



Albuquerque Bernalillo County  
Water Utility Authority

**ANNUAL INFORMATION STATEMENT**

**DATED MARCH 27, 2019**

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

# **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

## **WATER AUTHORITY BOARD**

Commissioner Debbie O'Malley, Chair  
Councilor Klarissa J. Peña, Vice-Chair  
Mayor Timothy M. Keller  
Councilor Trudy E. Jones  
Councilor Ken Sanchez  
Commissioner Steven Michael Quezada  
Commissioner Maggie Hart Stebbins  
Trustee Pablo R. Rael (ex-officio member)

## **WATER AUTHORITY ADMINISTRATION**

Mark Sanchez, Executive Director  
John Stomp, P.E., Chief Operating Officer  
Stan Allred, Chief Financial Officer  
Hobert "H" Warren, Field Operations Manager  
Charles S. Leder, P.E., Plant Operations Manager  
David J. Price, P.E., Engineering and Planning Manager  
Cody R. Stinson, Chief Information Officer  
Peter Auh, Esq., General Counsel  
David Morris, Public Affairs Manager  
Frank Roth, Senior Policy Manager  
Judy Bentley, Human Resources Manager  
Mark Kelly, P.E., Compliance Manager  
Katherine Yuhas, Water Resources Manager

## **BOND AND DISCLOSURE COUNSEL**

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## **FINANCIAL ADVISOR**

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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 includes three Bernalillo County Commissioners, three 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 governing board are as follows: Commissioner Debbie O’Malley, Chair; Councilor Klarissa J. Peña, Vice-Chair; Mayor Timothy M. Keller; Councilor Ken Sanchez; Commissioner Steven Michael Quezada; Councilor Trudy E. Jones; Commissioner Maggie Hart Stebbins and Trustee Pablo R. Rael, Ex-Officio (non-voting). The Executive Director of the Water Authority is Mark Sanchez. 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 Water Authority has a minimal relationship with the City under the current Memorandum of Understanding, dated July 1, 2013, by and between the Water Authority and the City, which expired on June 30, 2018 but has been extended to June 30, 2019 by mutual agreement of the parties. In addition to the Water Authority’s rental of space and computer equipment from the City, the Water Authority employees may participate in certain City employment benefits such as medical, dental, vision, and life insurance. Other than these limited connections, and the representation of such entities on the Water Authority’s governing Board, as described above, the Water Authority operates independently of the City and County.

Actions of the Water Authority’s governing board taken after January 1, 2019, including information relating to bonds, notes or other obligations of the Water Authority issued or incurred after that date, are not included in the Annual Statement unless otherwise indicated. Other information contained in the Annual Statement is current as of January 1, 2019, unless specifically stated otherwise in the Annual Statement. The information in the Annual Statement is subject to change without notice and the delivery of the Annual 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 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 the Annual Statement has been provided by the Water Authority from its records, except for information expressly attributed to other sources believed to be reliable.

## OUTSTANDING OBLIGATIONS

### Outstanding System Obligations

The obligations generally described below and certain terms of such obligations are summarized in the Water Authority's Comprehensive Annual Financial Report for the year ended June 30, 2018.

The following outstanding special limited obligations are secured on a parity basis by Net Revenues of the System ("Senior Obligations"):

### Outstanding Senior Obligations as of January 1, 2019

<u>System Issue</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
Revenue Bonds, Series 2009A-1	\$135,990,000	\$8,395,000
NMFA – Drinking Water State Revolving Fund Loan Agreement (2009)	1,010,000	672,397
NMFA – Public Project Revolving Fund Loan Agreement (2011)	53,400,000	32,120,000
Revenue Bonds, Series 2013A-B	118,215,000	74,685,000
Revenue Bonds, Series 2014A	97,270,000	79,995,000
Revenue Bonds, Series 2015	211,940,000	196,710,000
Revenue Bonds, Series 2017	87,970,000	84,090,000
NMFA – Drinking Water State Revolving Fund Loan Agreement (2018-1)	1,010,000	505,000
NMFA – Drinking Water State Revolving Fund Loan Agreement (2018-2)	1,000,000	250,000
Revenue Bonds, Series 2018	75,085,000	<u>75,085,000</u>
Total Senior Obligations		<u>\$552,507,397</u>

Obligations payable on a subordinate basis from Net Revenues, as of January 1, 2019, are as follows (“Subordinate Obligations”):

**Outstanding Subordinate Obligations  
as of January 1, 2019**

<u>Obligation</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
NMFA - Drinking Water State Revolving Fund Loan Agreement (2008)	\$9,627,877	\$6,886,017
Revenue Bonds, Series 2014B	87,005,000	<u>58,865,000</u>
Total Subordinate Obligations		<u>\$65,751,017</u>

The Water Authority currently has no Super Subordinate Obligations outstanding payable from Net Revenues with a lien on the Net Revenues subordinated to the Senior Obligations and 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.

*Combined Debt Service and Coverage Ratios*

The following schedule shows, for each calendar year, the total combined debt service requirements payable for the outstanding System obligations.

**Total Combined Debt Service  
Outstanding Water/Wastewater Obligations  
January 1, 2019**

Fiscal Year	Senior Lien Debt Service	Subordinate Lien Debt Service	Total Current Debt Service	Pledged Revenue	Senior Coverage	Senior and Subordinate Coverage
2019	\$72,023,087	\$11,669,460	\$83,692,547	\$128,124,948	1.78x	1.53x
2020	72,734,075	11,397,037	84,131,112	128,124,948	1.76x	1.52x
2021	73,166,815	11,005,031	84,171,846	128,124,948	1.75x	1.52x
2022	66,839,565	10,793,287	77,632,852	128,124,948	1.92x	1.65x
2023	67,189,651	10,441,563	77,631,214	128,124,948	1.91x	1.65x
2024	62,125,402	10,079,542	72,204,943	128,124,948	2.06x	1.77x
2025	56,882,902	9,717,906	66,600,808	128,124,948	2.25x	1.92x
2026	51,692,403	651,185	52,343,588	128,124,948	2.48x	2.45x
2027	41,023,455	651,215	41,674,670	128,124,948	3.12x	3.07x
2028	32,876,150	651,245	33,527,395	128,124,948	3.90x	3.82x
2029	32,885,388	651,256	33,536,644	128,124,948	3.90x	3.82x
2030	25,994,047	<u>651,308</u>	26,645,355	128,124,948	4.93x	4.81x
2031	16,956,070	-	16,956,070	128,124,948	7.56x	7.56x
2032	16,898,453	-	16,898,453	128,124,948	7.58x	7.58x
2033	16,893,202	-	16,893,202	128,124,948	7.58x	7.58x
2034	8,528,377	-	8,528,377	128,124,948	15.02x	15.02x
2035	2,471,340	-	2,471,340	128,124,948	51.84x	51.84x
2036	2,467,528	-	2,467,528	128,124,948	51.92x	51.92x
2037	1,394,214	-	1,394,214	128,124,948	91.90x	91.90x
2038	1,392,965	-	1,392,965	128,124,948	91.98x	91.98x
2039	43,715	-	43,715	128,124,948	2,930.90x	2,930.90x
2040	43,716	-	43,716	128,124,948	2,930.88x	2,930.88x
<b>Total</b>	<b><u>\$727,522,521</u></b>	<b><u>\$78,360,034</u></b>	<b><u>\$805,882,555</u></b>			

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 2018 were \$128,124,948. The maximum fiscal year combined debt service requirements for Senior Obligations payable from Net Revenues of the System are \$73,166,815 (occurring in fiscal year-end July 1, 2021), resulting in a coverage ratio of 1.75x. The coverage ratio of Fiscal Year 2018 System Net Revenues of \$128,124,948 to combined debt service requirements of all System obligations of \$84,171,846 (occurring in year-end July 1, 2021), is 1.52x.

