



Albuquerque Bernalillo County  
Water Utility Authority

**ANNUAL INFORMATION STATEMENT**

**DATED MARCH 30, 2018**

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

# **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

## **WATER AUTHORITY BOARD**

Councilor Trudy E. Jones, Chair  
Commissioner Debbie O'Malley, Vice-Chair  
Mayor Timothy M. Keller  
Councilor Pat Davis  
Commissioner Steven Michael Quezada  
Councilor Klarissa J. Peña  
Commissioner Lonnie C. Talbert  
Trustee Pablo R. Rael (ex-officio member)

## **WATER AUTHORITY ADMINISTRATION**

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

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## INTRODUCTION

The Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) governs the water and wastewater utility for all of the City of Albuquerque (the “City”) and Bernalillo County (the “County”). The Water Authority’s governing board 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: Councilor Trudy E. Jones, Chair; Commissioner Debbie O’Malley, Vice-Chair; Mayor Timothy M. Keller; Councilor Pat Davis; Commissioner Steven Michael Quezada; Councilor Klarissa J. Peña, Commissioner Lonnie C. Talbert 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 for the next 100-years. The new water supply plan, entitled Water 2120, consists of multiple policies to guide water resources 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 is utilizing 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, it 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 and is recognized as a political subdivision of the State of New Mexico (the “State”). The Water Authority has a minimal relationship with the City under a Memorandum of Understanding, dated July 1, 2013, by and between the Water Authority and the City. These ties include the Water Authority’s rental of space and Water Authority employees may participate in certain City employment benefits such as medical, dental, vision and life insurance. Other than these limited connections, the Water Authority operates independently of the City and County.

Actions of the Water Authority’s governing board taken after January 1, 2018, 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, 2018, 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 following special limited obligations secured on a parity basis by net revenues of the System are outstanding (“Senior Obligations”). These obligations are generally described below and certain terms of such obligations are summarized in the Water Authority’s Annual Financial Report for the year ended June 30, 2017.

### Outstanding Senior Obligations as of January 1, 2018

| <u>System Issue</u>  | <u>Principal Amount of Original Issue</u> | <u>Outstanding Principal Amount</u> |
|--|---|-------------------------------------|
| Revenue Bonds, Series 2009A-1                                    | \$135,990,000                             | \$16,410,000                        |
| NMFA – Drinking Water State Revolving Fund Loan Agreement (2009) | 1,010,000                                 | 720,606                             |
| NMFA – Public Project Revolving Fund Loan Agreement (2011)       | 53,400,000                                | 35,855,000                          |
| Revenue Bonds, Series 2013A-B                                    | 118,215,000                               | 83,620,000                          |
| Revenue Bonds, Series 2014A                                      | 97,270,000                                | 88,270,000                          |
| Revenue Bonds, Series 2015                                       | 211,940,000                               | 208,730,000                         |
| Revenue Bonds, Series 2017                                       | 87,970,000                                | 87,970,000                          |
| Total Senior Obligations   |   | <u><u>\$521,575,606</u></u>         |

Other obligations payable on a subordinate basis from Net Revenues, as of January 1, 2018, are shown below:

### Outstanding Subordinate Obligations as of January 1, 2018

| <u>Obligation</u>                 | <u>Principal Amount of Original Issue</u> | <u>Outstanding Principal Amount</u> |
|-----------------------------------|---|-------------------------------------|
| NMFA - Drinking Water Loan (2008) | \$9,627,877                               | \$7,389,202                         |
| Revenue Bonds, Series 2014B       | 87,005,000                                | <u>66,950,000</u>                   |
| Total Subordinate Obligations     |   | <u><u>\$74,339,202</u></u>          |

On February 3, 2017, the Water Authority entered into a Loan Agreement with the New Mexico Finance Authority (NMFA) for a Water Trust Board loan in the amount of \$669,550. The Water Authority redeemed this loan, with cash on hand as of March 1, 2018. The Water Trust Board Loan has a super subordinated lien on the Net Revenues of the System.

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, 2018**

| Fiscal Year  | Senior Lien Debt Service | Subordinate Lien Debt Service | Total Current Debt Service | Pledged Revenue | Senior Coverage | Senior and Subordinate Coverage |
|--------------|--------------------------|-------------------------------|----------------------------|-----------------|-----------------|---------------------------------|
| 2018         | \$55,548,204             | \$14,770,944                  | \$70,319,148               | \$115,718,000   | 2.08x           | 1.65x                           |
| 2019         | 68,494,359               | 11,721,544                    | 80,215,903                 | 115,718,000     | 1.69x           | 1.44x                           |
| 2020         | 68,435,857               | 11,495,745                    | 79,931,601                 | 115,718,000     | 1.69x           | 1.45x                           |
| 2021         | 62,720,354               | 11,223,522                    | 73,943,876                 | 115,718,000     | 1.84x           | 1.56x                           |
| 2022         | 63,037,352               | 10,799,198                    | 73,836,550                 | 115,718,000     | 1.84x           | 1.57x                           |
| 2023         | 56,852,769               | 10,582,475                    | 67,435,243                 | 115,718,000     | 2.04x           | 1.72x                           |
| 2024         | 52,708,559               | 10,229,003                    | 62,937,562                 | 115,718,000     | 2.20x           | 1.84x                           |
| 2025         | 52,015,432               | 9,867,156                     | 61,882,588                 | 115,718,000     | 2.22x           | 1.87x                           |
| 2026         | 46,857,430               | 9,502,060                     | 56,359,490                 | 115,718,000     | 2.47x           | 2.05x                           |
| 2027         | 41,799,977               | 651,215                       | 42,451,193                 | 115,718,000     | 2.77x           | 2.73x                           |
| 2028         | 31,501,573               | 651,245                       | 32,152,818                 | 115,718,000     | 3.67x           | 3.60x                           |
| 2029         | 23,447,444               | 651,276                       | 24,098,721                 | 115,718,000     | 4.94x           | 4.80x                           |
| 2030         | 23,428,859               | 651,308                       | 24,080,167                 | 115,718,000     | 4.94x           | 4.81x                           |
| 2031         | 16,651,071               | -                             | 16,651,071                 | 115,718,000     | 6.95x           | 6.95x                           |
| 2032         | 16,581,881               | -                             | 16,581,881                 | 115,718,000     | 6.98x           | 6.98x                           |
| 2033         | 16,507,988               | -                             | 16,507,988                 | 115,718,000     | 7.01x           | 7.01x                           |
| 2034         | 16,520,238               | -                             | 16,520,238                 | 115,718,000     | 7.00x           | 7.00x                           |
| 2035         | 8,362,972                | -                             | 8,362,972                  | 115,718,000     | 13.84x          | 13.84x                          |
| 2036         | 2,396,563                | -                             | 2,396,563                  | 115,718,000     | 48.28x          | 48.28x                          |
| 2037         | 1,319,625                | -                             | 1,319,625                  | 115,718,000     | 87.69x          | 87.69x                          |
| 2038         | 1,319,875                | -                             | 1,319,875                  | 115,718,000     | 87.67x          | 87.67x                          |
| 2039         | 1,317,125                | -                             | 1,317,125                  | 115,718,000     | 87.86x          | 87.86x                          |
| <b>Total</b> | <b>\$727,825,505</b>     | <b>\$102,796,692</b>          | <b>\$830,622,197</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 2017 were \$115,718,000. The maximum calendar year combined debt service requirements for Senior Obligations payable from net revenues of the System are \$68,494,359 (occurring in year-end July 1, 2019), resulting in a coverage ratio of 1.69x. The

coverage ratio of Fiscal Year 2017 System net revenues of \$115,718,000 to combined debt service requirements of all System Obligations of \$70,319,148 (occurring in year-end July 1, 2018), is 1.65x.

In November 2010, the Water Authority received the Fiscal Year 2009 Audit 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 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 “Aa2” by Moody’s, “AA+” by S&P and “AA” by Fitch. 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 Water System provides water services to approximately 670,779 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the Water System. As of January 1, 2018, service is provided to approximately 208,140 customer accounts, including 186,301 residential and 21,839 multi-family, commercial, institutional and industrial accounts. Approximately 50% 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 2017, the Water Authority’s water resources use consisted of 28.50% from groundwater and 70.0% from San Juan-Chama surface water and 1.50% 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 294 million gallons per day ("MGD"). Eliminating high arsenic wells (those greater than 10 parts per billion arsenic) results in available production capacity of 184 MGD. Maximum historical peak day demand is 214 MGD. Peak day demand for 2017 was 144 MGD. The Water Authority also has four arsenic treatment facilities that remove naturally occurring arsenic from ground water. 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-two (62) 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 129 boosters, with a total capacity of 775 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 (the "Utility") to appropriate groundwater in the Middle Rio Grande Administrative Area. This water rights permit allows the withdrawal of groundwater from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

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

The previous groundwater permit limited the Water Authority's pumping to 132,000 acre-feet per year. The new 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 permit and wells were acquired when the Water Authority acquired New Mexico Utilities, Inc. in 2009.

The average annual groundwater withdrawal for the five years ending in Calendar Year 2017 was 42,808 acre-feet with a maximum occurring in Calendar Year 2013. 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 totaling 8,547.16 acre-feet. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Water Authority also has approximately 176,000 acre-feet of San Juan-Chama water 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 2017 were 68,706 acre-feet with an average of 55,380 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 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 670,779, and the current usage is approximately 128 gallons per capita per day (Calendar Year 2017), down from an average of 250 gallons per capita per day between 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 20 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. Technical work is continuing to provide water resources information needed for long-term management and to develop water supply solutions.

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 completes 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 concludes 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 Albuquerque. 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 drought for six consecutive years, the water supply is increasing in the Albuquerque area as a result of the Water Authority's transition to surface water (DWP), reuse and significant water conservation efforts. To date, the Water Authority has saved more than 1,000,000 acre-feet of ground water over the last five years.

Following the past successful water planning work in 1997 and 2007, in September 2016 the Water Authority Board adopted Water 2120: Securing Our Water Future ("Water 2120"). Water 2120 is a long-range water supply plan which 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 systems we 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. The overall approach to Water 2120 was to simulate a number of scenarios of supply and demand over the next 100 years, with current supplies and rights, and to quantify key results. To fill the gaps in supply, numerous potential water supply alternatives were examined, and simulations were run. One of the key policies in the new water supply plan was to implement a groundwater management strategy that protects a large quantity of the aquifer for future generations. A management level was established such that new supplies would be implemented over time to reduce long-term aquifer drawdown and allow future generations the opportunity to utilize that savings account.

In addition to the groundwater management plan, the new 100 year plan focuses on utilizing the existing rights owned by the Authority with additional water conservation. Additional water reuse and storage provide flexibility for the future along with increased aquifer storage and recovery. Watershed restoration and management are also part of the new plan to ensure that we are 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. Aquifer storage and recovery 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 2014. In 2015, the Water Authority recovered 1,357 acre-feet from the Bear Canyon storage account. The Water Authority has 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. 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 done 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 Bernalillo 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 paid \$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 Bernalillo 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. Bernalillo County contributed \$1.7 million toward the project which is scheduled to continue into 2018.

### *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.

The Water Authority has been in compliance with EPA's arsenic regulations since 2009. 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 gallons per capita per day 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 gallons per capita per day ("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. GPCD for 2017 128. As part of Water2120, 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 of Albuquerque and Bernalillo 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 has imposed 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 Ground Water 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 Bernalillo 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. 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 Bernalillo 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 2017 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 southeast Albuquerque. 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 by the Board 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 identifying four levels of drought -- 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 Water System 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 2013-2017, 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> 2013-2017

| <u>Calendar Year</u> | <u>Gallons Produced<br/>(in 000s)</u> | <u>Gallons Billed<br/>(in 000s)</u> | <u>Percentage<br/>Billed</u> |
|----------------------|---------------------------------------|-------------------------------------|------------------------------|
| 2013                 | 33,222,000                            | 28,113,371                          | 84.26%                       |
| 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%                       |

- (1) 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.

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten customers of the Water System are:

### Water System Top Ten Customers<sup>(1)</sup> Fiscal Year 2017

| <u>Customer Name</u>                  | <u>Consumption<br/>Rate (Kgal)</u> | <u>Total FY<br/>2017 Revenue</u> | <u>% of Total<br/>FY 2017 Revenue</u> |
|---------------------------------------|------------------------------------|----------------------------------|---------------------------------------|
| City of Albuquerque                   | 2,884,365                          | \$9,134,660                      | 5.98%                                 |
| Albuquerque Public Schools            | 742,653                            | 3,169,349                        | 2.08%                                 |
| University of New Mexico              | 136,463                            | 1,299,145                        | 0.85%                                 |
| Bernalillo County                     | 231,851                            | 828,899                          | 0.54%                                 |
| Kirtland Air Force Base               | 148,765                            | 684,830                          | 0.45%                                 |
| ABCWUA                                | 86,736                             | 324,528                          | 0.21%                                 |
| Lovelace Health Systems               | 93,113                             | 291,783                          | 0.19%                                 |
| Central NM Community College          | 64,321                             | 278,331                          | 0.18%                                 |
| Sumitomo                              | 110,990                            | 270,565                          | 0.18%                                 |
| Albuquerque Academy                   | 104,396                            | 255,004                          | 0.17%                                 |
| <b>Total</b>                          |                                    | <b>\$16,537,094</b>              | <b>10.83%</b>                         |
| <b>Total Revenue for Water System</b> |                                    | <b>\$152,676,463</b>             |                                       |

<sup>(1)</sup>Includes non-potable water customers.

Source: Albuquerque Bernalillo County Water Utility Authority.

## **Wastewater Plant and Collection System**

The Wastewater System 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. The Water Authority has an operational industrial pretreatment program approved by the United States Environmental Protection Agency (“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 National Pollution Discharge Elimination System (“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 March 2018, EPA issued a Proposed NPDES Permit.

The Water Authority received an Administrative Order 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 Administrative Orders (“AO”) 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 report was filed with EPA at the end of 2015. The second AO includes adoption of the Corrective Action Plan (CAP) items that are scheduled to be completed within the next five years. Biannual reports are to be submitted to EPA outlining the work completed to accomplish the projects outlined in the CAP.

The first report was filed at the end of 2015 and the Water Authority has submitted reports to EPA every six months as required since that time. It is anticipated that by June 2018, the Water Authority will complete all of the required infrastructure as identified in the Administrative Order.

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 2017, 56% 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 (A2LA). 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 water treated and customers served through the Wastewater System for Calendar Years 2013-2017:

| <b>Treated Water<br/>2012-2016</b> |   |  |
|------------------------------------|---|--|
| <b><u>Calendar Year</u></b>        | <b><u>Gallons Treated<br/>(in 000s)</u></b> | <b><u>Average # of<br/>Customers</u></b> |
| 2013                               | 20,378,630                                  | 192,387                                  |
| 2014                               | 18,214,780                                  | 194,360                                  |
| 2015                               | 18,122,990                                  | 193,922                                  |
| 2016                               | 18,250,000                                  | 195,140                                  |
| 2017                               | 18,597,000                                  | 196,921                                  |

*Source:* Albuquerque Bernalillo County Water Utility Authority.

The top ten customers of the Wastewater System are:

**Wastewater System Top Ten Customers**

Fiscal Year 2017

| <b><u>Customer Name</u></b>            | <b><u>Consumption Rate (Kgal)</u></b> | <b><u>Total Collected FY 2017 Revenue</u></b> | <b><u>% of Total FY 17 Revenue</u></b> |
|--|---------------------------------------|---|--|
| Kirtland Air Force Base                | 746,335                               | \$1,273,411                                   | 1.84%                                  |
| University of New Mexico               | 566,858                               | 901,821                                       | 1.31%                                  |
| Albuquerque Public Schools             | 130,320                               | 758,774                                       | 1.10%                                  |
| Creamland Dairies                      | 49,381                                | 648,381                                       | 0.94%                                  |
| City of Albuquerque                    | 93,915                                | 643,308                                       | 0.93%                                  |
| Lovelace Health                        | 56,804                                | 196,583                                       | 0.28%                                  |
| Bernalillo County                      | 59,627                                | 190,554                                       | 0.28%                                  |
| Central NM Community College           | 29,383                                | 113,967                                       | 0.16%                                  |
| Sandia Peak Services                   | 76,759                                | 80,507  | 0.12%                                  |
| Four Hills Mobile Home Park            | 33,565                                | 73,920  | 0.11%                                  |
| <b>Total</b>                           |                                       | <b>\$4,881,225</b>                            | <b>7.07%</b>                           |
| <b>Total Revenue Wastewater System</b> |                                       | <b>\$69,101,505</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 and Vice-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. 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.

