mellon – New York, NY				
Total Collateral of Cash Deposits		\$212,078,316		

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number and Pass- Through Entity's Identifying Numbers	Total Federal Expenditures
U.S. Department of Environmental Protection Agency <i>Passed-Through New Mexico Finance Authority (NMFA)</i>		
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-5028	\$81,470
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4877	<u>1,990,480</u>
Total U.S. Department of Environmental Protection Agency		<u>\$2,071,950</u>
U.S. Department of Treasury <i>Passed-Through Bernalillo County</i>		
Coronavirus State and Local Recovery Funds (CSLFRF), COVID-19	21.027 I10-0505-KAFBIR	141
Coronavirus State and Local Recovery Funds (CSLFRF), COVID-19	21.027 I07-0502-MDCWSI	34,262
Coronavirus State and Local Recovery Funds (CSLFRF), COVID-19	21.027 I09-0511-SVD8_9	<u>3,225</u>
Total U.S. Department of Treasury		<u>\$37,628</u>
Total Expenditures of Federal Awards		<u><u>\$2,109,578</u></u>

The accompanying notes are an integral part of this schedule.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1 – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Water Authority under programs of the federal government for the year ended June 30, 2022. The information in the schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Water Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Water Authority.

Note 2 – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Water Authority did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantors.

The federal granting agency is responsible for providing the Water Authority with the Assistance Listing Number (ALN) for each grant or contract. In cases where the federal granting agency did not provide the ALN to the Water Authority, other identifying numbers are presented on the Schedule. For pass-through awards, the pass-through granting agency is responsible for providing the Water Authority with the pass-through grantor numbers.



Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Directors of the
Albuquerque Bernalillo County Water Utility Authority
and
Mr. Brian Colón, Esq.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and the budgetary comparison schedule of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
November 30, 2022



**Independent Auditor's Report on Compliance for the Major
Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

The Board of Directors of the
Albuquerque Bernalillo County Water Utility Authority
and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Albuquerque Bernalillo County Water Utility Authority's (the "Water Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Water Authority's major federal program for the year ended June 30, 2022. The Water Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Water Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Water Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Water Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Water Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Water Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Water Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ Obtain an understanding of the Water Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
November 30, 2022

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ yes ☒ no☐ yes ☒ none reportedNoncompliance material to financial
statements noted?☐ yes ☒ noOther deficiencies identified that are not
significant deficiencies or
material weaknesses?☐ yes ☒ no

Federal Awards

Internal control over the major program:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

☐ yes ☒ no☐ yes ☒ none reportedType of auditor’s report issued on compliance
for major program:

Unmodified

Any audit findings, disclosed that are required
to be reported in accordance
with 2 CFR 200.516(a)?☐ yes ☒ no

Identification of major program

Assistant Listing Number

66.468

Name of Federal ProgramCapitalization Grants for Drinking
Water State Revolving FundsDollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

None.



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PRIOR YEAR AUDIT FINDINGS

Other Findings as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2021-001 Public Money Act (Other Noncompliance)

Condition: Based on testwork over daily deposits, it was determined that the Water Authority did not deposit cash receipts before the close of the next succeeding business day for two out of the twenty-five deposits tested in the amount of \$34,835.

Current Status: Resolved.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

EXIT CONFERENCE

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

The Annual Comprehensive Financial Report has been prepared by the Financial/Business Services Division of the Water Authority from its books and records.

A virtual exit conference was held on Wednesday, November 30, 2022, with the Water Authority with the following present:

On behalf of the Water Authority:

Klarissa Peña, Chair

Debbie O'Malley, Vice Chair

Mark S. Sanchez, Executive Director

Stan Allred, Chief Financial Officer/Chief Operations Officer

Susan J. Lander, Controller

On behalf of SJT GROUP LLC:

Joshua Trujillo, CPA Principal

Brett Bauer, CPA Audit Manager