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 Water

Authority 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.

### *Current Ratings of the Senior Obligations*

The outstanding Senior Obligations are currently rated “AAA” 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.

## **JOINT WATER AND WASTEWATER SYSTEM OF THE WATER AUTHORITY**

### **Water System**

The System provides water services to approximately 680,946 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are water customers of the Water System. As of January 1, 2019, service is provided to approximately 207,966 customer accounts, including 183,438 residential and 24,528 multi-family, commercial, institutional and industrial accounts. Approximately 70% of the water sales are for residential uses.

Surface water from the San Juan-Chama 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 non-potable water systems to provide irrigation and industrial water in the service area. In calendar year 2018, the Water Authority’s water resources use consisted of 45.34% from groundwater and 53.05% from San Juan-Chama surface water and 1.61% from reuse of treated effluent 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 10 parts per billion arsenic) results in available production capacity of 176 MGD. Maximum historical peak day demand is 214 MGD. Peak day demand for 2018 was 144 MGD. The Water Authority also has four 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 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. Sixty-one (61) reservoirs are located throughout the service area, with a total reservoir storage capacity of 245 million 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 128 boosters, with a total capacity of 748 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,130 miles of pipelines 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 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 City'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 in the Corrales trunk with a maximum diversion limit of 10,000 acre-feet per year.

The average annual groundwater withdrawal for the five years ending in Calendar Year 2018 was 37,093.1 acre-feet with a maximum occurring in Calendar Year 2018. 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 155,000 acre-feet of San Juan-Chama water (as of August 2018) from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu and Heron 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 2018 were 48,400.1 acre-feet with an average of 58,413.2 acre-feet over the last five 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 680,946, and the current usage was approximately 125 GPCD (during Calendar Year 2018), 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 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 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, eighteen 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 40 feet and it is predicted to continue to rise for the next ten years. 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 ("WRMS") as the City's water supply plan. The WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The 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 WRMS (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 reclamation and reuse projects) is \$425.2 million.

In 2007, the Water Authority adopted a new WRMS as its water supply plan. The new 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 WRMS outlines thirteen policies including continued support for the San Juan-Chama Drinking Water Project and the remaining reuse and reclamation projects.

The four 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 water reclamation and reuse projects identified in the 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 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 about 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 projects as called for in the original 1997 and updated 2007 WRMS to provide a safe and sustainable water supply to 2060 (which is as far as the 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. To date, the Water Authority has saved more than 1,200,000 acre-feet of groundwater.

In September 2016, following the past successful water planning work in 1997 and 2007, the Water Authority 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 thirteen policies and more than sixty 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 and additional water conservation. 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.

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 and has since stored 1,578 acre-feet of water in the aquifer. In November 2014, the Water Authority received the full-scale permit for the Bear Canyon ASR Project and began regular operations. In 2015, the Water Authority recovered 1,357 acre-feet from the Bear Canyon storage account. The Water Authority received a demonstration permit from the New Mexico Office of the State Engineer for the large scale ASR project capable of injecting about 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 preliminary testing of the wells is underway. Additional ASR projects are called for in the new 100 year plan that would include both infiltration and direct injection.

### *South Valley Expansion Projects*

Construction of the South Valley Water System Expansion 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 I, 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 are under construction with an estimated cost of \$8.5 million with the Water Authority's share at \$7.5 million. Phases 3 and 4, consisting of a reservoir, transmission line and a water booster station are underway, with the Water Authority committed to providing \$8.4 million. The Water Authority and County are partnering to complete Phase VII of the water line project in the Los Padillas area. 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 which is scheduled to continue throughout the remainder of 2019. The Water Authority appropriated an additional \$2.575 million for the next phase of the Los Padillas area which should complete Phase VII.

### *New Arsenic Standard Applicable to Water Supply*

The United States Environmental Protection Agency ("EPA") promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. When EPA adopted the new 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 projects were instituted to comply with the new arsenic standard. The first and most important is the San Juan-Chama Drinking Water Project. The surface water has less arsenic than the groundwater and the treatment process at the new water treatment plant removes arsenic. The second project is the College Arsenic Treatment Plant, which was once the largest microfiltration arsenic treatment facility in the United States. The Gonzales to College Well Collector Line project conveys high arsenic well water to the College Arsenic Treatment Plant.

Since 2009, 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.

### *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 GCPD 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 new 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 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 years. A new program was established to accomplish the goal following significant public input and meetings with the Water Authority Board. The new elements consist of increased public education, “test your toilet month,” new rebate programs, and revisions to the xeriscape program. In 2018, usage was reduced to 125 GPD. 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.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing effort, 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 their 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 separate 5% rate increases in Fiscal Years 2012, 2014, 2015, 2016 and 2018 to help address the lost System revenues due to conservation. 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 Project water. In 2018, the GPPAP was again updated to identify all known threats to both groundwater and surface water resources and was renamed the Rivers and Aquifers Protection Plan (RAPP). 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.

The WPAB works with local, State and federal agencies to monitor the progress of mitigation of current contamination sites and is continuing to develop policies to prevent future contamination. The current contamination cleanups are primarily in the South Valley and Northwest Mesa of the County. The Water Authority has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the Water Authority has assisted in a \$120 million program to eradicate 8,000 septic tanks in the North and South Valleys, and at the end of Calendar Year 2018 over 6,000 septic tanks have been eliminated.