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.

Dr. James H. "Jim" Olsen, Jr., P.E., Field Operations Manager. Mr. Olsen has worked for the City, and now the Water Authority, for over 40 years and has served in his current position since 2008. Past assignments have included: Transmission & Distribution Manager for PNM Water Services (Santa Fe water system), Chief Utility Engineer for ECO Resources (Rio Rancho water & wastewater systems), Project Manager for the Pueblo of Laguna, NM Jackpile Mine Reclamation Project, management and engineering/technical assignments for ARCO-Anaconda, the Standard Oil Company (Ohio), and the City of Albuquerque Water System. He holds a Mining Engineering degree from New Mexico Institute of Mining & Technology (Socorro, NM) and a Master's in Business Administration from the Anderson School of Management, University of New Mexico. He completed his Doctorate in Education at the University of New Mexico in 1996. He has served on the faculty of the University of Phoenix since 1987 and taught graduate and undergraduate courses in management, environmental science, engineering processes, economics, project management, statistics, algebra, geography, business research methods & projects, and motivation theory. Mr. Olsen also served as Lead Faculty and Area Chair for Undergraduate Mathematics and Graduate Research and Quantitative Methods.

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 41 years of experience in planning, design, construction, and operations of water and wastewater facilities. Mr. Leder has a BS from the Johns Hopkins University, and an MS 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 Bernalillo 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 New Mexico 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 of Albuquerque's litigation section before joining the Bernalillo 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.

Hobert "H" Warren, Customer Services and Area Operations Manager. Mr. Warren has held the manager position since 2012. He has approximately 21 years-experience in operations, compliance, construction, transition planning, automated meter reading implementation, 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.

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, 2013-2017:

|   | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          | <u>2013</u>            |
|---|----------------------|----------------------|----------------------|----------------------|------------------------|
| <b>ASSETS</b>                                   |                      |                      |                      |                      |                        |
| Current Assets                                  |                      |                      |                      |                      |                        |
| Cash and investments                            | \$125,990,458        | \$101,195,934        | \$68,886,433         | \$23,118,415         | \$4,376,391            |
| Cash held for debt service                      | 0                    | 0                    | 0                    | 37,717,945           | 34,205,405             |
| Accounts receivable                             | 19,607,343           | 18,981,742           | 14,678,230           | 14,513,349           | 15,487,864             |
| Due from other governments                      | 1,295                | 447,969              | 932,227              | 2,616,356            | 2,194,935              |
| Prepaid assets                                  | 57,380               | 0                    | 0                    | 0                    | 15,851                 |
| Notes receivable                                | 715,219              | 740,459              | 790,870              | 817,849              | 920,432                |
| <b>Total Current Assets</b>                     | <b>146,371,695</b>   | <b>121,366,104</b>   | <b>85,287,760</b>    | <b>78,783,914</b>    | <b>57,200,878</b>      |
| Noncurrent Assets                               |                      |                      |                      |                      |                        |
| Long-term receivables                           | 4,174,174            | 3,958,777            | 3,754,006            | 3,946,792            | 5,216,608              |
| Restricted Assets                               |                      |                      |                      |                      |                        |
| Cash and investments                            | 56,956,621           | 46,529,971           | 77,114,772           | 31,848,311           | 3,057,077              |
| Post-Employment life insurance benefit trust    | 0                    | 0                    | 798,900              | 818,273              | 0                      |
| <b>Total Restricted Assets</b>                  | <b>61,130,795</b>    | <b>50,488,748</b>    | <b>81,667,678</b>    | <b>32,613,376</b>    | <b>3,057,077</b>       |
| Capital Assets, net of accumulated depreciation |                      |                      |                      |                      |                        |
| Buildings and other improvements                | 1,075,561,839        | 1,099,794,736        | 1,094,473,803        | 1,146,008,251        | 1,222,710,534          |
| Purchased water rights                          | 49,251,368           | 48,862,906           | 48,240,385           | 45,116,733           | 44,581,533             |
| Land  | 25,170,378           | 25,170,378           | 25,724,125           | 25,702,293           | 0                      |
| Machinery and equipment                         | 9,684,964            | 9,680,793            | 3,754,006            | 3,946,792            | 0                      |
| Construction work in progress                   | 22,764,278           | 3,791,893            | 42,578,965           | 16,202,781           | 3,892,953              |
| <b>Total Capital Assets</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>1,271,185,020</b>   |
| Capitalized bond issuance costs                 | 0                    | 0                    | 0                    | 0                    | 0                      |
| <b>Total Noncurrent Assets</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>1,279,458,705</b>   |
| <b>TOTAL ASSETS</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>\$1,336,659,583</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                      |                      |                      |                      |                        |
| Deferred amounts related to pensions            | 20,395,732           | 3,020,719            | 6,425,778            | 0                    | 0                      |
| Deferred amounts on refunding                   | 23,089,446           | 23,114,769           | 25,878,691           | 0                    | 0                      |
| <b>Total deferred outflows of resources</b>     | <b>43,485,178</b>    | <b>26,135,488</b>    | <b>32,304,469</b>    | <b>0</b>             | <b>0</b>               |
| <b>LIABILITIES</b>                              |                      |                      |                      |                      |                        |
| Current Liabilities                             |                      |                      |                      |                      |                        |
| Accounts payable                                | 15,530,540           | 12,910,228           | 10,500,449           | 10,860,709           | 2,817,948              |
| Accrued payroll                                 | 1,495,559            | 2,582,062            | 2,129,109            | 2,305,108            | 1,912,951              |
| Claims payable, current portion                 | 671,543              | 993,586              | 563,865              | 0                    | 0                      |
| Accrued compensated absences                    | 3,569,503            | 3,019,584            | 2,663,822            | 3,349,805            | 3,071,653              |
| Deposits  | 766,608              | 687,857              | 727,676              | 766,419              | 702,845                |
| Construction contracts payable                  | 0                    | 0                    | 0                    | 5,272,729            | 4,274,419              |
| Current portion debt obligation bonds           | 37,930,000           | 37,265,000           | 35,530,000           | 24,735,000           | 23,545,000             |
| Loan agreements/lines of credit                 | 4,285,917            | 9,710,054            | 8,508,529            | 10,109,815           | 18,609,698             |
| Water rights contract                           | 1,170,372            | 1,135,776            | 1,102,203            | 1,069,622            | 1,038,005              |
| Accrued interest payable                        | 0                    | 0                    | 0                    | 276,343              | 11,829,953             |
| Accrued interest for debt obligations           | 12,726,908           | 13,278,888           | 12,568,850           | 13,326,311           | 0                      |
| <b>Total Current Liabilities</b>                | <b>78,146,950</b>    | <b>81,583,035</b>    | <b>74,294,503</b>    | <b>66,822,789</b>    | <b>67,802,472</b>      |
| Noncurrent Liabilities                          |                      |                      |                      |                      |                        |
| Debt obligations                                |                      |                      |                      |                      |                        |
| Bonds net premium/discounts                     | 609,982,924          | 584,931,928          | 634,147,215          | 508,809,453          | 410,568,603            |
| Loan agreements/line of credit                  | 41,934,953           | 48,078,533           | 58,704,590           | 127,174,021          | 192,195,579            |
| Water rights contract                           | 6,408,817            | 7,579,189            | 8,714,965            | 9,817,168            | 10,886,790             |
| Unamortized premium                             | 0                    | 0                    | 0                    | 23,863,736           | 0                      |
| <b>Total Debt Obligations</b>                   | <b>658,326,694</b>   | <b>640,589,650</b>   | <b>701,566,770</b>   | <b>645,800,642</b>   | <b>613,650,972</b>     |
| Other Noncurrent Liabilities                    |                      |                      |                      |                      |                        |
| Claims payable, net of current position         | 2,280,290            | 1,429,794            | 1,188,165            | 0                    | 0                      |
| Net pension liability                           | 59,008,103           | 38,165,167           | 29,351,538           | 0                    | 0                      |
| OPEB life insurance obligation                  | 385,874              | 389,848              | 415,763              | 390,711              | 1,108,722              |
| Accrued compensated absences                    | 176,298              | 367,674              | 889,528              | 1,222,954            | 746,797                |
| <b>Total Other Noncurrent Liabilities</b>       | <b>61,850,565</b>    | <b>40,352,483</b>    | <b>31,844,994</b>    | <b>1,613,665</b>     | <b>1,855,519</b>       |
| <b>Total Noncurrent Liabilities</b>             | <b>720,177,259</b>   | <b>680,942,133</b>   | <b>733,706,267</b>   | <b>647,414,307</b>   | <b>615,506,491</b>     |
| <b>TOTAL LIABILITIES</b>                        | <b>798,324,209</b>   | <b>762,525,168</b>   | <b>807,706,267</b>   | <b>714,237,096</b>   | <b>683,308,963</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                      |                      |                      |                      |                        |
| Deferred amounts related to pensions            | 1,089,646            | 1,095,992            | 11,502,989           | 0                    | 0                      |
| <b>NET POSITION</b>                             |                      |                      |                      |                      |                        |
| Net investment in capital assets                | 560,765,911          | 568,244,966          | 576,677,611          | 595,695,430          | 617,398,422            |
| Unrestricted                                    | 73,240,729           | 53,424,920           | 23,764,690           | 51,026,962           | 35,952,198             |
| <b>TOTAL NET POSITION</b>                       | <b>\$634,006,640</b> | <b>\$621,669,886</b> | <b>\$600,442,301</b> | <b>\$646,722,392</b> | <b>\$653,350,620</b>   |

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, 2013-2017:

|   | <u>Fiscal Years</u>  |                      |                                  |                      |                      |
|---|----------------------|----------------------|----------------------------------|----------------------|----------------------|
|   | <u>2017</u>          | <u>2016</u>          | <u>2015</u>                      | <u>2014</u>          | <u>2013</u>          |
| <b>Operating Revenues</b>                   |                      |                      |                                  |                      |                      |
| Charges for services                        | <u>\$215,193,982</u> | <u>\$210,056,776</u> | <u>\$192,311,627</u>             | <u>\$182,350,428</u> | <u>\$179,677,625</u> |
| <b>Operating Expenses</b>                   |                      |                      |                                  |                      |                      |
| General and administrative                  | 63,307,749           | 59,910,588           | 61,106,551                       | -                    | -                    |
| Source of supply, pumping, treating, distr. | 48,017,762           | 46,986,703           | 46,524,899                       | -                    | -                    |
| Non-capitalized major repair                | 5,795,924            | 4,285,103            | 6,428,665                        | -                    | -                    |
| Salaries and fringe benefits                | -                    | -                    | -                                | 50,381,058           | 48,510,025           |
| Professional services                       | -                    | -                    | -                                | 1,726,252            | 882,847              |
| Utilities                                   | -                    | -                    | -                                | 15,076,188           | 12,889,006           |
| Supplies                                    | -                    | -                    | -                                | 1,504,730            | 9,295,557            |
| Fuels, repairs and maintenance              | -                    | -                    | -                                | 18,749,564           | 13,095,120           |
| Chemicals                                   | -                    | -                    | -                                | 5,943,487            | -                    |
| Contractual services                        | -                    | -                    | -                                | 9,179,077            | 9,694,480            |
| Franchise fees                              | -                    | -                    | -                                | 6,714,627            | 6,629,318            |
| Tort and other legal fees                   | -                    | -                    | -                                | 2,306,928            | 2,618,768            |
| Workman's compensation costs                | -                    | -                    | -                                | 351,186              | 754,159              |
| Administrative fees other governments       | -                    | -                    | -                                | 271,588              | 1,550,000            |
| Other operating expenses                    | -                    | -                    | -                                | 1,671,153            | 1,294,397            |
| Depreciation                                | 81,648,334           | 80,357,265           | 83,094,979                       | 84,788,418           | 86,644,314           |
| Amortization                                | -                    | -                    | -                                | 448,100              | 442,748              |
| Bad debt expense                            | -                    | -                    | -                                | <u>56,973</u>        | <u>27,084</u>        |
| Total Expenses                              | <u>198,769,769</u>   | <u>191,539,659</u>   | <u>197,155,094</u>               | <u>199,169,329</u>   | <u>195,436,545</u>   |
| <b>Operating Income/Loss</b>                | <u>16,424,213</u>    | <u>18,517,117</u>    | <u>(4,843,467)</u>               | <u>(16,818,901)</u>  | <u>(15,758,920)</u>  |
| <b>Non-operating revenues (expenses)</b>    |                      |                      |                                  |                      |                      |
| Interest on investments                     | 86,073               | 155,431              | 44,453                           | 159,870              | 42,009               |
| Interest expense                            | (18,448,939)         | (18,034,371)         | (19,856,948)                     | (27,545,590)         | (24,565,918)         |
| Utility expansion charges                   | 8,545,978            | 9,256,938            | 7,541,201                        | 7,872,236            | 8,197,016            |
| Debt issuance costs                         | (710,270)            | -                    | (2,272,566)                      | (812,445)            | -                    |
| Lease of stored water                       | 1,181,658            | 1,615,215            | 99,627                           | 3,536,037            | -                    |
| Other revenues                              | <u>1,735,797</u>     | <u>4,212,925</u>     | <u>2,057,745</u>                 | <u>4,766,159</u>     | <u>1,685,449</u>     |
| Total non-operating income                  | <u>(7,609,703)</u>   | <u>(2,793,862)</u>   | <u>(12,386,488)</u>              | <u>(12,023,733)</u>  | <u>(14,641,444)</u>  |
| <b>Income (loss) before contributions</b>   | 8,814,510            | 15,723,255           | (17,229,955)                     | (28,842,634)         | (30,400,364)         |
| Capital contributions                       | <u>3,522,244</u>     | <u>5,504,330</u>     | <u>7,347,569</u>                 | <u>9,388,162</u>     | <u>4,131,814</u>     |
| <b>Change in Net Position</b>               | 12,336,754           | 21,227,585           | (9,882,386)                      | (19,454,472)         | (26,268,550)         |
| <b>Net Position July 1, as restated</b>     | <u>621,669,886</u>   | <u>600,442,301</u>   | <u>610,324,687<sup>(1)</sup></u> | <u>653,350,620</u>   | <u>679,619,170</u>   |
| <b>Net Position June 30</b>                 | <u>\$634,006,640</u> | <u>\$621,669,886</u> | <u>\$600,442,301</u>             | <u>\$633,896,148</u> | <u>\$653,350,620</u> |

(1) 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<br/>Debt Service Coverage Calculation<br/>Fiscal Years 2013-2017</b> |                             |                             |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>2017</u>                 | <u>2016</u>                 | <u>2015</u>                 | <u>2014</u>                 | <u>2013</u>                 |
| Total operating revenues  | \$215,193,982               | \$210,056,776               | \$192,311,627               | \$182,350,427               | \$179,677,625               |
| Non-operating revenues (expenses):  |                             |                             |                             |                             |                             |
| Interest  | 86,073                      | 155,431                     | 44,453                      | 75,920                      | 211,411                     |
| Utility Expansion charges   | 8,545,978                   | 9,256,938                   | 7,541,201                   | 7,872,237                   | 8,197,016                   |
| Other Expenses  | -                           | -                           | -                           | -                           | (1,150,019)                 |
| Other Revenues  | <u>3,217,905</u>            | <u>7,304,796</u>            | <u>3,936,638</u>            | <u>8,935,575</u>            | <u>4,031,540</u>            |
| <b>Total adjusted revenues</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> | <b><u>\$190,967,573</u></b> |
| Total operating expenses  | \$198,769,769               | \$191,539,658               | \$197,155,094               | \$198,664,257               | \$195,436,545               |
| Less:   |                             |                             |                             |                             |                             |
| Franchise fees  | -                           | -                           | -                           | -                           | (6,629,318)                 |
| Bad debt expense  | -                           | -                           | -                           | (56,973)                    | -                           |
| Non-capitalized system obligations  | (5,795,924)                 | (4,285,103)                 | (6,428,665)                 | (5,641,663)                 | -                           |
| OPEB Life Insurance Benefits  | -                           | -                           | (34,339)                    | -                           | (1,108,722)                 |
| Depreciation  | (81,648,334)                | (80,357,265)                | (83,094,979)                | (84,788,418)                | (86,644,314)                |
| Amortization  | -                           | -                           | -                           | -                           | (442,748)                   |
| <b>Total adjusted operating expenses</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> | <b><u>\$100,611,443</u></b> |
| Release from Rate Stabilization Fund  | -                           | -                           | -                           | -                           | \$4,000,000                 |
| <b>Net revenues available for debt service</b>  | <b>\$115,718,427</b>        | <b>\$119,876,651</b>        | <b>\$96,236,808</b>         | <b>\$91,056,957</b>         | <b>\$94,356,130</b>         |
| Total senior debt service (less amortization of premium)  | <u>\$48,989,966</u>         | <u>\$53,957,932</u>         | <u>\$47,351,384</u>         | <u>\$67,968,843</u>         | <u>\$63,504,816</u>         |
| Senior debt service coverage  | 2.36x                       | 2.22x                       | 2.03x                       | 1.34x                       | 1.42x                       |
| Subordinate debt service <sup>(1)</sup>   | <u>\$13,177,074</u>         | <u>\$5,004,682</u>          | <u>\$3,838,983</u>          | <u>\$1,316,774</u>          | <u>\$1,957,641</u>          |
| Combined total debt service   | <u>\$62,167,041</u>         | <u>\$58,962,614</u>         | <u>\$51,190,367</u>         | <u>\$69,285,617</u>         | <u>\$65,462,457</u>         |
| <b>All in debt service coverage</b>   | <b>1.86x</b>                | <b>2.03x</b>                | <b>1.87x</b>                | <b>1.31x</b>                | <b>1.38x</b>                |

(1) This total does not include Outstanding Super Subordinated Obligations.  
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

| <u>Fiscal Year</u> | <u>Revenue from Water Charges</u>           |                               | <u>Revenue Wastewater Charges</u> | <u>Other Operating Revenue<sup>(3)</sup></u> | <u>Total Operating Revenue</u> |
|--------------------|---|-------------------------------|-----------------------------------|--|--------------------------------|
|                    | <u>For General Operations<sup>(1)</sup></u> | <u>For WRMS<sup>(2)</sup></u> |                                   |  |                                |
| 2013               | \$84,994,139                                | \$29,558,320                  | \$57,072,020                      | \$8,053,146                                  | \$179,677,625                  |
| 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                    |

- (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 Water Resource Management Strategy. 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, Sections 5-8-1 through 5-8-42 NMSA 1978, 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 below.

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”                | \$3,151             | \$2,364                  |
| 1”                | 5,251               | 3,939                    |
| 1 ½”              | 10,502              | 7,877                    |
| 2”                | 16,808              | 12,602                   |
| 3”                | 33,608              | 25,266                   |
| 4”                | 52,514              | 40,382                   |
| 6”                | 105,031             | 80,769                   |
| 8” & over         | 168,048             | 126,030                  |

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

During Fiscal Years 2013 through 2017, the following revenue from the collection of UECs was received.

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

| <u>Fiscal Year</u> | <u>Total UEC Revenues</u> |
|--------------------|---------------------------|
| 2013               | \$8,197,016               |
| 2014               | 7,872,237                 |
| 2015               | 7,541,201                 |
| 2016               | 9,256,938                 |
| 2017               | 8,545,978                 |

*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 Water Resources Management Strategy and other guiding principles adopted by the 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”                | \$1,627                    |
| 1”                | 2,722                      |
| 1 ½”              | 5,423                      |
| 2”                | 8,676                      |
| 3”                | 17,355                     |
| 4”                | 26,927                     |
| 6”                | 54,347                     |
| 8” & over         | 86,767                     |

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 \$10.0 million for Fiscal Year 2017. Consistent with the Rate Stabilization Fund’s intended use, the Water Authority withdrew \$4.0 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 water supply charge 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, 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. 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 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 United States Environmental Protection Agency, 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 2013 through 2017.

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

Source: Albuquerque Bernalillo County Water Utility Authority.

## History of Water Users by Class

| <u>Class</u>     | <u>Fiscal Year</u> |                |                |                |                |
|------------------|--------------------|----------------|----------------|----------------|----------------|
|                  | <u>2013</u>        | <u>2014</u>    | <u>2015</u>    | <u>2016</u>    | <u>2017</u>    |
| Residential      | 174,909            | 174,193        | 186,461        | 187,479        | 181,814        |
| Multi-Family     | 6,430              | 6,569          | 7,115          | 7,268          | 7,801          |
| Commercial       | 11,321             | 11,303         | 11,923         | 11,901         | 11,913         |
| Institutional    | 2,391              | 2,196          | 2,150          | 2,187          | 3,650          |
| Industrial       | 99                 | 99             | 113            | 110            | 119            |
| Other Meter      | -                  | -              | -              | -              | 616            |
| Solid Waste Only | -                  | -              | -              | -              | 1,362          |
| Non-meter        | -                  | -              | -              | -              | 2,940          |
| <b>Total</b>     | <u>195,150</u>     | <u>194,360</u> | <u>207,762</u> | <u>208,945</u> | <u>210,215</u> |

*Source:* Albuquerque Bernalillo County Water Utility Authority.

According to the Water Authority's records for Fiscal Year 2017, the top ten retail customers of the System, in the aggregate, accounted for no more than 16.89% of the total billed consumption for the Water System, 11.47% of the total revenue of the Water System, 10.17% of the total billed consumption for the Wastewater System and 7.05% of the total revenue of the Wastewater System.

During Fiscal Year 2017, 51.18% of billed water consumption was residential, while 15.52% was classified as commercial. The balance consisted of multi-family users consuming 16.72%, institutional users consuming 5.91%, industrial users at 1.20% and special contracts and hydrants meters at 9.48%.

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

|   | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Estimated Population<br>(Service Area)                  | 643,881     | 656,305     | 658,238     | 670,779     | 676,298     |
| Number of Meters Billed                                 | 205,316     | 206,944     | 208,200     | 208,140     | 206,606     |
| Estimated Persons Per Meter                             | 3.14        | 3.17        | 3.16        | 3.22        | 3.27        |
| Annual Pumpage<br>(1,000 Gallons)                       | 33,222,000  | 30,836,000  | 29,498,000  | 30,720,000  | 30,895,000  |
| Annual Water Billed<br>(1,000 Gallons)                  | 28,113,371  | 28,075,612  | 27,195,260  | 28,250,591  | 28,357,626  |
| Average Daily Pumpage<br>(Gallons)                      | 91,019,178  | 84,482,192  | 80,816,438  | 84,164,384  | 84,357,626  |
| Peak Day Pumpage<br>(Gallons)                           | 157,000,000 | 144,000,000 | 146,000,000 | 159,000,000 | 150,600,000 |
| Average Daily Production<br>Per Meter<br>(Gallons)      | 443         | 408         | 388         | 404         | 410         |
| Well Pumping Capacity<br>(per 24 Hour Period)           | 187,000,000 | 183,000,000 | 184,000,000 | 178,000,000 | 176,000,000 |
| Storage Capacity (Gallons)                              | 249,000,000 | 253,000,000 | 245,000,000 | 245,000,000 | 245,000,000 |
| Surface Water Treatment<br>Plant Capacity (Gallons)     | 84,000,000  | 84,000,000  | 84,000,000  | 84,000,000  | 84,000,000  |
| Surface Water Pumping<br>Capacity (Gallons)             | 140,000,000 | 140,000,000 | 140,000,000 | 140,000,000 | 140,000,000 |
| Surface Water Storage<br>Capacity (Gallons)             | 20,000,000  | 20,000,000  | 20,000,000  | 20,000,000  | 20,000,000  |
| Fire Hydrants   | 15,249      | 15,344      | 15,572      | 15,646      | 15,731      |
| Southside Water Reclamation<br>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  | 2,680       | 2,691       | 2,721       | 2,729       | 2,739       |
| -Wastewater   | 1,875       | 1,879       | 1,900       | 1,904       | 1,908       |
| Surface Water   | 37          | 37          | 37          | 37          | 37          |

(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 2018, and increase \$3.0 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 has adopted a Budget Ordinance 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 2016 – Fiscal Year 2025, 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 water 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 2016 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’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.

The internal assessment of the condition of the Water Authority’s infrastructure and future system needs as well as changes in the external environment in which the Water Authority operates will necessarily lead to changes in revenue allocation over time. The next Decade Plan, Fiscal Year 2018 – Fiscal Year 2027, that will be in place before the start of Fiscal Year 2018 can be expected to reflect some change in priorities from the current decade plan.

The Water Authority anticipates \$680 million in capital needs through Fiscal Year 2025.

|                                   | <u>FY2017</u> | <u>FY2018</u> | <u>FY2019</u> | <u>FY2020</u> | <u>FY2021</u> | <u>FY2022</u> | <u>FY2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>Total</u> | <u>%</u> |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|--------------|----------|
| Capital Needs                     | \$66,000      | \$64,000      | \$62,000      | \$65,000      | \$68,000      | \$71,000      | \$74,000      | \$77,000       | \$80,000       | \$680,000    | 100%     |
| Bond Proceeds                     | \$29,000      | \$28,000      | \$28,000      | \$28,000      | \$28,000      | \$28,000      | \$28,000      | \$28,000       | \$28,000       | \$281,000    | 41%      |
| Difference<br>Funded with<br>Cash | \$37,000      | \$36,000      | \$34,000      | \$37,000      | \$40,000      | \$43,000      | \$46,000      | \$49,000       | \$52,000       | \$399,000    | 59%      |

These projections are subject to change.

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 2018 growth program budget will continue 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 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.

### *Approved Fiscal Year 2018 Budget*

The approved Fiscal Year 2018 budget is the Water Authority's financial plan for Fiscal Year 2018. 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.

The utility'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 2017 this recognition included:

- 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.

Looking forward, the Water Authority must continue to spend \$36 million per year in Capital Implementation Program ("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.

In the preparation of the Fiscal Year 2018 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. Staffing levels have an increase of one net position in Fiscal Year 2018. There is a 1% increase in other employee benefits. General operating expenditures increased by \$1.4 million. The most significant expense of the Water Authority continues to be debt service payments which will comprise 32% of the total operating expense in Fiscal Year 2018.

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

The DWP provided 71% of all water distributed to Water Authority customers in calendar year 2017. The Water Authority’s goal is to have the DWP supply 70-75% of all customer demand. Flow conditions in the Rio Grande may limit the ability to fully realize this goal. At the end of calendar year 2017, the Water Authority still had more than two years of stored water available through the DWP.

In Fiscal Year 2018, the Health and Wellness Specialist will continue offering wellness challenges for individuals and departments in conjunction with the Solutions Group as part of our health insurance. At least two fitness challenges per quarter will be offered this year and will include nutrition, physical activity and weight loss tips as well as disease and injury prevention topics to employees. Staff will install outdoor gym equipment at the Southside Water Reclamation Plant.

The Fiscal Year 2018 Budget also 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.

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

Revenue for Fiscal Year 2018 is estimated to be \$229.9 million representing an increase of \$12.9 million from the budgeted Fiscal Year 2017 amount. The Fiscal Year 2018 Budget

shows a net increase of one new position. Three labor unions represent 500 of the 633 Water Authority employees.

For Fiscal Year 2018 revenues are expected to be \$7.0 million over proposed expenditures, which include funding the Rate Stabilization Fund. This amount is expected to bring the Working Capital or Fund Balance to \$11.8 million at June 30, 2018. The Water Authority continues to strive to achieve a Fund Balance to 1/12 of the annual budgeted operating expenditures. For Fiscal Year 2018, \$2 million will be added to the Rate Stabilization fund.

Also submitted in a separate resolution is the Capital Improvement Program (CIP) budget for Fiscal Year 2018. The appropriation for Fiscal Year 2018 for CIP is \$64.6 million. \$52.0 million is appropriated for the level one priority basic capital programs, \$6.0 million for growth related projects, and \$6.6 million is appropriated for special projects. The \$6.6 million for special projects is comprised of \$2.0 million for the Automated Meter Infrastructure (AMI), \$1.0 million for steel water line replacement, \$400,000 for various renewable energy projects, and \$3.2 million for specific pipeline rehab projects.

The Water Authority continues to participate in American Water Works Association's (AWWA) 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.

The Water Authority has established an asset management program with a steering committee to oversee the program. The program is an extensive, well thought out 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 AMP used to provide a rational 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. The Water Authority has also completed several strategic ten-year asset management plans for various asset classes (i.e., small diameter pipes, large diameter pipes, wastewater treatment plant, groundwater, and collection system facilities). The ten-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 2018, 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.

The Fiscal Year 2018 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 2018 to improve services and gain operating efficiencies.

#### **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 of New Mexico. 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 New Mexico 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 approved Statement No. 68 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, 2017, the Water Authority reported a net pension liability of \$59,008,103 for its proportionate share of the net pension liability. See "Detailed Notes (E) – Defined Benefit Pension Plan – Public Employees Retirement Association", Appendix A - Annual Financial Report Year ended June 30, 2017.

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, 2017, 2016 and 2015 were \$3,129,931, \$3,020,667 and \$2,959,288, 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, 2017 were \$3,477,339.

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, 2017 (in thousands)

|   |              |
|---|--------------|
| Membership <sup>(1)</sup>                     | 103,130      |
| Actuarial Information                         |              |
| Accrued Liability <sup>(2)</sup>              | \$20,194,698 |
| Actuarial Value of Assets <sup>(3)</sup>      | \$15,124,167 |
| Unfunded Actuarial Accrued Liability ("UAAL") | \$5,070,530  |

(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 74.9% as of June 30, 2017 and the UAAL of the PERA Fund increased \$251 million to approximately \$5.1 billion. The State's portion of the UAAL of the PERA Fund is 53.1%, or \$2.7 billion. On a market value basis, PERA's funded ratio is approximately 73.1% as of June 30, 2017. Current 30-year projections indicate the PERA Fund will be 87.3% funded in 2043.

### **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. 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 \$271,617 in fiscal year 2017.

### **New Mexico Retiree Health Care Authority**

Water Authority employees also participate in the State-sponsored New Mexico Retiree Health Care Authority (the "NMRHCA"). The NMRHCA administers the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service in the State and eligible dependents. The purpose of the Retiree Health Care Act is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds deposited by the employer into the Retiree Health Care Fund (the "RHCF") and by co-payments or out-of-pocket payments of eligible retirees. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's Retiree Health Care Act effective date. The Retiree Health Care Act provides that the benefits offered to retired public employees may be modified, diminished or extinguished by the Legislature, and that the act does not create any contract, trust or other rights in public employees to health care benefits. The Water Authority's contributions (employer and employee) to the NMRHCA for the fiscal years ended June 30, 2017, 2016 and 2015 were \$983,240, \$948,912 and \$931,393, respectively, which equal the required contributions for each 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 [nmrhca.org/financial-documents.aspx](http://nmrhca.org/financial-documents.aspx).

## **Life Insurance Benefits**

The Water Authority, as of the fiscal year ended June 30, 2017, participated in the City of Albuquerque'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 will no longer be offered employer paid life insurance in an amount after they retire. The number of Water Authority retired employees covered under the City Plan at June 30, 2017 was 177. The number of active employees at June 30, 2017 was 498.