### *Kirtland Air Force Base Fuel Spill*

In 1999, the United States Air Force discovered an underground fuel spill around its bulk fuel storage facility at Kirtland Air Force Base in the Southeast portion of the City. The Air Force, in conjunction with the New Mexico Environment Department and the City, immediately began to investigate the scope of the spill and necessary remediation steps. The Air Force installed a soil vapor remediation system which began extracting fuel vapor from the soil in 2003 and began utilizing a groundwater treatment system in 2015 which utilizes three extraction wells located inside the contamination plume. The Air Force conducts quarterly groundwater monitoring of 138 monitoring wells and semi-annual monitoring of 284 soil vapor monitoring points. The Water Authority's groundwater supply remains safe and has not experienced contamination. In July 2017, the Air Force completed a Risk Assessment Report which analyzed the potential for adverse impacts on human health or the environment as a result of the contamination. The risk assessment found no adverse health or ecological affects from the contamination based upon current land use. The Air Force, New Mexico Environment Department and the Water Authority continue to work collectively to identify the most effective remediation steps to protect the area's groundwater and develop contingency plans should the fuel spill threaten the Water Authority's groundwater supply. 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 spill. For additional information concerning the Air Force fuel spill, please see [www.kirtlandjetfuelremediation.com](http://www.kirtlandjetfuelremediation.com).

### *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 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.

### *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% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During Calendar Years

2014-2018, the Water System supplied the following volumes to customers within the service area including contributions from both surface water and groundwater supplies:

**USAGE<sup>(1)</sup>  
2014-2018**

<u>Calendar Year</u>	<u>Gallons Produced (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2014	30,836,000	28,075,612	91.05%
2015	29,498,000	27,195,260	92.19%
2016	30,720,000	28,250,591	91.96%
2017	30,895,000	28,357,626	91.79%
2018	30,142,000	27,696,655	91.89%

<sup>(1)</sup> There is a difference between gallons pumped 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 as part of the Southside Water Reuse Project.

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten water customers of the System are:

**WATER SYSTEM TOP TEN CUSTOMERS<sup>(1)</sup>  
Fiscal Year 2018**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total FY 2018 Revenue</u>	<u>% of Total FY 2018 Revenue</u>
City of Albuquerque	3,052,168	\$9,618,383	6.49%
Albuquerque Public Schools	708,280	3,084,491	2.08%
University of New Mexico	295,974	1,295,716	0.87%
Bernalillo County	216,552	781,341	0.53%
Kirtland Air Force Base	162,237	724,977	0.49%
Water Authority	71,141	308,390	0.21%
Central NM Community College	64,435	286,707	0.19%
Lovelace Health Systems	85,521	275,650	0.19%
Sumitomo	111,329	272,383	0.18%
Albuquerque Academy	<u>102,533</u>	<u>254,689</u>	<u>0.17%</u>
<b>Total</b>	<b><u>4,870,170</u></b>	<b><u>\$16,902,727</u></b>	<b><u>11.40%</u></b>
<b>Total Revenue for Water System</b>		<b><u>\$148,315,450</u></b>	

<sup>(1)</sup> Includes non-potable water customers.  
Source: Albuquerque Bernalillo County Water Utility 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 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 51.3 MGD over the past five years, but these figures do not reflect the amount of non-potable water being reused for irrigation and industrial use at the Southside Water

Reclamation Plant. 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. The Water Authority's wastewater effluent discharge consistently meets all NPDES permit requirements. In February 2017, the Water Authority submitted a NPDES permit renewal application. In February 2018, EPA issued a Proposed NPDES Permit and the Water Authority provided comments to EPA on June 25, 2018. To date, the Water Authority has not received a new 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 additional AOs for an overflow which occurred on February 27, 2015 as a result of a major power failure. The first 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 EPA. The second AO includes adoption of the Corrective Action Plan items that were scheduled to be completed within the next five years. All projects in the second AO have been completed and a project completion report was submitted to EPA in June 2018.

Since January 2003, the 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 one mega-watt solar energy plant that began service in December 2012. These on-site power generating facilities normally supply 100% of the 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 Southside Water Reclamation Plant currently generates electricity from the bio-gas produced in the digesters. This is no cost gas that qualifies the electricity generated for Renewable Energy Certificates ("REC"). These certificates have a value to other electrical energy producers and the Water Authority continues to research how to sell its RECs to increase revenue.

The Water Authority currently manages wastewater sludge using two 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 2018, 42% 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 2014-2018:

**TREATED WASTEWATER  
2014-2018**

<u>Calendar Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2014	18,214,780	194,360
2015	18,122,990	193,922
2016	18,250,000	195,140
2017	18,597,000	196,921
2018	19,183,906	198,545

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten wastewater customers of the System are:

**WASTEWATER SYSTEM TOP TEN CUSTOMERS  
Fiscal Year 2018**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected FY 2018 Revenue</u>	<u>% of Total FY 18 Revenue</u>
Kirtland Air Force Base	745,216	\$1,409,370	1.85%
University of New Mexico	588,650	990,988	1.30%
Albuquerque Public Schools	134,016	810,218	1.06%
City of Albuquerque	101,364	710,303	0.93%
Creamland Dairies	53,781	663,061	0.87%
Bernalillo County	43,837	175,025	0.23%
Lovelace Health Systems	57,641	163,612	0.21%
Central NM Community College	30,858	127,103	0.17%
Sandia Peak Services	74,073	88,918	0.12%
Four Hills Mobile Home Park	<u>34,901</u>	<u>85,971</u>	<u>0.11%</u>
<b>Total</b>	<b><u>1,864,337</u></b>	<b><u>\$5,224,569</u></b>	<b><u>6.85%</u></b>
<b>Total Revenue Wastewater System</b>		<b><u>\$76,253,042</u></b>	

Source: Albuquerque Bernalillo County Water Utility 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, 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.

John M. Stomp, P.E., Chief Operating Officer. Mr. Stomp 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. Stomp is responsible for managing the Planning and Engineering Division and the Compliance Divisions. Mr. Stomp was the Water Resources Manager for over ten years prior to becoming the Chief Operating Officer. Mr. Stomp has been employed by the City, and the Water Authority as successor, since April 1996. Prior to employment with the Water Authority, Mr. Stomp was employed as a project manager by local and national water/wastewater consulting firms. Mr. Stomp has been involved with water and wastewater issues in Albuquerque and throughout New Mexico for approximately 30 years. He has a Bachelor's and Master's Degree in Civil Engineering from the University of New Mexico. Mr. Stomp is a certified Level IV Water and Wastewater Operator in the State of New Mexico.

Stan Allred, Chief Financial 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 approximately 30 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.

Hobert "H" Warren, Field Operations Manager. Mr. Warren has held the manager position since 2012. He obtained his Bachelor of Business Administration from the University of New Mexico. His career has spanned over 21 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 states.

Charles S. Leder, P.E., Plant Operations 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 42 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.

David J. Price, P.E., Planning & Engineering Division Manager. Mr. Price has been in his current position since April 2010. Prior, he was the Chief Engineer for the Plant Division – Drinking Water. Before joining the Water Authority, Mr. Price spent 19 years as a consulting engineer with a focus on the evaluation and design of drinking water systems. He has a B.A. in Political Science from the University of Pennsylvania, a B.S. in Civil Engineering from the University of Arizona, and a M.S. in Environmental Engineering also from the University of Arizona.