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 contributions are expected to match or exceed the annual required contribution ("ARC") calculated in the actuarial study in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities of the plan for the remainder of the 30 year closed period. Total contributions made for the fiscal year ended June 30, 2017 equaled the annual required contribution. The Water Authority's contributions to the trust for the fiscal year ended June 30, 2017 were \$43,046.

## **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, 2017**



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2017 & 2016



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



6/30/2017

Albuquerque Bernalillo County Water Utility Authority

**For the Fiscal Years Ended June 30, 2017 and 2016**

**Albuquerque, New Mexico**

**PREPARED BY FINANCIAL/BUSINESS SERVICES DIVISION**



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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# INTRODUCTORY SECTION

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## LETTER OF TRANSMITTAL

November 29, 2017

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

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2017 and 2016. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority is required to have its financial affairs examined and audited each year and approved by the New Mexico State Auditor's office.

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

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

REDW LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditors and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2017 and 2016. The independent auditor's report is located at the front of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditor's report.

## Profile of the Water Authority

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

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 658,238 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the water system.

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

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

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

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

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

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

## Summary of Local Economy

Albuquerque is the largest city in New Mexico; is also its economic center; it accounts for nearly half of the state's economic activity. Part of its success can be attributed to a diverse base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development. Albuquerque is one of the most livable cities in the U.S., averaging more than 310 days of sunshine a year. The city rests at the foot of the Sandia Mountains, which peaks at 10,678 feet. The Rio Grande

River runs north to south, dividing the city in to four major quadrants; northeast, northwest, southeast, and southwest.

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

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 908,252 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

Some of top industries in Albuquerque are aerospace and defense, energy technology including solar energy, and semiconductor and computer chip manufacturing. Major employers in the Albuquerque area include Kirtland Air Force Base, Sandia National Laboratory, Fidelity Investments, Sennheiser, Raytheon, General Mills, and Intel Corp. The flagship campus of the 25,000-student University of New Mexico is in Albuquerque, as is Central New Mexico Community College, providing hundreds of jobs to educators.

In February 2017, the state led the nation in highest unemployment rate at 6.8% compared to 4.7% for the United States. The Albuquerque area unemployment rate is 6.0%. In the five-year forecast, through 2022, the Albuquerque area economy is forecasted to add 25,392 jobs at an average annual growth (AAG) rate of 1.4%. Most growth over the period will be concentrated in the private sector (1.6%); the government sector will also add jobs (0.3%).

Personal income growth in the Albuquerque area is forecasted to be consistent throughout much of the forecast period and relatively stronger than in the rest of the state. In 2017 and 2018, growth is forecasted to average 4.6% in both years before a moderate increase to 4.9% in 2019.

The total housing permits in the City of Albuquerque are expected to slowly increase, with the largest gains between 2018 and 2021. Total housing permits for the rest of 2017 are forecasted to grow by 126 (14.2%) over a year earlier to 1,015 permits. Multi-family permits should make up around 300 per year, with the balance being made up by single-family. Although permits are expected to reach their highest level since before the recession in 2022 at 1,975, this level will only equate to about 40% of the previous peak reached in 2003 (5,716 total permits that year).

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

### Long-Term Financial Planning

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

To plan for the future and to ensure financial stability, an amendment to the Water Authority's Rate Ordinance was approved by the Board which increased rate revenue by 5% in fiscal years 2014, 2015,

and 2016 and will again increase the rate revenue in fiscal year 2018. The Water Authority has operated since fiscal year 2004 with one rate increase of 6% in fiscal year 2007 and one rate increase of 5% in fiscal year 2012.

Effective July 1, 2007, the Water Authority Board approved new policies that will impact financial planning for the future. A Rate Stabilization Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate increases. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Supply Charge (WSC) based on the building cost or construction cost indices was implemented. This adjustment will allow the Water Authority's capital program to maintain constant dollars with inflationary increases in the future. The Water Supply Charge was established to provide the resources for the Water Authority to begin the planning, acquisition and development of new water sources to meet the demands of new customers outside the established service area without impacting existing customers.

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

### Major Initiatives

The operational cornerstone of Water 2120 is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After nine years of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at: <https://www.youtube.com/watch?v=Z6stQZw2LIM&feature=youtu.be>.

Building on accomplishments such as these, Water Authority staff and leadership will continue to pursue new operational efficiencies and improvements in FY18. The Operations groups have completed documentation for shift procedures and standard operating procedures and are implementing and measuring key performance indicators for the water, wastewater and ground water plant facilities. In addition, we will continue to implement mobile technology to document and complete work assignments in the various groups including field operations. Field operations have developed and submitted a five year "strategic plan" to guide its operational goals and objectives.

Wastewater Collections continues to implement the Capacity Management Operations and Maintenance (CMOM) program. The expanded closed-circuit television (CCTV) inspection of 5% of the small diameter system each year provides for better maintenance and identification of specific rehab needs. Communication with entities potentially impacted by public or private sewage spills continues to be enhanced and documented in the Overflow Emergency Response Plan (OERP) which is a portion of the CMOM. The fleet of combination cleaning units is being renewed and provided with updated nozzles.

Water Distribution Field will begin implementation of the Maximo version upgrade and integration, training, and sustained use of hand-held electronic data recording devices. In FY18, the division will evaluate maintenance reduction potential by eliminating select redundant/inoperable pressure reducing valves monitored with AMR technology.

The Water Authority's certification training programs continue to develop employees' knowledge and skills in various positions, including water and wastewater operations and maintenance, dispatch, and customer service. A committee to update the Wastewater Worker training program will be convened to review and recommend updates to this program in FY18. Each fiscal year, there has been an increase in the number of utility operators obtaining their State of New Mexico Operator certification. In addition to traditional classroom and on-the-job training, employees will be able to access various training subjects online, making training more accessible to employees working non-traditional schedules (i.e. graveyard shift). A new Training Specialist position will be dedicated solely to training the operators at the SWRP. This new position will focus on delivering classroom and on-the-job training from the newly developed Utility Tech Surface Water Plant training program.

### Relevant Financial Policies

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

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

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

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016. This was the third year since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2017. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

Additionally, the Water Authority received the Popular Annual Financial Reporting Award. This award program extracts information from the Comprehensive Annual Financial Report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the public and other interested parties without a background in public finance and to recognize individual governments that are successful in achieving that goal. The Water Authority has been the recipient of this award for the past two years.

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

Respectfully submitted,

**Mark S. Sanchez**  
Executive Director

**Stanley R. Allred**  
Chief Financial Officer

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Albuquerque Bernalillo County  
Water Utility Authority, New Mexico

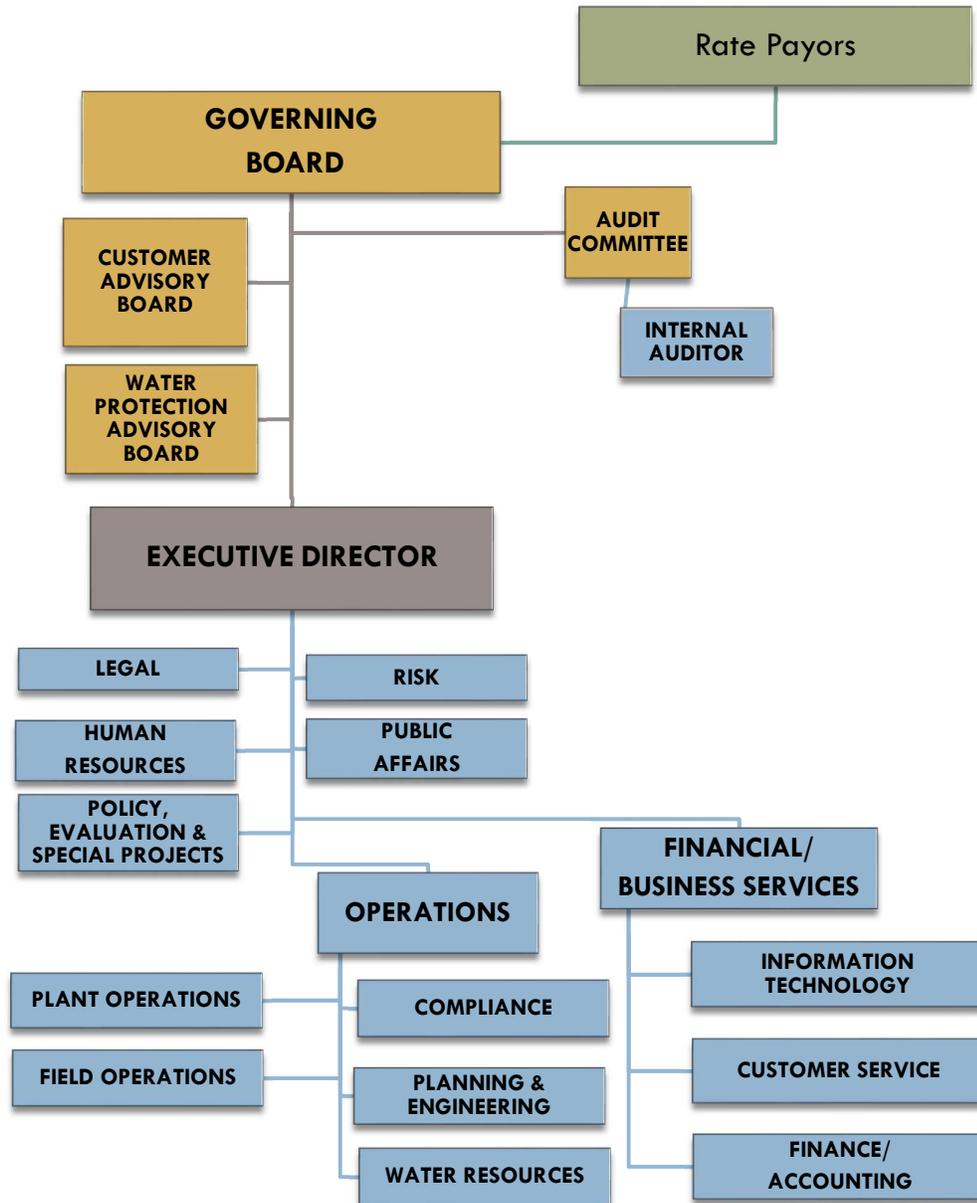
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

ORGANIZATIONAL CHART



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**SYSTEM OFFICIALS**

**GOVERNING BOARD MEMBERS**

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|                             |   |                   |
|-----------------------------|---|-------------------|
| <i>KLARISA J. PENA</i>      | <i>CITY OF ALBUQUERQUE COUNCILOR, DISTRICT 5</i>  | <i>CHAIR</i>      |
| <i>DEBBIE O'MALLEY</i>      | <i>BERNALILLO COUNTY COMMISSIONER, DISTRICT 1</i> | <i>VICE CHAIR</i> |
| <i>RICHARD R BERRY</i>      | <i>CITY OF ALBUQUERQUE, MAYOR</i>                 | <i>MEMBER</i>     |
| <i>PAT DAVIS</i>            | <i>CITY OF ALBUQUERQUE COUNCILOR, DITRICT 6</i>   | <i>MEMBER</i>     |
| <i>MAGGIE HART STEBBINS</i> | <i>BERNALILLO COUNTY COMMISSIONER, DISTRICT 3</i> | <i>MEMBER</i>     |
| <i>WAYNE JOHNSON</i>        | <i>BERNALILLO COUNTY COMMISSIONER, DISTRICT 5</i> | <i>MEMBER</i>     |
| <i>TRUDY E. JONES</i>       | <i>CITY OF ALBQUERQUE COUNCILOR, DISTRICT 8</i>   | <i>MEMBER</i>     |
| <i>PABLO R RAEI</i>         | <i>VILLAGE OF LOS RANCHOS BOARD TRUSTEE</i>       | <i>EX-OFFICIO</i> |

**ADMINISTRATIVE MANAGEMENT MEMBERS**

---

|                               |                                |
|-------------------------------|--------------------------------|
| <i>MARK S SANCHEZ</i>         | <i>EXECUTIVE DIRECTOR</i>      |
| <i>JOHN M STOMP III, P.E.</i> | <i>CHIEF OPERATING OFFICER</i> |
| <i>STANLEY R ALLRED</i>       | <i>CHIEF FINANCIAL OFFICER</i> |
| <i>PETER AUH</i>              | <i>GENERAL COUNSEL</i>         |
| <i>JUDY M BENTLEY</i>         | <i>HUMAN RESOURCES MANAGER</i> |
| <i>FRANK J ROTH</i>           | <i>SENIOR POLICY MANAGER</i>   |
| <i>DAVID R MORRIS</i>         | <i>PUBLIC AFFAIRS MANAGER</i>  |

**ONE CIVIC PLAZA STE 5012 / PO BOX 568  
ALBUQUERQUE, NM 87103  
[www.abcwua.org](http://www.abcwua.org)**

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SERVICE AREA MAP



## FINANCIAL SECTION

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## Independent Auditor's Report

The Board of Directors of the Albuquerque  
Bernalillo County Water Utility Authority  
and  
Mr. Timothy Keller  
New Mexico State Auditor

### Report on the Financial Statements

We have audited the accompanying financial statements of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2017, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority, as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In

addition, in our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress for Life Insurance Benefit Plan, and the Schedules of Net Pension Liability and Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Water Authority's financial statements and the budgetary comparison schedule. The other schedules required by 2.2.2 NMAC and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico  
November 29, 2017

## ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

As management of the Albuquerque Bernalillo County Water Utility Authority (Water Authority), we offer readers of the Water Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal, which can be found on pages 6-11 of this report.

#### FINANCIAL HIGHLIGHTS

The Water Authority's financial position, measured by the change in net position, increased 1.98 percent during fiscal year 2017, compared to 3.54 percent during fiscal year 2016.

- The assets and deferred outflows of resources of the Water Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$634.0 million (net position). The portion of net position that can be used to meet the Water Authority's on-going obligations to customers and creditors, unrestricted net position, is \$73.2 million.
- Operating revenues increased from \$210.0 million in 2016 to \$215.2 million in 2017, largely attributed to an increase in consumption levels.
- Capital contributions were \$3.5 million in 2017 compared to \$5.5 million in 2016, a decrease of \$2.0 million.
- Taking advantage of the historically low interest rate environment and the Water Authority's strong credit ratings, the Water Authority issued \$87.9 million in revenue bonds on March 1, 2017.
- The Water Authority redeemed in full, with cash on hand, all current outstanding Super Subordinate Lien long-term liabilities with the New Mexico Finance Authority totaling \$1.2 million.
- Debt service coverage for senior liens increased from 222% to 236% for fiscal year 2017; which continues to remain above the 133% requirement established by the governing board and bond covenants.

#### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Authority's basic financial statements. The Water Authority's basic financial statements contain four components: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The Water Authority, for financial statement reporting purposes, is a special purpose government engaged only in a business-type activity. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations which are the provision of water and wastewater services

to customers within the designated service area. The principal operating revenues result from exchange transactions in which each party receives and gives up essentially equal values.

**Measurement Focus / Basis of Accounting:**

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

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

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

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

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

**Basic Financial Statements:**

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

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

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Water Authority's net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

**Notes to the Financial Statements:**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 36-60 of this report.

**Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) demonstrating the Water Authority’s progress in funding its obligation to provide pension and OPEB benefits to its employees. Additional information can be found in the notes to the financial statements in Note III.G. starting on page 54.

**FINANCIAL ANALYSIS**

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

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

|                                     | FY2017    | FY2016    | FY2015    | FY2017<br>vs FY2016 | FY2016<br>vs FY2015 |
|-------------------------------------|-----------|-----------|-----------|---------------------|---------------------|
| <b>Assets:</b>                      |           |           |           |                     |                     |
| Current and other assets            | \$207,502 | \$171,855 | \$166,956 | \$35,647            | \$4,899             |
| Capital assets                      | 1,182,433 | 1,187,301 | 1,220,391 | (4,868)             | (33,090)            |
| Total assets                        | 1,389,935 | 1,359,156 | 1,387,347 | 30,779              | (28,191)            |
| Total deferred outflow of resources | 43,485    | 26,135    | 32,304    | 17,350              | 2,323               |
| <b>Liabilities:</b>                 |           |           |           |                     |                     |
| Long-term liabilities               | 720,177   | 680,942   | 733,412   | 39,235              | (52,470)            |
| Other liabilities                   | 78,147    | 81,583    | 74,294    | (3,436)             | 7,289               |
| Total liabilities                   | 798,324   | 762,525   | 807,706   | 35,799              | (45,181)            |
| Total deferred inflow of resources  | 1,090     | 1,096     | 11,503    | (6)                 | (1,915)             |
| <b>Net position:</b>                |           |           |           |                     |                     |
| Net investment in capital assets    | 560,766   | 568,245   | 576,678   | (7,479)             | (8,433)             |
| Unrestricted                        | 73,241    | 53,425    | 23,764    | 19,816              | 29,661              |
| Total net position                  | \$634,007 | \$621,670 | \$600,442 | \$12,337            | \$21,228            |

As would be expected for a utility, the largest portion of the Water Authority’s net position is the net investment in capital assets (88.4 percent). This category reflects the Water Authority’s total investment in capital assets (e.g., infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this

debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Current and non-current assets in FY2017 increased \$30.8 million from FY2016, up \$2.6 million from FY2015. The increase was primarily due to an increase in cash and restricted cash from an unpredicted increase in consumption levels and the receipt of bond proceeds and new capital acquisitions offset by retirements and current year depreciation of \$81.6 million.
- Other current liabilities in FY2017 decreased \$3.4 million from FY2016, increased \$3.9 million from FY2015. The decrease in FY2017 was primarily related to the payoff of super subordinate debt obligations.
- Long-term liabilities in FY2017 increased \$39.2 million from FY2016 and a decrease \$13.2 million from FY2015. The increase in FY2017 was primarily due to the issuance of new long-term debt obligations and the net change in net pension liability.



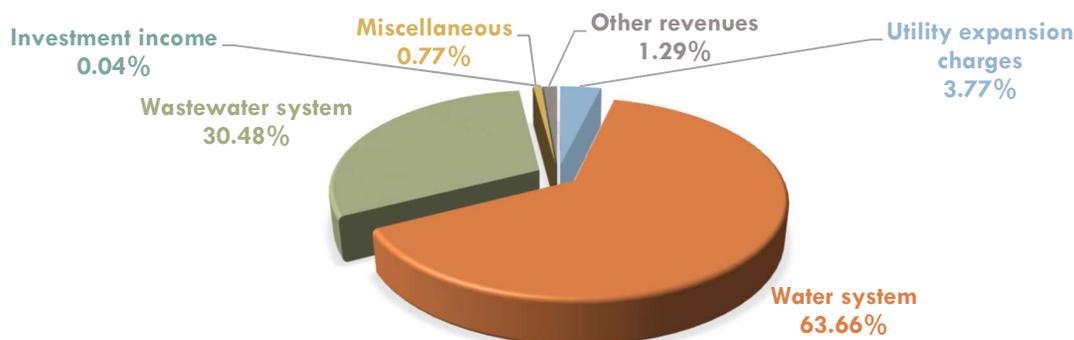
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years. Certain fiscal year 2016 and 2015 amounts have been reclassified to conform to the fiscal year 2017 presentation.

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

|  | FY2017         | FY2016         | FY2015         | FY2017 vs FY2016 | FY2016 vs FY2015 |
|--|----------------|----------------|----------------|------------------|------------------|
| <b>Revenues:</b>                           |                |                |                |                  |                  |
| Operating                                  | \$215,194      | \$210,056      | \$185,202      | \$5,138          | \$24,854         |
| Non-operating                              | 11,549         | 15,240         | 9,742          | (3,691)          | 5,498            |
| <b>Total revenues</b>                      | <b>226,743</b> | <b>225,296</b> | <b>194,944</b> | <b>1,447</b>     | <b>30,352</b>    |
| <b>Expenses:</b>                           |                |                |                |                  |                  |
| Operating                                  | 198,770        | 191,538        | 190,045        | 7,232            | 1,493            |
| Non-operating                              | 19,158         | 18,034         | 22,129         | 1,124            | (4,095)          |
| <b>Total Expenses</b>                      | <b>217,928</b> | <b>209,572</b> | <b>212,174</b> | <b>8,356</b>     | <b>(2,602)</b>   |
| Income (Loss) before capital contributions | 8,815          | 15,724         | (17,230)       | (6,909)          | 32,954           |
| Capital contributions                      | 3,522          | 5,504          | 7,348          | (1,982)          | (1,844)          |
| Change in net position                     | 12,337         | 21,228         | (9,882)        | (8,891)          | 31,110           |
| Net position, beginning of year            | 621,670        | 600,442        | 610,324        | 21,228           | (9,882)          |
| Net position, end of year                  | \$634,007      | \$621,670      | \$600,442      | \$12,337         | \$21,228         |

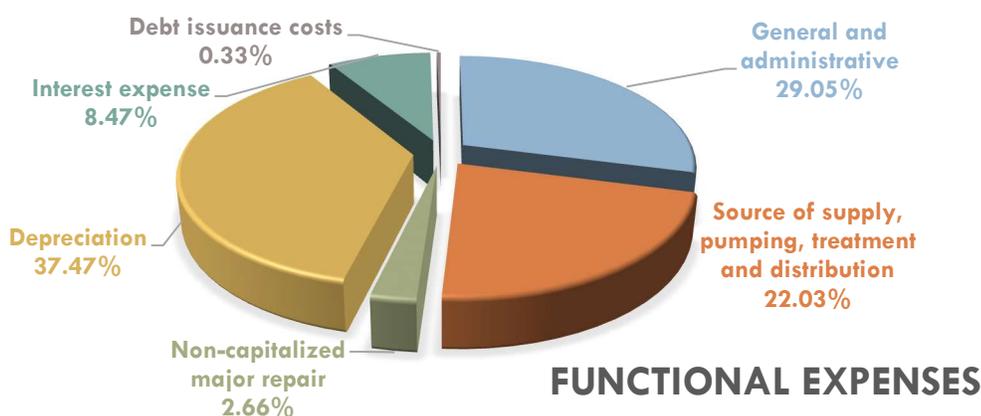
While the statement of net position displays the Water Authority’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, Income before Capital Contributions was \$8.8 million, a decrease of \$6.9 million from FY2016 and an increase of \$26.0 million from FY2015.

Table 2 shows operating revenues increased \$1.4 million from FY2016 and \$30.0 million from FY2015 primarily related to the implementation of a 5.0 % rate revenue increase on July 1, 2016. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conversation habits on the part of customers and the customer base.



### SOURCE OF REVENUES

FY2017 operating expenses (exclusive of depreciation) increased by \$5.9 million from FY2016 and increased \$10.1 million from FY2015. The primary factors are related to an annual 2.0% cost of living adjustment for employees, adjustments to pension expense, and savings in utility expense from a reduced capacity in surface water plant operations. Non-capitalized major repairs increased primarily due to an increase in meters and information technology professional services valued under the capitalization threshold.



### FUNCTIONAL EXPENSES

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Water Authority’s Capital program is comprised of different categories of projects, each with its own funding rules. The Basic Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Program but are funded from the same revenue stream that funds the Basic Program. The Rate Ordinance states that, on average, 50 percent of the cost of capital projects which constitute the normal (Basic) capital program of the water and wastewater system shall be paid with cash rather than from borrowed funds. The balance of capital funding is obtained through revenue bond or loan financing. The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Program. System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Water Authority capital projects. The current Rate Ordinance requires no less than \$30.0 million for Basic rehabilitation program. Additionally, \$2.0 million is budgeted annually for the Automated Meter Infrastructure (AMI) program.

The blueprint for the Water Authority’s Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. This ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2017 is the second year of the two-year planning element included in the 2016-2026 Decade Plan approved by the Board in April 2015.

Table 3 presents the Water Authority’s capital assets at June 30, 2017 and 2016.

Table 3  
Condensed Capital Assets  
(In thousands of dollars)

|                                  | FY2017      | FY2016      | FY2015      | FY2017<br>vs FY2016 | FY2016<br>vs FY2015 |
|----------------------------------|-------------|-------------|-------------|---------------------|---------------------|
| Capital assets                   |             |             |             |                     |                     |
| Not being depreciated:           |             |             |             |                     |                     |
| Land                             | \$25,170    | \$25,170    | \$25,724    | -                   | (\$554)             |
| Construction work in progress    | 22,765      | 3,792       | 42,579      | 18,973              | (38,787)            |
| Purchased water rights           | 49,251      | 48,863      | 48,240      | 388                 | 623                 |
| Total capital assets             |             |             |             |                     |                     |
| Not being depreciated            | 97,186      | 77,825      | 116,543     | 19,361              | (38,718)            |
| Capital assets                   |             |             |             |                     |                     |
| Being depreciated (net):         |             |             |             |                     |                     |
| Buildings and other improvements | 1,075,562   | 1,099,795   | 1,094,798   | (24,233)            | 4,997               |
| Machinery and equipment          | 9,685       | 9,681       | 9,051       | 4                   | 630                 |
| Total capital assets             |             |             |             |                     |                     |
| Being depreciated (net)          | 1,085,247   | 1,109,476   | 1,103,849   | (24,229)            | 5,627               |
| Total capital assets             | \$1,182,433 | \$1,187,301 | \$1,220,392 | (\$4,868)           | (\$33,091)          |

Major capital asset additions for the current fiscal year included:

- \$33.3 million – Southside Water Reclamation Plant and collection system improvements
- \$10.7 million – Sanitary wastewater pipeline renewal
- \$9.9 million – Drinking water pipeline renewal
- \$4.8 million – Drinking water plant treatment systems renewal
- \$3.2 million – Private developer and grant funded infrastructure improvements

The Water Authority’s capital assets as of June 30, 2017 total \$1.182 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and wastewater distribution systems, furniture and fixtures and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority’s on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant.

More capital asset detailed information can be found in Note III.C. on page 43.

**LONG-TERM DEBT**

At June 30, 2017, the Water Authority had \$767.8 million in long-term debt liabilities outstanding, a net increase of \$34.7 million, or 4.7 percent from the prior year. Long-term debt liabilities consist of bonds payable, loans payable, water rights contract payable, net pension liability, claims payable, post-employment life insurance benefit, and accrued compensated absences. The amount of debt due within one year totaled \$47.6 million.

Table 4 presents a summary of the Water Authority’s outstanding long-term liabilities at June 30, 2017, 2016, and 2015.

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

|                                 | FY2017    | FY2016    | FY2015    | FY2017<br>vs FY2016 | FY2016<br>vs FY2015 |
|---------------------------------|-----------|-----------|-----------|---------------------|---------------------|
| Claims payable                  | \$2,952   | \$2,423   | \$1,752   | \$529               | \$671               |
| Compensated absences            | 3,746     | 3,387     | 3,553     | 359                 | (166)               |
| Loan agreements                 | 46,221    | 57,789    | 67,213    | (11,568)            | (9,424)             |
| Net pension liability           | 59,008    | 38,165    | 29,352    | 20,843              | 8,813               |
| Post-employments life insurance | 386       | 390       | 416       | (4)                 | (26)                |
| Revenue bonds                   | 647,913   | 622,197   | 669,677   | 25,716              | (47,480)            |
| Water rights contract           | 7,579     | 8,715     | 9,817     | (1,136)             | (1,102)             |
| Total long-term liabilities     | \$767,805 | \$733,066 | \$781,780 | \$34,739            | (\$48,714)          |

The Water Authority issues debt in compliance with its formally-adopted debt policy. This policy includes general management, financial management, and debt and capital management. It documents the Water Authority’s goals for the use of debt for financing the Water Authority infrastructure and project needs. The following table is the most recent rating received for the Water Authority.

| Rating Agency    | Rating | Rating Reflects   |
|------------------|--------|---|
| Moody’s          | Aa2    | Excellent Financial Position; Bonds Maintain Positive Investment Qualities                                |
| Fitch            | AA     | Strong Financial Performance; Strong Capacity to Meet Financial Commitments; Significant Capital Reserves |
| Standard & Poors | AA+    | Strong Capacity to Meet Financial Commitments; Strong Financial Reserves                                  |

More information about the Water Authority’s long-term liabilities is presented in Note III.D. on page 44.

### ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The economic outlook for both the City of Albuquerque and Bernalillo County continues to show positive trends in several areas. As evidenced by the increase in revenue received by the Water Authority from the prior year, both are showing increased developer activity, which coincides with economic growth. However, employment growth is projected to increase moderately at 1.8% for the remainder of the year.

These positive economic indicators promote the financial health and sustainability of the Water Authority. The Water Authority is committed to fiscal responsibility, which is our assurance we will judiciously spend, earn and generate funds without placing undue hardship on our ratepayers. The adopted fiscal year 2018 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority’s financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

Most recently, the Water Authority’s governing board approved the latest in a series of planned rate increases aimed at increasing the Water Authority’s investment in infrastructure renewal. The net effect of this increase, for most Water Authority customers, is \$3 dollars per month (defined as 8 units per month residential water usage). All calculations are dependent upon a customer’s service size and consumption.

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

Helping to guide the Water Authority’s efforts is *Water 2120*, the Water Authority’s 100-year water resources management strategy, which went into effect during fiscal year 2017. *Water 2120* incorporates the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia

National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years.

A copy of the Water 2120 approved document can be obtained at the following website: <http://www.abcwua.org/uploads/files/Water%202120%20Approved%20Policy%20Document.pdf>.

### REQUESTS FOR INFORMATION

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

**ASSETS**

|  | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|
| <b>CURRENT ASSETS:</b>   |                      |                      |
| Cash   | \$125,990,458        | \$101,195,934        |
| Accounts receivable, net of allowance for uncollectible accounts | 19,607,343           | 18,981,742           |
| Notes receivable, current portion                                | 715,219              | 740,459              |
| Due from other governments                                       | 1,295                | 447,969              |
| Prepaid items  | 57,380               | -                    |
| Total current assets   | <u>146,371,695</u>   | <u>\$121,366,104</u> |
| <b>NONCURRENT ASSETS:</b>  |                      |                      |
| Long-term notes receivable                                       | 4,174,174            | 3,958,777            |
| Restricted assets:   |                      |                      |
| Cash   | <u>56,956,621</u>    | <u>46,529,971</u>    |
| Total other noncurrent assets                                    | <u>61,130,795</u>    | <u>50,488,748</u>    |
| Capital assets, net of accumulated depreciation:                 |                      |                      |
| Buildings and other improvements                                 | 1,075,561,839        | 1,099,794,736        |
| Machinery and equipment  | <u>9,684,964</u>     | <u>9,680,793</u>     |
| Net depreciable capital assets                                   | <u>1,085,246,803</u> | <u>1,109,475,529</u> |
| Capital assets, not being depreciated:                           |                      |                      |
| Land   | 25,170,378           | 25,170,378           |
| Purchased water rights   | 49,251,368           | 48,862,906           |
| Construction work in progress                                    | <u>22,764,278</u>    | <u>3,791,893</u>     |
| Total capital assets   | <u>1,182,432,827</u> | <u>1,187,300,706</u> |
| Total noncurrent assets  | <u>1,243,563,622</u> | <u>1,237,789,454</u> |
| <b>TOTAL ASSETS</b>  | <u>1,389,935,317</u> | <u>1,359,155,558</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                      |                      |
| Deferred amounts related to pensions                             | 20,395,732           | 3,020,719            |
| Deferred amounts on refunding                                    | <u>23,089,446</u>    | <u>23,114,769</u>    |
| Total deferred outflows of resources                             | <u>43,485,178</u>    | <u>26,135,488</u>    |