Cody R. Stinson, Chief Information Officer. Mr. Stinson has a Bachelor's Degree 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 19 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 SAP, which is an Enterprise Resource Planning Application.

Peter Auh, General Counsel. Mr. Auh has been with the Water Authority since December 27, 2016. He obtained his law degree from the University of Iowa College of Law in 1987, and was admitted to the State Bar in 1988. His legal career began with 16 years in private practice, first with a law firm and then as a solo practitioner. Mr. Auh entered the public sector in 2002, as an assistant city attorney with the City's litigation section before joining the County Attorney's office where he served as the deputy County attorney. In 2014, Mr. Auh joined the New Mexico Attorney General's Office as the deputy attorney general in charge of four civil divisions. Immediately prior to becoming General Counsel for the Water Authority, Mr. Auh held the position of Senior Litigation Attorney with the New Mexico Association of Counties. In his 30 years of legal practice, Mr. Auh has gained experience in a wide variety of matters that are of regular concern to public bodies, including procurement, sunshine laws, personnel and labor issues, administrative law, torts and civil rights, eminent domain, land use, easements and rights of way acquisition and the drafting of ordinances and resolutions.

Mark P. Kelly, P.E., Compliance Division Manager. Mr. Kelly has been in his current position since December 2014. Previous to his current position, he was the Industrial Pretreatment Engineer. Mr. Kelly has 14 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.

Katherine M. Yuhas, Water Resources Division Manager. Ms. Yuhas has been in her current position since 2016. Prior to that she served as the Water Authority's Water Conservation Officer from 2003-2016. Ms. Yuhas has 23 years of experience working in water resources management in New Mexico. She holds a B.S. in Geology/Environmental Science from the University of Pennsylvania.

## 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, 2014-2018.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$148,814,465	\$125,990,458	\$101,195,934	\$68,886,433	\$23,118,415
Cash held for debt service	0	0	0	0	37,717,945
Accounts receivable	19,518,630	19,607,343	18,981,742	14,678,230	14,513,349
Due from other governments	-	1,295	447,969	932,227	2,616,356
Prepaid assets	27,705	57,380	0	0	0
Notes receivable	741,487	715,219	740,459	790,870	817,849
<b>Total Current Assets</b>	<b>\$169,102,287</b>	<b>146,371,695</b>	<b>121,366,104</b>	<b>85,287,760</b>	<b>78,783,914</b>
Noncurrent Assets					
Long-term receivables	4,863,339	4,174,174	3,958,777	3,754,006	3,946,792
Restricted Assets					
Cash and investments	9,451,333	56,956,621	46,529,971	77,114,772	31,848,311
Post-Employment life insurance benefit trust	0	0	0	798,900	818,273
<b>Total Restricted Assets</b>	<b>14,314,672</b>	<b>61,130,795</b>	<b>50,488,748</b>	<b>81,667,678</b>	<b>32,613,376</b>
Capital Assets, net of accumulated depreciation					
Buildings and other improvements	1,063,122,500	1,075,561,839	1,099,794,736	1,094,473,803	1,146,008,251
Purchased water rights	49,251,368	49,251,368	48,862,906	48,240,385	45,116,733
Land	25,204,444	25,170,378	25,170,378	25,724,125	25,702,293
Machinery and equipment	12,168,692	9,684,964	9,680,793	3,754,006	3,946,792
Construction work in progress	32,261,354	22,764,278	3,791,893	42,578,965	16,202,781
<b>Total Capital Assets</b>	<b>1,182,008,358</b>	<b>1,182,432,827</b>	<b>1,187,300,706</b>	<b>1,220,391,650</b>	<b>1,245,562,198</b>
<b>Total Noncurrent Assets</b>	<b>1,196,323,030</b>	<b>1,243,563,622</b>	<b>1,237,789,454</b>	<b>1,302,059,328</b>	<b>1,282,175,574</b>
<b>TOTAL ASSETS</b>	<b>1,365,425,317</b>	<b>1,389,935,317</b>	<b>1,359,155,558</b>	<b>1,387,347,088</b>	<b>1,360,959,488</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amounts related to other post-employment benefits	851,337	681,245			
Deferred amounts related to pensions	12,103,929	20,395,732	3,020,719	6,425,778	0
Deferred amounts on refunding	20,142,951	23,089,446	23,114,769	25,878,691	0
<b>Total deferred outflows of resources</b>	<b>33,098,317</b>	<b>44,166,423</b>	<b>26,135,488</b>	<b>32,304,469</b>	<b>0</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	14,242,259	15,530,540	12,910,228	10,500,449	10,860,709
Accrued payroll	1,663,520	1,495,559	2,582,062	2,129,109	2,305,108
Claims payable, current portion	1,411,264	671,543	993,586	563,865	0
Accrued compensated absences	3,955,443	3,569,503	3,019,584	2,663,822	3,349,805
Deposits	818,630	766,608	687,857	727,676	766,419
Construction contracts payable	0	0	0	0	5,272,729
Current portion debt obligation bonds	49,210,000	37,930,000	37,265,000	35,530,000	24,735,000
Loan agreements/lines of credit	4,481,483	4,285,917	9,710,054	8,508,529	10,109,815
Water rights contract	1,206,021	1,170,372	1,135,776	1,102,203	1,069,622
Accrued interest payable	0	0	0	0	276,343
Accrued interest for debt obligations	11,894,018	12,726,908	13,278,888	12,568,850	13,326,311
<b>Total Current Liabilities</b>	<b>88,882,638</b>	<b>78,146,950</b>	<b>81,583,035</b>	<b>74,294,503</b>	<b>66,822,789</b>
Noncurrent Liabilities					
Debt obligations					
Bonds net premium/discounts	549,231,176	609,982,924	584,931,928	634,147,215	508,809,453
Loan agreements/line of credit	36,841,939	41,934,953	48,078,533	58,704,590	127,174,021
Water rights contract	5,202,796	6,408,817	7,579,189	8,714,965	9,817,168
Unamortized premium	0	0	0	0	23,863,736
<b>Total Debt Obligations</b>	<b>591,275,911</b>	<b>658,326,694</b>	<b>640,589,650</b>	<b>701,566,770</b>	<b>645,800,642</b>
Other Noncurrent Liabilities					
Claims payable, net of current position	2,078,628	2,280,290	1,429,794	1,188,165	0
Net pension liability	51,278,088	59,008,103	38,165,167	29,351,538 <sup>(1)</sup>	0
Net post-employment benefit obligation liability	36,642,124	43,899,545	389,848	415,763	390,711
Accrued compensated absences	140,834	176,298	367,674	889,528	1,222,954
<b>Total Other Noncurrent Liabilities</b>	<b>90,139,674</b>	<b>105,364,236</b>	<b>40,352,483</b>	<b>31,844,994</b>	<b>1,613,665</b>
<b>Total Noncurrent Liabilities</b>	<b>681,415,585</b>	<b>763,690,930</b>	<b>680,942,133</b>	<b>733,706,267</b>	<b>647,414,307</b>
<b>TOTAL LIABILITIES</b>	<b>770,298,223</b>	<b>841,837,880</b>	<b>762,525,168</b>	<b>807,706,267</b>	<b>714,237,096</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amounts related to other post-employment benefits	8,204,942				
Deferred amounts related to pensions	3,483,273	1,089,646	1,095,992	11,502,989	0
<b>NET POSITION</b>					
Net investment in capital assets	565,429,227	560,765,911	568,244,966	576,677,611	595,695,430
Unrestricted	51,107,869	30,408,303	53,424,920	23,764,690	51,026,962
<b>TOTAL NET POSITION</b>	<b>\$616,537,096</b>	<b>\$591,174,214</b>	<b>\$621,669,886</b>	<b>\$600,442,301</b>	<b>\$646,722,392</b>