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

**LIABILITIES**

|  | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|
| <b>CURRENT LIABILITIES:</b>                          |                      |                      |
| Accounts payable                                     | \$15,530,540         | \$12,910,228         |
| Accrued payroll                                      | 1,495,559            | 2,582,062            |
| Claims payable, current portion                      | 671,543              | 993,586              |
| Accrued compensated absences, current portion        | 3,569,503            | 3,019,584            |
| Deposits   | 766,608              | 687,857              |
| Debt obligations, current portion:                   |                      |                      |
| Revenue bonds  | 37,930,000           | 37,265,000           |
| Loan agreements                                      | 4,285,917            | 9,710,054            |
| Water rights contract                                | 1,170,372            | 1,135,776            |
| Accrued interest for debt obligations                | 12,726,908           | 13,278,888           |
| Total current liabilities                            | <u>78,146,950</u>    | <u>81,583,035</u>    |
| <b>NONCURRENT LIABILITIES:</b>                       |                      |                      |
| Debt obligations, net of current portion:            |                      |                      |
| Revenue bonds  | 609,982,924          | 584,931,928          |
| Loan agreements                                      | 41,934,953           | 48,078,533           |
| Water rights contract                                | 6,408,817            | 7,579,189            |
| Total long-term debt obligations                     | <u>658,326,694</u>   | <u>640,589,650</u>   |
| Other non-current liabilities:                       |                      |                      |
| Claims payable, net of current portion               | 2,280,290            | 1,429,794            |
| Net pension liability                                | 59,008,103           | 38,165,167           |
| Post-employment life insurance benefit obligation    | 385,874              | 389,848              |
| Accrued compensated absences, net of current portion | 176,298              | 367,674              |
| Total other noncurrent liabilities                   | <u>61,850,565</u>    | <u>40,352,483</u>    |
| Total noncurrent liabilities                         | <u>720,177,259</u>   | <u>680,942,133</u>   |
| <b>TOTAL LIABILITIES</b>                             | <u>798,324,209</u>   | <u>762,525,168</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                      |                      |
| Deferred amounts related to pensions                 | 1,089,646            | 1,095,992            |
| Total deferred inflows of resources                  | <u>1,089,646</u>     | <u>1,095,992</u>     |
| <b>NET POSITION</b>                                  |                      |                      |
| Net investment in capital assets                     | 560,765,911          | 568,244,966          |
| Unrestricted   | 73,240,729           | 53,424,920           |
| <b>TOTAL NET POSITION</b>                            | <u>\$634,006,640</u> | <u>\$621,669,886</u> |

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



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>OPERATING REVENUES:</b>                            |                      |                      |
| Charges for services:                                 |                      |                      |
| Water system  | \$144,342,932        | \$140,551,140        |
| Wastewater system                                     | 69,101,050           | 68,166,636           |
| Miscellaneous   | 1,750,000            | 1,339,000            |
| Total operating revenues                              | <u>215,193,982</u>   | <u>210,056,776</u>   |
| <b>OPERATING EXPENSES:</b>                            |                      |                      |
| General and administrative                            | 63,307,749           | 59,910,588           |
| Source of supply, pumping, treatment and distribution | 48,017,762           | 46,986,703           |
| Non-capitalized major repair                          | 5,795,924            | 4,285,103            |
| Depreciation  | 81,648,334           | 80,357,265           |
| Total operating expenses                              | <u>198,769,769</u>   | <u>191,539,659</u>   |
| <b>OPERATING INCOME</b>                               | <u>16,424,213</u>    | <u>18,517,117</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>             |                      |                      |
| Investment income                                     | 86,073               | 155,431              |
| Interest expense                                      | (18,448,939)         | (18,034,371)         |
| Utility expansion charges                             | 8,545,978            | 9,256,938            |
| Debt issuances costs                                  | (710,270)            | -                    |
| Lease of stored water income                          | 1,181,658            | 1,615,215            |
| Other revenues  | 1,735,797            | 4,212,925            |
| Total non-operating revenues (expenses), net          | <u>(7,609,703)</u>   | <u>(2,793,862)</u>   |
| <b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>            | 8,814,510            | 15,723,255           |
| Developer contributions                               | 3,242,286            | 4,593,806            |
| Other contributions                                   | 279,958              | 910,524              |
| Total capital contributions                           | <u>3,522,244</u>     | <u>5,504,330</u>     |
| <b>CHANGE IN NET POSITION</b>                         | 12,336,754           | 21,227,585           |
| <b>NET POSITION:</b>                                  |                      |                      |
| Net position, beginning of year                       | 621,669,886          | 600,442,301          |
| Net position, end of year                             | <u>\$634,006,640</u> | <u>\$621,669,886</u> |

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                      |                      |                      |
| Cash received from customers                                      | \$214,568,381        | \$205,753,264        |
| Cash payments to employees for services                           | (54,560,327)         | (49,750,641)         |
| Cash payments to suppliers for goods and services                 | (56,661,329)         | (55,518,906)         |
| Other operating income  | 2,937,949            | 3,906,144            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                  | <u>106,284,674</u>   | <u>104,389,861</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>  |                      |                      |
| Acquisition of capital assets, net                                | (73,558,663)         | (43,238,648)         |
| Principal payments of long-term debt obligations                  | (49,206,767)         | (45,140,732)         |
| Proceeds from refunding revenue bonds                             | 101,711,170          | -                    |
| Defeasance of revenue bonds                                       | (30,006,552)         | -                    |
| Interest paid on debt obligations                                 | (28,460,944)         | (27,426,701)         |
| Payment of debt issuance costs                                    | (710,270)            | -                    |
| Proceeds from sale of assets                                      | -                    | 2,488,129            |
| Capital grants, net   | 726,632              | 1,394,782            |
| Utility expansion charges   | 8,355,821            | 9,102,578            |
| <b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <u>(71,149,573)</u>  | <u>(102,820,592)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                      |                      |                      |
| Investment income   | 86,073               | 155,431              |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                  | <u>86,073</u>        | <u>155,431</u>       |
| <b>NET INCREASE IN CASH</b>                                       | 35,221,174           | 1,724,700            |
| <b>CASH, BEGINNING OF YEAR</b>                                    | <u>147,725,905</u>   | <u>146,001,205</u>   |
| <b>CASH, END OF YEAR</b>  | <u>\$182,947,079</u> | <u>\$147,725,905</u> |
| <b>FINANCIAL STATEMENT PRESENTATION:</b>                          |                      |                      |
| Cash  | \$125,990,458        | \$101,195,934        |
| Restricted cash   | 56,956,621           | 46,529,971           |
|   | <u>\$182,947,079</u> | <u>\$147,725,905</u> |

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>             |                      |                      |
| Operating income  | \$16,424,213         | \$18,517,117         |
| Adjustments to reconcile operating income to net cash provided by operating activities:             |                      |                      |
| Depreciation  | 81,648,334           | 80,357,265           |
| Other non-operating income (expenses), net  | 2,937,949            | 3,906,144            |
| Changes in assets and liabilities:  |                      |                      |
| Increase (decrease) in accounts receivable  | (625,601)            | (4,303,512)          |
| Increase (decrease) in deposits   | 78,751               | (39,819)             |
| Increase (decrease) in accounts payable   | 2,620,312            | 2,409,779            |
| Increase (decrease) in accrued payroll, employee benefits, and deferred amounts related to pensions | 2,842,173            | 3,708,979            |
| Increase (decrease) in compensated absences payable   | 358,543              | (166,092)            |
| <b>TOTAL ADJUSTMENTS</b>  | <u>89,860,461</u>    | <u>85,872,744</u>    |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>\$106,284,674</u> | <u>\$104,389,861</u> |
| <b>DISCLOSURE ON NON-CASH TRANSACTIONS:</b>   |                      |                      |
| Amortization of deferred amounts on refunding   | (\$2,946,496)        | (\$2,763,922)        |
| Amortization of premium on revenue bonds  | 12,406,521           | 12,866,290           |
| Capital contributions received from private developers  | 3,242,286            | 4,593,806            |

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



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

I. Summary of Significant Accounting Policies

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

The accompanying financial statements present the financial position of the Water Authority at June 30, 2017 and 2016, and the results of its operations for the years ended June 30, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

A Memorandum of Understanding (MOU) between the Water Authority and the City is in effect for fiscal years 2014 through 2018 with an expiration date of June 30, 2018. This MOU confirmed a significantly altered business relationship between the two parties. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority's group insurance program, and 2) administration of the joint OPEB trust established during fiscal year 2014. In addition, the City leases space of City owned buildings to the Water Authority.

A. Reporting entity

As a political subdivision of the state, the Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of Albuquerque, and a non-voting member from the Village of Los Ranchos. The Water Authority has the primary accountability for fiscal matters, therefore the Water Authority is a reporting entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 61. As of June 30, 2017, the Water Authority does not have any component units.

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

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

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

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

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

C. Assets, liabilities, and net position

1. Accounts receivable

Accounts receivable include water and wastewater billings that are considered 100% collectible since a lien can be placed on the customer's property for nonpayment. Consequently, the Water Authority rarely has an allowance for uncollectible accounts. Any accounts that are subject to bankruptcy are directly written off when the court order is received.

2. Capital assets

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

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

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

|                                  |                |
|----------------------------------|----------------|
| Buildings and other improvements | 25 – 50 years  |
| Machinery and equipment          | 5 – 12.5 years |

Interest expense is capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings. The amount of capitalized interest is determined using the interest cost of the borrowings less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowings from the date of the borrowings until the assets are ready for their intended use.

### 3. Accounts payable

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

### 4. Accrued compensated absences

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

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

### 5. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the

straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. Amortization expense during fiscal years 2017 and 2016 was \$12,406,521 and \$12,866,290, respectively. Bond issuance costs are expensed as incurred.

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water Authority has two items that qualify for reporting in this category. The first is a deferred loss on refunding which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflow of resources is related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority's deferred inflow of resources is related to pensions. See note III. E. for cumulative change and for details of deferred outflows and inflows of resources related to pensions.

7. Net position

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

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

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

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

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

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

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

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

#### 8. Statement of cash flows

For the purposes of the statement of cash flows, the Water Authority considers all cash and investments with an original maturity of three months or less to be cash equivalents.

#### 9. Estimated amounts reported in financial statements

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

#### 10. New accounting pronouncements

The following GASB pronouncements, which may have a future impact on the Water Authority, have been issued, but are not yet effective, at June 30, 2017.

- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
  - GASB Statement No. 81 – Irrevocable Split-Interest Agreements
  - GASB Statement No. 83 – Certain Asset Retirement Obligations
  - GASB Statement No. 84 – Fiduciary Activities
  - GASB Statement No. 85 – Omnibus 2017
  - GASB Statement No. 86 – Certain Debt Extinguishments Issues
  - GASB Statement No. 87 – Leases
-

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

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority’s Management and submitted to the Water Authority Board by April 1 for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved notification is received from DFA, a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority’s financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority’s budget by program. For fiscal year 2017, expenses may not exceed budgetary appropriations at the general ledger fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

III. Detailed Notes

A. Cash

At June 30, 2017, the carrying amount of the Water Authority’s deposits was \$182,942,629 and the bank balance was \$184,255,256. The difference represents outstanding checks, deposits, and other reconciling items. In addition, the Water Authority has \$4,450 cash on hand. Cash, including restricted and unrestricted balances, were comprised of the following at June 30, 2017 and 2016:

| Cash:   | June 30, 2017 | June 30, 2016 |
|---|---------------|---------------|
| Restricted  | \$56,956,621  | \$46,529,971  |
| Unrestricted                                      | 125,990,458   | 101,195,934   |
| Total cash reported in statements of net position | \$182,947,079 | \$147,725,905 |

*Custodial credit risk – Deposits.* Custodial credit risk is the risk that in the event of the bank failure, the Water Authority’s deposits may not be returned. The Water Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2017, there were no bank balances exposed to custodial credit risk.

*Pledged collateral by bank.* Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978). Collateral shall be held in a custodial bank per 6-10-21, NMSA 1978 and shall be assigned to the Water Authority per 6-10-18, NMSA 1978. Securities accepted as

collateral may be subject to additional restrictions as specified by the Water Authority’s Investment Committee.

The pledged collateral by bank at June 30, 2017 is as follows:

|                                     | Rio Grande<br>Credit Union | Sunflower<br>Bank | Wells Fargo<br>Bank | Bank of<br>Albuquerque |
|-------------------------------------|----------------------------|-------------------|---------------------|------------------------|
| Total amount on deposit             | \$249,092                  | \$25,040,680      | \$140,482,852       | \$18,482,632           |
| Less FDIC coverage                  | (250,000)                  | (250,000)         | (250,000)           | (250,000)              |
| Total uninsured public funds        | -                          | 24,790,680        | 140,232,852         | 18,232,632             |
| 50% collateral requirement          | -                          | 12,395,340        | 70,116,426          | 9,116,316              |
| Pledged securities, fair value      | -                          | 25,500,000        | 153,049,448         | 22,869,657             |
| Pledged in excess of<br>requirement | -                          | \$13,104,660      | \$82,933,022        | \$13,753,341           |

The Water Authority’s Investment Policy further requires that deposits be collateralized at 102%, which results in the amount pledged in excess of the requirement. Such collateral shall be held by an independent third party financial institution acceptable to the Water Authority.

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

Accounts receivable are primarily revenues earned from the Water Authority’s water and wastewater utility billing system. These are considered 100 percent collectible since a lien can be placed on the customer’s property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2017, and 2016 were \$19,607,343 and \$18,981,742, respectively, net of an allowance for uncollectible accounts of \$680,552 and \$628,092.

Notes receivable are for utility expansion charges. The borrower can pay the Water Authority for the extension of water and wastewater lines over a ten-year period at 7 percent interest. Notes receivable at June 30, 2017, and 2016 were \$4,889,393 and \$4,699,236, respectively.

Due from other governments are primarily Federal and State grants that related to capital improvement projects and the Water Authority also has various miscellaneous receivables. Due from other governments as of June 30, 2017, and 2016 were \$1,295 and \$447,969, respectively.