- (1) The Water Authority adopted GASB Statement No. 68 Accounting and Reporting Pensions, which was amended by GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, during Fiscal Year 2015.
- (2) The Water Authority adopted GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) as of June 30, 2018; fiscal year 2017 reflects a restatement for OPEB.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

## Revenues and Expenditures

The following table shows the historical revenues and expenditures for the System for Fiscal Years ended June 30, 2014-2018:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>					
Charges for services	<u>\$226,396,492</u>	<u>\$215,193,982</u>	<u>\$210,056,776</u>	<u>\$192,311,627</u>	<u>\$182,350,428</u>
<b>Operating Expenses</b>					
General and administrative	64,227,419	63,307,749	59,910,588	61,106,551	-
Source of supply, pumping, treating, distr.	48,470,479	48,017,762	46,986,703	46,524,899	-
Non-capitalized major repair	7,874,840	5,795,924	4,285,103	6,428,665	-
Salaries and fringe benefits	-	-	-	-	50,381,058
Professional services	-	-	-	-	1,726,252
Utilities	-	-	-	-	15,076,188
Supplies	-	-	-	-	1,504,730
Fuels, repairs and maintenance	-	-	-	-	18,749,564
Chemicals	-	-	-	-	5,943,487
Contractual services	-	-	-	-	9,179,077
Franchise fees	-	-	-	-	6,714,627
Tort and other legal fees	-	-	-	-	2,306,928
Workman's compensation costs	-	-	-	-	351,186
Administrative fees other governments	-	-	-	-	271,588
Other operating expenses	-	-	-	-	1,671,153
Depreciation	82,508,932	81,648,334	80,357,265	83,094,979	84,788,418
Amortization	-	-	-	-	448,100
Bad debt expense	-	-	-	-	56,973
Total Expenses	<u>202,991,670</u>	<u>198,769,769</u>	<u>191,539,659</u>	<u>197,155,094</u>	<u>199,169,329</u>
<b>Operating Income/Loss</b>	<u>23,404,822</u>	<u>16,424,213</u>	<u>18,517,117</u>	<u>(4,843,467)</u>	<u>(16,818,901)</u>
Non-operating revenues (expenses)					
Interest on investments	483,793	86,073	155,431	44,453	159,870
Interest expense	(18,294,865)	(18,448,939)	(18,034,371)	(19,856,948)	(27,545,590)
Utility expansion charges	10,397,749	8,545,978	9,256,938	7,541,201	7,872,236
Debt issuance costs	-	(710,270)	-	(2,272,566)	(812,445)
Lease of stored water	78,537	1,181,658	1,615,215	99,627	3,536,037
Other revenues	<u>2,372,131</u>	<u>1,735,797</u>	<u>4,212,925</u>	<u>2,057,745</u>	<u>4,766,159</u>
Total non-operating income	<u>(4,962,655)</u>	<u>(7,609,703)</u>	<u>(2,793,862)</u>	<u>(12,386,488)</u>	<u>(12,023,733)</u>
<b>Income (loss) before contributions</b>	18,442,167	8,814,510	15,723,255	(17,229,955)	(28,842,634)
Capital contributions	<u>6,920,715</u>	<u>3,522,244</u>	<u>5,504,330</u>	<u>7,347,569</u>	<u>9,388,162</u>
<b>Change in Net Position</b>	25,362,882	12,336,754	21,227,585	(9,882,386)	(19,454,472)
<b>Net Position July 1, as restated</b>	<u>591,174,214<sup>(1)</sup></u>	<u>621,669,886</u>	<u>600,442,301</u>	<u>610,324,687<sup>(2)</sup></u>	<u>653,350,620</u>
<b>Net Position June 30</b>	<u>\$616,537,096</u>	<u>\$634,006,640</u>	<u>\$621,669,886</u>	<u>\$600,442,301</u>	<u>\$633,896,148</u>

<sup>(1)</sup> Net position as of July 1, 2017 was restated to conform to GASB No. 75, reflecting an adjustment to record the Water Authority's net other post-employment liability.

<sup>(2)</sup> Net position as of July 1, 2015 was restated to conform to GASB No. 68, reflecting an adjustment to record the Water Authority's net pension liability.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

## Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service over the past five fiscal years.

<b>Water/Wastewater System Debt Service Coverage Calculation Fiscal Years 2014-2018</b>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total operating revenues	\$226,396,492	\$215,193,982	\$210,056,776	\$192,311,627	\$182,350,428
Non-operating revenues (expenses):					
Interest	483,793	86,073	155,431	44,453	75,920
Expansion charges	10,397,749	8,545,978	9,256,938	7,541,201	7,872,237
Other Expenses	-	-	-	-	-
Other Revenues	<u>3,687,967</u>	<u>3,217,905</u>	<u>7,304,796</u>	<u>3,936,638</u>	<u>8,935,575</u>
<b>Total adjusted revenues</b>	<b><u>\$240,966,001</u></b>	<b><u>\$227,043,938</u></b>	<b><u>\$226,773,941</u></b>	<b><u>\$203,833,919</u></b>	<b><u>\$199,234,160</u></b>
Total operating expenses	\$202,889,542	\$198,769,769	\$191,539,658	\$197,155,094	\$198,664,257
Less:					
Franchise fees	-	-	-	-	-
Bad debt expense	-	-	-	-	(56,973)
Non-capitalized system obligations	(7,586,879)	(5,795,924)	(4,285,103)	(6,428,665)	(5,641,663)
OPEB Life Insurance Benefits	-	-	-	(34,339)	-
Depreciation	(82,461,610)	(81,648,334)	(80,357,265)	(83,094,979)	(84,788,418)
Amortization	-	-	-	-	-
<b>Total adjusted operating expenses</b>	<b><u>\$112,841,053</u></b>	<b><u>\$111,325,511</u></b>	<b><u>\$106,897,290</u></b>	<b><u>\$107,597,111</u></b>	<b><u>\$108,177,203</u></b>
Release from Rate Stabilization Fund	-	-	-	-	-
<b>Net revenues available for debt service</b>	<b>\$128,124,948</b>	<b>\$115,718,427</b>	<b>\$119,876,651</b>	<b>\$96,236,808</b>	<b>\$91,056,957</b>
Total senior debt service	<u>\$42,812,915</u>	<u>\$48,989,966</u>	<u>\$53,957,932</u>	<u>\$47,351,384</u>	<u>\$67,968,843</u>
Senior debt service coverage	2.99x	2.36x	2.22x	2.03x	1.34x
Subordinate debt service	<u>\$14,552,587</u>	<u>\$13,177,074</u>	<u>\$5,004,682</u>	<u>\$3,838,983</u>	<u>\$1,316,774</u>
Combined total debt service	<u>\$57,365,502</u>	<u>\$62,167,041</u>	<u>\$58,962,614</u>	<u>\$51,190,367</u>	<u>\$69,285,617</u>
<b>All in debt service coverage</b>	<b>2.23x</b>	<b>1.86x</b>	<b>2.03x</b>	<b>1.87x</b>	<b>1.31x</b>