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2017 and 2016, are as follows:

|   | Balances at<br>June 30, 2016 | Additions     | Transfers/<br>Deletions | Balances at<br>June 30, 2017 |
|---|------------------------------|---------------|-------------------------|------------------------------|
| Capital assets not being depreciated:       |                              |               |                         |                              |
| Land  | \$25,170,378                 | -             | -                       | \$25,170,378                 |
| Construction work in progress               | 3,791,893                    | 19,656,503    | (684,118)               | 22,764,278                   |
| Purchased water rights                      | 48,862,906                   | 388,462       | -                       | 49,251,368                   |
| Total capital assets not being depreciated  | 77,825,177                   | 20,044,965    | (684,118)               | 97,186,024                   |
| Capital assets being depreciated:           |                              |               |                         |                              |
| Buildings and other improvements            | 2,226,929,800                | 54,486,359    | 7,841,291               | 2,289,257,450                |
| Machinery and equipment                     | 48,415,367                   | 2,269,625     | (10,222,481)            | 40,462,511                   |
| Total capital assets being depreciated      | 2,275,345,167                | 56,755,984    | (2,381,190)             | 2,329,719,961                |
| Less accumulated depreciation:              |                              |               |                         |                              |
| Buildings and other improvements            | (1,127,135,064)              | (79,403,374)  | (7,157,173)             | (1,213,695,611)              |
| Machinery and equipment                     | (38,734,574)                 | (2,244,960)   | 10,201,987              | (30,777,547)                 |
| Total accumulated depreciation              | (1,165,869,638)              | (81,648,334)  | 3,044,814               | (1,244,473,158)              |
| Total capital assets being depreciated, net | 1,109,475,529                | (24,892,350)  | 663,624                 | 1,085,246,803                |
| Total capital assets, net                   | \$1,187,300,706              | \$(4,847,385) | \$(20,494)              | \$1,182,432,827              |

|   | Balances at<br>June 30, 2015 | Additions      | Transfers/<br>Deletions | Balances at<br>June 30, 2016 |
|---|------------------------------|----------------|-------------------------|------------------------------|
| Capital assets not being depreciated:       |                              |                |                         |                              |
| Land  | \$25,724,125                 | \$584          | (\$554,331)             | \$25,170,378                 |
| Construction work in progress               | 42,578,965                   | 3,417,695      | (42,204,767)            | 3,791,893                    |
| Purchased water rights                      | 48,240,385                   | 622,521        | -                       | 48,862,906                   |
| Total capital assets not being depreciated  | 116,543,475                  | 4,040,800      | (42,759,098)            | 77,825,177                   |
| Capital assets being depreciated:           |                              |                |                         |                              |
| Buildings and other improvements            | 2,140,964,306                | 40,133,489     | 45,832,005              | 2,226,929,800                |
| Machinery and equipment                     | 48,779,592                   | 3,658,165      | (4,022,390)             | 48,415,367                   |
| Total capital assets being depreciated      | 2,189,743,898                | 43,791,654     | 41,809,615              | 2,275,345,167                |
| Less accumulated depreciation:              |                              |                |                         |                              |
| Buildings and other improvements            | (1,046,166,891)              | (77,340,934)   | (3,627,239)             | (1,127,135,064)              |
| Machinery and equipment                     | (39,728,832)                 | (3,016,331)    | 4,010,589               | (38,734,574)                 |
| Total accumulated depreciation              | (1,085,895,723)              | (80,357,265)   | 383,350                 | (1,165,869,638)              |
| Total capital assets being depreciated, net | 1,103,848,175                | (36,565,611)   | 42,192,965              | 1,109,475,529                |
| Total capital assets, net                   | \$1,220,391,650              | \$(32,524,811) | \$(566,133)             | \$1,187,300,706              |

D. Long-term liabilities

A summary of long-term liabilities of the Water Authority for the years ended June 30, 2017 and 2016, are as follows:

|                                 | Balances at<br>June 30, 2016 | Additions     | Deletions      | Balances at<br>June 30, 2017 | Amounts Due<br>In One Year |
|---------------------------------|------------------------------|---------------|----------------|------------------------------|----------------------------|
| Revenue bonds                   | \$566,455,000                | \$87,970,000  | (\$64,545,000) | \$589,880,000                | \$37,930,000               |
| Loan agreements                 | 54,818,531                   | -             | (10,805,991)   | 44,012,540                   | \$4,285,917                |
| Water rights contract           | 8,714,965                    | -             | (1,135,776)    | 7,579,189                    | 1,170,372                  |
| Unamortized premiums            | 58,711,984                   | 13,741,170    | (12,211,900)   | 60,241,254                   | -                          |
| Accrued compensated<br>absences | 3,387,258                    | 3,588,010     | (3,229,467)    | 3,745,801                    | 3,569,503                  |
| Total long-term liabilities     | \$692,087,738                | \$105,299,180 | (\$91,928,134) | \$705,458,784                | \$46,955,792               |

|                                 | Balances at<br>June 30, 2015 | Additions   | Deletions      | Balances at<br>June 30, 2016 | Amounts Due<br>In One Year |
|---------------------------------|------------------------------|-------------|----------------|------------------------------|----------------------------|
| Revenue bonds                   | \$601,985,000                | -           | (\$35,530,000) | \$566,455,000                | \$37,265,000               |
| Loan agreements                 | 63,327,060                   | -           | (8,508,529)    | 54,818,531                   | 9,710,054                  |
| Water rights contract           | 9,817,168                    | -           | (1,102,203)    | 8,714,965                    | 1,135,776                  |
| Unamortized premiums            | 71,578,274                   | -           | (12,866,290)   | 58,711,984                   | -                          |
| Accrued compensated<br>absences | 3,553,350                    | 2,760,525   | (2,926,617)    | 3,387,258                    | 3,019,584                  |
| Total long-term liabilities     | \$750,260,852                | \$2,760,525 | (\$60,933,639) | \$692,087,738                | \$51,130,414               |

1. Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2017, the net revenues were 236% of the annual debt service on all outstanding senior lien obligations.

The Series 2017 bonds sold at a purchase price equal to \$101,711,170 (representing the \$87,970,000 par amount plus a net original issue premium of \$13,741,170). Deposit proceeds of the Series 2017 Bonds were placed in an escrow fund, resulting in

the defeasance of the Series 2009A-1 Bonds. The net present value (NPV) savings equals \$3,122,416 or 11.45 percent. The average interest rate is 4.60 percent with an average life of 15.43 years.

## 2. Subordinate Lien Obligations

Water Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these loan agreements, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the annual debt service requirements on all outstanding subordinate lien obligations. If the annual net revenues are less than 120% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2017, the net revenues were 186% of the annual debt service on all outstanding subordinate lien obligations.

## 3. Super Subordinate Lien Obligations

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

The Water Authority's only super subordinate lien obligations are obligations with the New Mexico Finance Authority (NMFA)/Water Trust Board (WTB). These agreements are a combination of loan paired with either a grant or a subsidy. The final amount for the loan / grant / subsidy is determined at the end of the related project for which the funds were expended. The funds are not provided up front to the Water Authority. The Water Authority enters into approved contracts for the related work project, pays the vendors, and submits invoices to the NMFA/WTB Board for reimbursement. Normally such arrangements would be treated as lines of credit until project completion because debt service on the loan portion would not begin until the line of credit is converted to a loan agreement.

On February 3, 2017, the Water Authority entered into a reimbursable loan/grant agreement in the amount of \$1,673,874 with the NMFA/WTB which consists of an available loan amount of \$669,550 and grant funds totaling \$1,004,324. As of June 30, 2017, the Water Authority had not received any loan proceeds related to this agreement. Payments due for the loan portion start twenty-four (24) months after the closing date of the project beginning June 1, 2019. This loan/grant will be used to fund the Water Storage, Conveyance and Delivery Project.

Additionally, the Water Authority redeemed in full, with cash on hand, all current outstanding Super Subordinate Loan long-term liabilities with the NMFA, totaling \$1,170,438.

4. Revenue bonds and loan agreements outstanding

| Revenue Bonds:  | June 30, 2017 | June 30, 2016 |
|---|---------------|---------------|
| \$133,390,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2006A, due in annual installments of \$1,245,000 to 11,000,000 through 7/1/2026; interest at 4.25% to 5.165%; call provision of 100% beginning 7/1/2016               | -             | \$6,910,000   |
| \$135,990,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2009A-1, due in annual installments of \$250,000 to \$9,285,000 through 7/1/2034; interest at 3.00% to 5.50%; call provision of 100% beginning 7/1/2019               | 24,070,000    | 58,655,000    |
| \$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due in annual installments of \$715,000 to \$5,840,000 through 7/1/2038; interest at 3.00% to 5.00%, call provision of 100% beginning 7/1/2023                  | 53,870,000    | 57,465,000    |
| \$55,265,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.00%; no call provision   | 38,205,000    | 47,660,000    |
| \$97,270,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014A, due in annual installments of \$1,090,000 to \$11,385,000 through 7/1/2026; interest at 2.00% to 5.00%; call provision of 100% beginning 7/1/2024                 | 96,180,000    | 97,270,000    |
| \$87,005,000 Subordinate Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014B, due in annual installments of \$450,000 to \$10,695,000 through 7/1/2025; interest at 1.00% to 5.00%; call provision of 100% beginning 7/1/2024              | 77,645,000    | 86,555,000    |
| \$211,940,000 Senior Lien Joint Water & Wastewater System Refunding and Improvement Revenue Bonds, Series 2015, due in annual installments of \$3,210,000 to \$18,765,000 through 7/1/2033; interest at 2.85% to 5.00%; call provision of 100% beginning 7/1/2025 | 211,940,000   | 211,940,000   |
| \$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$5,865,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027       | 87,970,000    | -             |
| Total revenue bonds outstanding   | 589,880,000   | 566,455,000   |
| Plus: Unamortized premium   | 58,032,924    | 55,741,928    |
| Net revenue bonds outstanding   | \$647,912,924 | \$622,196,928 |

| Loan Agreements:  | June 30, 2017 | June 30, 2016 |
|---|---------------|---------------|
| \$77,005,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2007), due in annual installments of \$1,550,000 to \$6,705,000 through 5/1/2025; interest at 4.00% to 5.00%; prepayment provision of 100% beginning 5/1/2015 | -             | \$5,540,000   |
| \$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009        | 7,389,202     | 7,882,496     |
| \$1,000,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009), due in annual installments of \$45,415 to \$54,869 through 7/1/2031; interest at 0.75%; no prepayment provision   | 768,338       | 815,597       |
| \$50,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 51 (2009), due in annual installments of \$1,445 to \$2,613 through 6/1/2029; interest at 0.00%; no prepayment provision  | -             | 33,470        |
| \$100,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 79 (2009), due in annual installments of \$2,745 to \$5,234 through 6/1/2029; interest at 0.00%; no prepayment provision                                       | -             | 67,042        |
| \$200,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 177 (2010), due in annual installments of \$9,765 to \$10,239 through 6/1/2030; interest at 0.00%; no prepayment provision                                     | -             | 141,045       |
| \$53,400,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2011), due in annual installments of \$605,000 to \$4,770,000 through 6/1/2036; interest at 3.00% to 5.00%; prepayment provision of 100% beginning 6/1/2021   | 35,855,000    | 39,410,000    |
| \$452,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 205 (2011), due in annual installments of \$22,067 to \$23,141 through 7/1/2031; interest at 0.00%; no prepayment provision                                    | -             | 363,399       |
| \$640,000 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 206 (2011), due in annual installments of \$31,246 to \$32,764 through 7/1/2031; interest at 0.00%; no prepayment provision                                    | -             | 514,547       |
| \$63,354 Super Subordinate Lien New Mexico Finance Authority Water Trust Board Loan No. 207 (2011), due in annual installments of \$3,093 to \$3,245 through 7/1/2031; interest at 0.00%; no prepayment provision                                       | -             | 50,935        |
| Total loan agreements outstanding   | 44,012,540    | 54,818,531    |
| Plus: Unamortized premium   | 2,208,330     | 2,970,056     |
| Net loan agreements outstanding   | \$46,220,870  | \$57,788,587  |

Future maturities of revenue bonds and loan agreements as of June 30, 2017, are as follows:

| Fiscal Year | Principal     | Interest      | Total         |
|-------------|---------------|---------------|---------------|
| 2018        | \$42,215,917  | \$28,103,231  | \$70,319,148  |
| 2019        | 53,691,483    | 26,524,420    | 80,215,903    |
| 2020        | 56,027,256    | 23,904,345    | 79,931,601    |
| 2021        | 52,633,241    | 21,310,635    | 73,943,876    |
| 2022        | 55,139,441    | 18,697,109    | 73,836,550    |
| 2023-2027   | 235,278,041   | 55,788,035    | 291,066,076   |
| 2028-2032   | 94,757,161    | 18,807,497    | 113,564,658   |
| 2033-2037   | 41,640,000    | 3,467,385     | 45,107,385    |
| 2038-2039   | 2,510,000     | 127,000       | 2,637,000     |
| Total       | \$633,892,540 | \$196,729,657 | \$830,622,197 |

5. Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Water Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2017 and 2016, is \$7,579,189 and \$8,714,965, respectively.

Future water rights contract maturities as of June 30, 2017, are as follows:

| Fiscal Year | Principal   | Interest  | Total       |
|-------------|-------------|-----------|-------------|
| 2018        | \$1,170,372 | \$230,862 | 1,401,234   |
| 2019        | 1,206,021   | 195,213   | 1,401,234   |
| 2020        | 1,242,757   | 158,477   | 1,401,234   |
| 2021        | 1,280,611   | 120,623   | 1,401,234   |
| 2022        | 1,319,619   | 81,615    | 1,401,234   |
| 2023        | 1,359,809   | 41,420    | 1,401,229   |
| Total       | \$7,579,189 | \$828,210 | \$8,407,399 |

6. Refunded bonds

The Water Authority has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are

administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the Water Authority satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2017, is as follows:

|                      |              |
|----------------------|--------------|
| Series 2008A Bonds   | \$55,630,000 |
| Series 2009A-1 Bonds | 76,475,000   |

E. Defined benefit pension plan – Public Employees Retirement Association

*Summary of Significant Accounting Policies*

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

*General Information about the Pension Plan*

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

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

Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A- to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member of the PERA Fund.

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

2. *Benefits provided.* For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website. Following is a general summary of eligibility criteria, benefits, and contribution rates as of July 1, 2014:

| Municipal General Plan 3                           |   |                                     |
|--|---|-------------------------------------|
|  | Tier 1  | Tier 2                              |
| Highest Average Salary                             | 3-Years   | 5-Years                             |
| Years of Service and Age of Eligibility            | 25-years any age<br>20-years age 60<br>Various ages 61-64<br>5-years age 65 | Rule of 85<br>8-years age 65        |
| Vesting Period                                     | 5-years   | 8-years                             |
| Benefit Percent per Year of Service                | 3.0%  | 2.5%                                |
| Maximum Benefit as Percent of Final Average Salary | 90%   | 90%                                 |
| Annual Cost of Living Adjustment                   | 2.0% with graduated eligibility period                                      | 2.0% with 7-year eligibility period |
| Required Contribution Rates for:                   |   |                                     |
| Employer   | 9.55%   | 9.55%                               |
| Employee < \$20,000                                | 13.15%  | 13.15%                              |
| Employee > \$20,000                                | 14.65%  | 14.65%                              |

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

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

Statutorily required contributions to the pension plan from the Water Authority were \$3,129,931 and employer paid member benefits that were “picked up” by the employer were \$3,477,339 for the year ended June 30, 2017.

4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ended June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six district membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates

are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups.

The Water Authority's proportion share of the net pension liability for the membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Employer contributions on behalf of the employee were excluded from the calculation. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For year ended June 30, 2017, the Water Authority reported a liability of \$59,008,103 for its proportionate share of the net pension liability. At June 30, 2016 and 2015, the Water Authority's proportion was 3.6934 percent and 3.7432 percent, respectively.

For the year ended June 30, 2017, the Water Authority recognized pension expense of \$6,591,508. At June 30, 2017, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$2,948,289                          | \$575,885                           |
| Changes of assumptions   | 3,460,133                            | 9,812                               |
| Net difference between projected and actual earnings on pension plan investments                                     | 10,857,379                           | -                                   |
| Changes in proportion and differences between Water Authority contributions and proportionate share of contributions | -                                    | 503,949                             |
| Water Authority contributions subsequent to the measurement date   | 3,129,931                            | -                                   |
| <b>Total</b>   | <b>\$20,395,732</b>                  | <b>\$1,089,646</b>                  |

\$3,129,931 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

|      |             |
|------|-------------|
| 2018 | \$3,460,201 |
| 2019 | 3,460,201   |
| 2020 | 6,520,009   |
| 2021 | 2,735,744   |
| 2022 | -           |

5. *Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015, for each of the membership groups. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Below is the summary of actuarial methods and assumptions:

|                               |  |
|-------------------------------|--|
| Actuarial valuation date:     | June 30, 2015  |
| Actuarial cost method:        | Entry age normal   |
| Amortization method:          | Level percentage of pay, Open  |
| Amortization period:          | Solved for based on statutory rates  |
| Asset valuation method:       | Fair value   |
| <b>Actuarial assumptions:</b> |  |
| Investment rate of return     | - 7.48% annual rate, net of investment expense   |
| Projected benefit payment     | - 100 years  |
| Payroll growth                | - 2.75% for first 10-years, then 3.25% annual rate   |
| Projected salary increases    | - 2.75% to 14.00% annual rate  |
| Includes inflation at         | - 2.25% annual rate first 10-years, 2.75% all other years  |
| Mortality Assumption          | - RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| Experience Study Dates        | - July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)  |

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                  | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| Global Equity                | 43.5%             | 7.39%                                  |
| Risk Reduction & Mitigation  | 21.5%             | 1.79%                                  |
| Credit Oriented Fixed Income | 15.0%             | 5.77%                                  |
| Real Assets                  | 20.0%             | 7.35%                                  |
| Total                        | 100%              |  |

6. *Discount rate:* The rate is 7.25% for the first 10-years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48 % and will be used as the discount rate used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
  
7. *Sensitivity of the Water Authority’s proportionate share of the net pension liability to changes in the discount rate.* The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Water Authority’s net pension liability in the PERA Fund Division that the Water Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

| PERA   | 1% Decrease<br>(6.48%) | Current<br>Discount Rate (7.48%) | 1% Increase<br>(8.48%) |
|--|------------------------|----------------------------------|------------------------|
| Water Authority’s proportionate share of the net pension liability | \$87,975,835           | \$59,008,103                     | \$34,980,811           |

8. *Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in PERA’s audited comprehensive annual financial report and can be obtained at the following web address: <http://www.pera.org/financial-overview>.
  