Source: Albuquerque Bernalillo County Water Utility Authority.

## 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 the past five years.

### Revenue from Water and Wastewater Charges and Other Operating Revenue

Fiscal Year	Revenue from Water Charges		Revenue Wastewater Charges	Other Operating Revenue <sup>(3)</sup>	Total Operating Revenue
	For General Operations <sup>(1)</sup>	For WRMS <sup>(2)</sup>			
2014	\$91,229,726	\$28,561,586	\$61,327,115	\$1,232,000	\$182,350,427
2015	96,878,168	29,939,349	64,171,110	1,323,000	192,311,627
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2018	148,315,450	-	76,253,042	1,828,000	226,396,492

(1) The General Operations revenues are excluding 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 attributable to rate increases adopted to finance capital costs and operating expenses to implement the WRMS. In Fiscal Year 2016, the WRMS revenues were combined with General Operations revenues as part of the new rate ordinance structure.

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

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

## 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.

### **Current Utility Expansion Charges**

<u>Meter Size</u>	<u>Water Charge</u>	<u>Wastewater Charge</u>
¾”	\$3,233	\$2,425
1”	5,388	4,041
1 ½”	10,775	8,082
2”	17,245	12,930
3”	34,482	25,923
4”	53,879	41,432
6”	107,762	82,869
8” & over	172,417	129,307

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

During Fiscal Years 2014 through 2018, the following revenue from the collection of UECs was received.

### **Revenue from Utility Expansion Charges**

<u>Fiscal Year</u>	<u>Total UEC Revenues</u>
2014	\$7,872,237
2015	7,541,201
2016	9,256,938
2017	8,545,978
2018	10,397,749

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

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 Supply Charge**

The Water Supply Charge (“WSC”) 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 this charge 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 WSC is adjusted annually by BCI or CCI as published by ENR. The WSC 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 WSC and has agreed to its development and it is one that is widely applied in the industry.

The following table sets forth the current water supply charges.

**Current Water Supply Charges**

<u>Meter Size</u>	<u>Water Supply Charge</u>
¾”	\$1,669
1”	2,793
1 ½”	5,564
2”	8,902
3”	17,806
4”	27,627
6”	55,760
8” & over	89,023

Source: Albuquerque Bernalillo County Water Utility 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 Rate Stabilization Fund is currently funded at \$2 million annually. There is no funding cap set for the Rate Stabilization Fund and the current balance is \$7 million for Fiscal Year 2018. Consistent with the Rate Stabilization Fund’s intended use, the Water Authority withdrew \$4 million of available funds in Fiscal Year 2013 due to declining revenues. Any expenditure from this Rate Stabilization Fund requires an appropriation approved by the Water Authority 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 \$2.018 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 mean 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 mean 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 mean 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 \$1.682 per unit for residential, commercial, industrial and institutional customers and \$0.878 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 2012 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the American Water Works Association ("AWWA"), the Authority was ranked at or below average for water and wastewater rates, based upon a usage of 11,200 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 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 is currently at 1.39%.

## **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. Ordinances 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 \$15.91 and \$3,028.15, while commercial customers pay between \$16.67 and \$3,141.01. For wastewater service, residential customers pay a fixed wastewater rate (depending on service size) between \$10.53 and \$1,173.95, while commercial customers pay between \$13.03 and \$1,491.33.

#### *Increases to Rates and Charges*

The Water Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2012-2018 as described below due to a decrease in consumption levels.

**Implemented and Approved  
Increases in Rates and Charges**

<u>Fiscal Year</u>	% Increase		
	<u>General Operations</u>	<u>WRMS</u>	<u>Franchise Fee</u>
2012	5	5	0
2013	0	0	0
2014	5	0	0
2015	5	0	0
2016	5	0	0
2017	0	0	0
2018	5	0	0

Source: Albuquerque Bernalillo County Water Utility 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 2014 through 2018.

<u>Meter Size</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
¾"	171,395	184,743	185,894	182,232	183,398
1" and 1 ¼"	17,474	17,447	17,392	17,796	17,975
1 ½"	2,238	2,269	2,300	2,381	2,467
2"	2,303	2,349	2,386	2,509	2,575
3"	578	575	590	603	606
4"	270	276	278	282	284
6"	60	63	64	68	66
8" and over	42	40	41	42	43
Non-metered	-	-	-	4,302	4,485
Total	<u>194,360</u>	<u>207,762</u>	<u>208,945</u>	<u>210,215</u>	<u>211,899</u>

Source: Albuquerque Bernalillo County Water Utility Authority.

## History of Water Users by Class

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	174,193	186,461	187,479	181,814	183,018
Multi-Family	6,569	7,115	7,268	7,801	7,851
Commercial	11,303	11,923	11,901	11,913	12,023
Institutional	2,196	2,150	2,187	3,650	3,680
Industrial	99	113	110	119	122
Other Meter	-	-	-	616	720
Solid Waste Only	-	-	-	1,362	1,365
Non-meter	-	-	-	2,940	3,120
<b>Total</b>	<u>194,360</u>	<u>207,762</u>	<u>208,945</u>	<u>210,215</u>	<u>211,899</u>

Source: Albuquerque Bernalillo County Water Utility Authority.

According to the Water Authority's records for Fiscal Year 2018, the top ten retail customers of the System, in the aggregate, accounted for no more than 17.58% of the total billed consumption for the Water System, 11.40% of the total revenue of the Water System, 10.17% of the total billed consumption for the Wastewater System and 6.85% of the total revenue of the Wastewater System.

During Fiscal Year 2018, 51.42% of billed water consumption was residential, while 15.20% was classified as commercial. The balance consisted of multi-family users consuming 16.69% institutional users consuming 6.03%, industrial users at 1.40% and special contracts and hydrants meters at 9.25%.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated Population (Service Area)	656,305	658,238	670,779	676,298	680,946
Number of Meters Billed	206,944	208,200	208,140	206,606	207,858
Estimated Persons Per Meter	3.17	3.16	3.22	3.27	3.28
Annual Pumpage (1,000 Gallons)	30,836,000	29,498,000	30,720,000	30,895,000	30,139,000
Annual Water Billed (1,000 Gallons)	28,075,612	27,195,260	28,250,591	28,357,626	27,696,655
Average Daily Pumpage (Gallons)	84,482,192	80,816,438	84,164,384	84,357,626	82,572,603
Peak Day Pumpage (Gallons)	144,000,000	146,000,000	159,000,000	150,600,000	147,000,000
Average Daily Production Per Meter (Gallons)	408	388	404	410	397
Well Pumping Capacity (per 24 Hour Period)	183,000,000	184,000,000	178,000,000	176,000,000	176,000,000
Storage Capacity (Gallons)	253,000,000	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
Fire Hydrants	15,344	15,572	15,646	15,731	15,853
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 <sup>(1)</sup>					
-Water	2,691	2,721	2,729	2,739	2,756
-Wastewater	1,879	1,900	1,904	1,908	1,914
Surface Water	37	37	37	37	38

(1) Estimated

Source: Albuquerque Bernalillo County Water Utility 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 expects to spend approximately \$54 million in Fiscal Year 2019, and increase \$3 million annually, for System rehabilitation with basic system capital needs being funded, on average, by at least 50% cash and grants and the remaining 50% to be funded with bond or loan proceeds. The Water Authority's policy with respect to debt issuance is to seek 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. Bonds issued to finance basic capital needs will 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 September 19, 2018 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 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 Water Authority Board with at least one 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 Water Authority's 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.

The current Decade Plan, Fiscal Year 2018 – Fiscal Year 2027, 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 a targeted \$60 to \$85 million per year level of rehabilitation investment starting in Fiscal Year 2018 as outlined 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 Water Authority has established an asset management program with a steering committee to oversee the program. 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 2011, the Water Authority completed a comprehensive Asset Management Plan (“AMP”) used to provide a framework for understanding and planning of long-range asset renewal (rehabilitation and replacement) requirements. The AMP consolidates the Water Authority’s asset information into a structured framework and uses it to provide a justifiable basis to support long-term organization, operations, and asset management decisions. In Fiscal Year 2012, the Water Authority began work on preparing a set of 10-year asset management plans for various asset classes (i.e., small diameter pipes, large diameter pipes, wastewater treatment plant, and groundwater and collection system facilities). The 10-year plans are generated to provide the Water Authority with a more accurate understanding of the short and intermediate-term renewal requirements. In Fiscal Year 2016, the Water Authority completed the planned 10-year asset management plans and will continue to improve on its asset management practices going forward. In Fiscal Year 2019, the Water Authority will continue to improve on its asset management practices by upgrading its Computer Management and Maintenance system and integrating mobile work order technology to improve the accuracy of the asset data.

In Fiscal Year 2019, the Water Authority continues to improve on its asset management practices by upgrading its Maximo® Enterprise Asset Management System/Computerized Maintenance Management System and integrating mobile work order technology to improve the accuracy of the asset data.

The Water Authority anticipates \$726 million in capital needs through Fiscal Year 2027.

**CAPITAL NEEDS\***

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>Total</u>	<u>%</u>
Capital Needs	\$64,600	\$61,850	\$64,850	\$67,850	\$70,850	\$73,850	\$76,850	\$79,850	\$82,850	\$82,850	\$726,250	100%
Bond Proceeds	\$29,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$281,000	41%
Difference Funded with Cash	\$35,600	\$33,850	\$36,850	\$39,850	\$42,850	\$45,850	\$48,850	\$51,850	\$54,850	\$54,850	\$445,250	59%

\* Projections are subject to change. Amounts indicated are rounded.  
Source: Albuquerque Bernalillo County Water Utility Authority.

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 2019 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 continues to participate in the American Water Works Association's ("AWWA") QualServe program. The QualServe program provides a framework for water and wastewater utilities to continually improve using a Plan-Do-Check-Act framework. It currently offers a well-developed toolbox of benchmarking, self-assessment and peer review for water and wastewater utilities. The QualServe program has assisted the Water Authority in identifying what it does well and areas where improvement is necessary. The Water Authority has used the information and recommendations gathered from the QualServe program to provide guidance in the one-year objectives, the performance plan and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented in 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 2019 Budget*

The approved Fiscal Year 2019 budget is the Water Authority's financial plan for Fiscal Year 2019. 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 2019 is estimated to be \$225.8 million, representing an increase of \$4.6 million from the budgeted Fiscal Year 2018 amount. The appropriation for Fiscal Year 2019 for CIP is \$88.3 million. \$70.6 million is appropriated for the level one priority basic capital programs, \$5.0 million for growth related projects, \$12.4 million is appropriated for special projects and \$0.3 million for Water 2120 projects. The \$12.4 million for special projects is comprised of \$2.0 million for the Automated Meter Infrastructure, \$1.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, \$5.0 million for various identified projects, \$2.6 million for the Los Padillas Water System, and \$1.5 million for a contribution to a Bernalillo County Visitor's Center.

The Fiscal Year 2019 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 2019 to improve services and gain operating efficiencies.

The Fiscal Year 2019 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 three fiscal years.

In the preparation of the Fiscal Year 2019 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. There is no change in full-time equivalent positions for Fiscal Year 2019. Personnel expenses include a 2.0% step

increase in wages and a 15% increase in health benefit costs. The most significant expense of the Water Authority continues to be debt service payments which will comprise 33% of the total operating expense in Fiscal Year 2019.

For Fiscal Year 2019 revenues are expected to be \$11.8 million over proposed expenditures, which includes funding the Rate Stabilization Fund. This amount brought the Working Capital or Fund Balance to \$37.0 million at June 30, 2019. The Water Authority continues to strive to achieve a Fund Balance equal to 1/12 of the annual budgeted operating expenditures. For Fiscal Year 2019, \$2 million will be added to the Rate Stabilization Fund.

The Fiscal Year 2019 Budget represents a financial plan that will 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 2019 to improve services and gain operating efficiencies.

### *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 Fiscal Year 2018, recognition included:

- Platinum Award for Utility Excellence – Association of Metropolitan Water Agencies.
- 2018 Source Water Protection Award – AWWA.
- Water Resources Utility of the Future Award.
- The National Association of Clean Water Agencies National Environmental Achievement Award for the Water Authority's school outreach and conservation education program.
- Water Environment Federation Public Communication and Outreach Award.
- Partnership for Safe Water – Distribution System Operations Directors Award.
- American Advertising Association Gold Award for the 2016 popular annual financial report.
- The Government Finance Officers Association ("GFOA") Distinguished Budget Presentation Award.
- GFOA Certificate of Achievement for Excellence in Financial Reporting (both Popular and Comprehensive).
- Recognition in the U.S. Water Alliance "Spotlight" for conservation and aquifer preservation efforts.

Other achievements in the preceding fiscal year include the debut of a new and improved online payment system; completion of a new large solar array to help power the utility's surface water treatment plant; successful rehabilitation of a well that had been taken off-line because of high arsenic levels; and groundbreaking on a major sewer realignment project in Southwest Albuquerque to improve flows and odor control. Additionally, the extensive multi-year, \$250 million refurbishment of the Southside Water Reclamation Plant continued on schedule. Water

Authority representatives were also elected to become part of the Executive Board of the Rio Grande Water Fund and were invited to participate in the Water Research Foundation Emerging Opportunities Program.

The Water Authority continues to participate in the AWWA's Benchmarking program which allows the utility to compare its performance against other utilities at least every two years. The Water Authority utilizes performance measures or indicators to help guide the operating and capital budgets in prioritizing and allocating the Water Authority's financial resources. The Water Authority also uses these measures to help improve its operational efficiency and effectiveness through the One-Year Objectives.

## **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, 2018, the Water Authority reported a net pension liability of \$51,278,088 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. For the year ended June 30, 2017, the Water Authority implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

As required by State law, eligible employees are required to contribute between 7.74% and 18.15% of their gross salary, depending on the specific plan type. The Water Authority is required to contribute 9.15% 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, 2018, 2017 and 2016 were \$3,190,941, \$3,129,931 and \$3,020,676, 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, 2018 were \$6,736,064.

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](http://www.pera.state.nm.us).

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund  
Summary Information as of June 30, 2018 (in thousands)**

Membership <sup>(1)</sup>	105,925
Actuarial Information	
Accrued Liability <sup>(2)</sup>	\$21,313,451
Actuarial Value of Assets <sup>(3)</sup>	\$15,252,860
Unfunded Actuarial Accrued Liability (“UAAL”)	\$6,060,590

(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 for the first 10 years and 7.75% thereafter. Annual returns are smoothed in over a four-year period.

As of June 30, 2017, PERA has an amortization or funding period of 55 years, based on the employer and member contribution rates in effect as of July 1, 2017. 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 73.4% as of June 30, 2018 and the UAAL of the PERA Fund increased to approximately \$6.1 billion. The State’s portion of the UAAL of the PERA Fund is 53.1%, or \$3.2 billion.

**Defined Contribution Retirement Plan**

The Water Authority approved a Declaration of Trust for a 401 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 \$320,140 in Fiscal Year 2018.

**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 \$645,263 for the year ended June 30, 2018 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 [www.nmrhca.state.nm.us/Pages/audit-reports.aspx](http://www.nmrhca.state.nm.us/Pages/audit-reports.aspx).

### **Retiree Life Insurance Plan**

The Water Authority, as of the fiscal year ended June 30, 2018, 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, 2018 was 203. The number of active employees at June 30, 2018 was 448.

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 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, 2018 were \$59,081.

## **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 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 of New Mexico 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 one million dollars (\$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 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) SEC2a-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 STATEMENT**

This Annual 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 Financial Report  
Year ended June 30, 2018**

## Appendix B

### CUSIP Numbers

Bond Issue name	D/S Month & Year	CUSIP	Principal
Joint Water and Sewer 2009A-1	July 2019	013493CV1	\$3,000,000
	July 2019	013493DN8	5,395,000
Joint Water and Sewer 2013A	July 2019	013493DZ1	\$4,120,000
	July 2020	013493EA5	4,325,000
	July 2021	013493EB3	4,540,000
	July 2022	013493EC1	4,770,000
	July 2023	013493ED9	5,005,000
	July 2024	013493EE7	5,255,000
	July 2025	013493EF4	5,520,000
	July 2026	013493EG2	715,000
	July 2027	013493EH0	750,000
	July 2028	013493EJ6	790,000
	July 2029	013493EK3	830,000
	July 2030	013493EL1	870,000
	July 2031	013493EM9	915,000
	July 2032	013493EN7	960,000
July 2033	013493EP2	1,005,000	
Joint Water and Sewer 2013B	July 2019	013493EV9	\$5,320,000
	July 2020	013493EW7	5,635,000
	July 2021	013493EX5	5,980,000
	July 2022	013493EY3	6,330,000
	July 2023	013493EZ0	2,790,000
	July 2024	013493FA4	2,420,000
Joint Water and Sewer 2014A	July 2019	013493FN6	\$8,640,000
	July 2020	013493FC0	1,575,000
	July 2020	013493FJ5	7,450,000
	July 2021	013493FD8	9,415,000
	July 2022	013493FE6	2,185,000
	July 2022	013493FK2	7,785,000
	July 2023	013493FF3	10,395,000
	July 2024	013493FG1	10,910,000
	July 2025	013493FH9	11,385,000
	July 2026	013493FP1	5,000,000
July 2027	013493FQ9	5,255,000	

Joint Water and Sewer 2014B	July 2019	013493FU0	2,090,000
	July 2019	013493GD7	6,115,000
	July 2020	013493FV8	2,235,000
	July 2020	013493GE5	6,045,000
	July 2021	013493FW6	8,235,000
	July 2022	013493FX4	8,435,000
	July 2023	013493FY2	8,505,000
	July 2024	013493FZ9	8,570,000
	July 2025	013493GA3	8,635,000
	July 2030	013493GU9	7,060,000
	July 2031	013493GV7	7,295,000
	July 2032	013493GW5	7,660,000
	July 2033	013493GX3	8,035,000
	Joint Water and Sewer 2017	July 2019	013493GZ8
July 2020		013493HA2	4,245,000
July 2021		013493HB0	4,455,000
July 2022		013493HC8	4,680,000
July 2023		013493HD6	4,910,000
July 2024		013493HE4	5,160,000
July 2025		013493HF1	5,415,000
July 2026		013493HG9	5,685,000
July 2027		013493HH7	5,970,000
July 2028		013493HJ3	6,270,000
July 2029		013493HK0	6,585,000
July 2030		013493HL8	4,830,000
July 2031		013493HM6	5,070,000
July 2032		013493HN4	5,320,000
July 2033		013493HP9	5,590,000
July 2034		013493HQ7	5,865,000
Joint Water and Sewer 2018	July 2020	013493HR5	\$5,285,000
	July 2021	013493HS3	5,550,000
	July 2022	013493HT1	5,825,000
	July 2023	013493HU8	6,120,000
	July 2024	013493HV6	6,425,000
	July 2025	013493HW4	6,745,000
	July 2026	013493HX2	7,080,000
	July 2027	013493HY0	7,435,000
	July 2028	013493HZ7	7,810,000
	July 2029	013493JA0	8,200,000
	July 2030	013493JB8	8,610,000