9. *Payables to the pension plan.* As of June 30, 2017, there was \$305,755 PERA employee/employer contributions payable of which \$120,659 of employer-only contributions was for pay period ended June 23, 2017 and \$133,061 was for the accrual through June 30, 2017.

F. Defined contribution retirement plan

1. *Plan description.* The Water Authority provides a 401(a)-qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees. Under this defined contribution plan, an employee’s eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code.

New eligible employees are provided a 30-day election period from the date of initial eligibility to elect to participate in the plan.

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

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

Total contributions and total payroll to the plan for 2017 and the three preceding years were as follows:

| ICMA 401(a)        | Employer Contributions | Total Payroll |
|--------------------|------------------------|---------------|
| Fiscal Year ended: |                        |               |
| 6/30/2014          | \$115,961              | \$609,998     |
| 6/30/2015          | 152,683                | 803,174       |
| 6/30/2016          | 212,224                | 1,116,379     |
| 6/30/2017          | 271,617                | 1,428,810     |

G. Post-employment benefits

In addition to providing pension benefits described in Notes E and F, the Water Authority provides certain life insurance and health care benefits for retired employees.

1. Post-employment Life Insurance Benefit Plan

Plan Description

- a. *Plan administration.* The City of Albuquerque (City) administers the Albuquerque Pooled Other Post-Employment Benefit (OPEB) Trust Fund – a cost sharing multiple-employer OPEB plan the provides life insurance benefits for employees of the City and Water Authority. The

OPEB Trust Fund was established, by Resolution, as an irrevocable trust and operates pursuant to the OPEB agreement with the City and the Water Authority to defray future expenses related to post-employment benefits other than pensions.

The Board of Trustees consists of five members. Two members are appointed based on positions with the City and the remaining members are appointed by the City Chief Administrative Officer. The OPEB Trust Fund is reported as a fiduciary fund in the City's CAFR and can be obtained at the following web address: <http://www.cabq.gov/dfa/treasury/investor-information/comprehensive-annual-financial-reports/comprehensive-annual-financial-reports/>.

- b. *Plan membership.* The benefit rules for Water Authority active employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. New Water Authority employees hired after July 1, 2013 are not offered employer paid life insurance in any amount. At June 30, 2017, the OPEB membership for the Water Authority consisted of the following:

|                                  |            |
|----------------------------------|------------|
| Inactive plan members (retirees) | 177        |
| Active plan members              | <u>498</u> |
|                                  | <u>675</u> |

- c. *Funding Policy.* The City and the Water Authority have set the contribution rate each year based on an actuarial valuation. The contributions are expected to match or exceed the annual required contribution (ARC) calculated in the actuarial study in accordance with in the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan for the remainder of the 30-year closed period.

Monthly invoices for retiree life insurance premiums are paid out of the trust. When expected benefit claims exceed retiree premiums, the City and the Water Authority can treat the implicit subsidy as a contribution towards the OPEB liability.

Total contributions for the fiscal year ended June 30, 2017 exceeded the annual required contribution and include amounts for actual employer contributions as well as the implicit subsidy.

- d. *Annual OPEB cost and net OPEB obligation.* The OPEB Trust Fund annual OPEB cost is calculated based on the ARC of the participating employer's an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows only the components of the Water Authority's annual OPEB cost as of June 30, 2017 and 2016, the amount contributed to the Plan, and the changes in the Water Authority's net OPEB obligation to the Plan.

|  | 2017      | 2016      |
|--|-----------|-----------|
| Net OPEB obligation at beginning of year                   | \$389,848 | \$415,763 |
| Plus: Projected annual OPEB costs:                         |           |           |
| Interest on net OPEB obligation at beginning of year       | 19,492    | 19,649    |
| Annual required contribution (ARC) for current fiscal year | 43,046    | 41,530    |
| ARC adjustment for current fiscal year                     | (23,466)  | (22,783)  |
| Less: Net Employer contribution                            | (43,046)  | (64,311)  |
| Expected net OPEB obligation at end of year                | \$385,874 | \$389,848 |

The Water Authority's annual OPEB cost, the employer OPEB contributions, and the percentage of annual OPEB cost contributed to the Plan for 2017 were as follows:

| Fiscal Year-ended | Annual Cost | Employer Contributions | Percentage Contributed |
|-------------------|-------------|------------------------|------------------------|
| 6/30/2015         | \$38,446    | \$36,175               | 94.1%                  |
| 6/30/2016         | 38,396      | 41,530                 | 108.2%                 |
| 6/30/2017         | 39,072      | 43,046                 | 110.2%                 |

- e. *Funding Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the OPEB was 62.3% funded using the criteria established by GASB 45. The Water Authority actuarial accrued liability for benefits was \$1,319,185 (\$112,500 for active employees and \$1,206,685 for retired employees). The Water Authority plan assets as of June 30, 2017, totaled \$839,532. The covered payroll (annual payroll of active employees covered by the Plan) was \$28,461,386 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 1.7%. The ARC as a percent of payroll is 0.2% of which 0.1% is the normal cost as a percent of payroll. The ARC per active employee is \$86. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City and Water Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.
- f. *Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the OPEB Trust Fund as understood by the City, the Water Authority, and its members and include the types of benefits provided at the time of each valuation and the historical pattern of paying for the OPEB Trust Fund. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation indicates the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the City Plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASB Statement No. 45 is to match recognition of retiree life expense with the

periods during which the benefit is earned and the actuary believes that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs.

The OPEB Trust Fund pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASB Statement No. 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 5.0 percent investment rate of return on expected long-term returns on the OPEB Trust Fund investments calculated on the funded level of the OPEB at the valuation date.

2. State Retiree Health Care Plan

- a. *Plan Description.* The Water Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing Authority members who served at least four years.

The RHCA issues a publicly available financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained at the following website: [www.nmrhca.state.nm.us/Pages/audit-reports.aspx](http://www.nmrhca.state.nm.us/Pages/audit-reports.aspx)

- b. *Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing Authority member. Former legislators and governing Authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us/Pages/Home.aspx](http://www.nmrhca.state.nm.us/Pages/Home.aspx).

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory Authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Water Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Water Authority's contributions (employer and employee) to the RHCA for the years ended June 30, 2017, 2016, and 2015, were \$983,240, \$948,912 and \$931,393, respectively, which equal the required contributions for each year.

#### H. Risk management

The Water Authority is exposed to various risks of loss related to torts and civil claims including: employment related exposures; theft, damage and destruction of its real and personal assets and contract disputes; worker's compensation losses; errors and omissions of its officers and officials; and natural disasters. As a New Mexico governmental entity, the Water Authority's risk of loss associated with the actions of its employees resulting in personal injury to members of the community or damage to the property of others is subject to the limitations of the New Mexico Tort Claims Act. The Tort Claims Act extends sovereign immunity to all but a defined set of possible tort claims from third parties and places a maximum cap on the damages available to those who prevail on a tort claim. For those tort claims for which immunity is waived, the maximum third-party liability from any single occurrence cannot exceed \$750,000 plus medical related damages. Because the liability cap for all medical related damages is \$300,000 per occurrence, the total aggregate tort damage liability for any single occurrence cannot exceed \$1,050,000. Through its Risk Management Office, the Water Authority purchases various commercial insurance policies to manage and transfer the impact of all its loss exposure. As a further risk transfer measure, the Water Authority requires all of its major vendors and contractual partners to be fully insured and to include the Water Authority as an additionally insured party on the contractor's insurance policies.

In fiscal year 2017, the Water Authority was insured for general liability and auto liability up to \$5,000,000 per occurrence with a \$6,000,000 general liability aggregate subject to a \$100,000

retention per loss/auto accident. Other liability insurance coverage included errors and omissions with a \$5,000,000 per occurrence and aggregate limit subject to a \$100,000 deductible. The Water Authority also carried \$1,000,000 coverage for cyber liability (\$25,000 deductible) and \$5,000,000 coverage (with a \$50,000 deductible) for pollution exposures. Water Authority property was insured up to \$500,000,000 per loss with a self-insured retention of \$100,000 per loss. For worker's compensation coverage, the Water Authority retained the risk of losses up to \$750,000 and purchased an excess liability insurance policy which will pay the cost of any loss above the \$750,000 self-insured retention. Crime (Employee Theft/Computer Crime/Forgery/Robbery & Burglary) coverage carries a limit of \$1,000,000 per loss subject to a retention of \$10,000. The Water Authority transferred claims liability risk by the purchase of commercially available insurance beginning in fiscal year 2014. All claims accrued prior to June 30, 2013, are the sole responsibility of the City of Albuquerque Risk Management Program.

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2017, and 2016.

The amounts and change in claims liability in fiscal years 2017 and 2016 were:

|                                 | 2017        | 2016        |
|---------------------------------|-------------|-------------|
| Claims liability at July 1      | \$2,423,380 | \$1,752,030 |
| Current year claims/adjustments | 1,874,440   | 2,015,626   |
| Claims liquidated               | (1,345,987) | (1,344,276) |
| Claims liability at June 30     | \$2,951,833 | \$2,423,380 |

The components of the claims liability at June 30 are:

|                        | 2017        | 2016        |
|------------------------|-------------|-------------|
| Current portion        | \$671,543   | \$993,586   |
| Noncurrent portion     | 2,280,290   | 1,429,794   |
| Total claims liability | \$2,951,833 | \$2,423,380 |

I. Commitments and contingencies

Construction Commitments. At June 30, 2017, the uncompleted construction and other commitments for construction improvements and replacements was \$64,427,003. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

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

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

J. Reclassification of prior year presentation

Certain fiscal year 2016 amounts have been reclassified to conform to the fiscal year 2017 presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to revenues and expenses for the reporting of franchise fees. These fees are not a revenue source for the Water Authority, rather a pass-through source to the designated entity. An adjustment was also made to deferred outflows of resources and deferred inflows of resources to consistently account for the net difference between projected and actual earnings on pension plan investments.

K. Subsequent events

In preparing these financial statements, the Water Authority has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were finalized. There are no material events to be reported.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

SCHEDULE OF FUNDING PROGRESS – LIFE INSURANCE BENEFIT PLAN

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Liability Entry Age Normal | Unfunded Actuarial Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL Percentage of Covered Payroll |
|--------------------------|---------------------------|--------------------------------------|-------------------------------------|--------------|-----------------|------------------------------------|
| 06/30/2013               | -                         | \$5,100,685                          | \$5,100,685                         | 0.00%        | \$25,842,595    | 19.74%                             |
| 06/30/2014               | 818,273                   | 1,212,912                            | 394,639                             | 67.5%        | 28,661,693      | 1.4%                               |
| 07/01/2015               | 798,900                   | 1,282,408                            | 483,508                             | 62.3%        | 27,106,082      | 1.8%                               |

Note: This schedule represents the funding progress for only the Water Authority portion of the OPEB Trust Fund total unfunded actuarial accrued liability.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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

MUNICIPAL GENERAL PLAN 3  
LAST 10 FISCAL YEARS (\*)

|   | 2017       | 2016       | 2015       |
|---|------------|------------|------------|
| Water Authority's proportion of the net pension liability (asset)   | 0.9580%    | 0.8958%    | 0.8842%    |
| Water Authority's proportionate share of the net pension liability  | 59,008,103 | 38,165,167 | 29,351,538 |
| Water Authority's covered payroll   | 31,630,023 | 30,541,919 | 31,037,398 |
| Water Authority's proportionate share of the net pension liability (asset) as percentage of its covered payroll | 186.56%    | 124.96%    | 94.57%     |
| Plan fiduciary net position as a percentage of the total pension liability                                      | 69.18%     | 76.99%     | 81.29%     |

(\*) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION CONTINUED

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS

MUNICIPAL GENERAL PLAN 3  
LAST 10 FISCAL YEARS (\*)

|  | 2017         | 2016         | 2015         |
|--|--------------|--------------|--------------|
| Contractually required contribution                                  | \$3,129,931  | \$3,020,676  | \$2,959,288  |
| Contributions in relation to the contractually required contribution | (3,129,931)  | (3,020,676)  | (2,959,288)  |
| Contribution deficiency (excess)                                     | -            | -            | -            |
| Water Authority's covered payroll                                    | \$32,774,164 | \$31,630,023 | \$30,541,919 |
| Contributions as a percentage of covered payroll                     | 9.55%        | 9.55%        | 9.55%        |

(\*) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION CONTINUED**

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

*Change in Accounting Principle.* 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.

*Actuarial Assumptions for Valuations Performed.* The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

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

*Changes of Assumptions.* The PERA Annual Actuarial Valuation as of June 30, 2016, is available at the web address listed above. The summary of Key Findings for the PERA Fund (on page 2 of the report) states "New economic assumptions were adopted for the June 30, 2016 valuations." The impact of this change result in a decrease in the accrued liability of PERA and a decrease in the expected dollar amount of future contributions. For details about changes in the actuarial assumptions, see Appendix B on page 54 of the PERA Annual Actuarial Valuation referenced above.



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# STATISTICAL SECTION

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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These schedules contain information to help the reader understand how the Water Authority’s financial performance and well-being have changed over time.

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NET POSITION BY COMPONENT

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

FISCAL YEARS 2017 – 2013

|                                  | 2017      | 2016      | 2015      | 2014      | 2013      |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net investment in capital assets | \$560,766 | \$568,245 | \$576,678 | \$595,695 | \$617,398 |
| Restricted for:                  |           |           |           |           |           |
| Capital projects                 | -         | -         | -         | -         | -         |
| Unrestricted                     | 73,241    | 53,425    | 23,764    | 51,027    | 48,331    |
| Total net position               | \$634,007 | \$621,670 | \$600,442 | \$646,722 | \$665,729 |

FISCAL YEARS 2012 – 2008

|                                  | 2012      | 2011*     | 2010      | 2009      | 2008      |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net investment in capital assets | \$636,174 | \$668,171 | \$692,921 | \$725,767 | \$698,063 |
| Restricted for:                  |           |           |           |           |           |
| Capital projects                 | -         | -         | 11,072    | 13,672    | 10,553    |
| Unrestricted                     | 47,416    | 33,590    | 31,272    | 16,858    | 40,412    |
| Total net position               | \$683,590 | \$701,761 | \$735,265 | \$756,297 | \$749,028 |

\*The 2011 net investment in capital assets amount has been increased and the unrestricted net position amount has been decreased by approximately \$12.1 million from the amounts presented in the prior fiscal year. The reclassification changes were primarily a result of a reevaluation of the Water Authority’s unrestricted and restricted cash balances.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

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

FISCAL YEARS 2017 – 2013

|   | 2017*     | 2016*     | 2015*     | 2014*      | 2013*      |
|---|-----------|-----------|-----------|------------|------------|
| Operating revenues:                                   |           |           |           |            |            |
| Water revenues  | \$144,343 | \$140,551 | \$119,707 | \$113,061  | \$113,875  |
| Wastewater revenues                                   | 69,101    | 68,167    | 64,171    | 61,327     | 58,031     |
| Miscellaneous revenues                                | 1,750     | 1,339     | 1,323     | 1,232      | 1,142      |
| Non-operating revenues:                               |           |           |           |            |            |
| Investment income                                     | 86        | 155       | 44        | 160        | 42         |
| Utility expansion charges                             | 8,546     | 9,257     | 7,541     | 7,872      | 8,197      |
| Other revenues  | 2,917     | 5,828     | 2,158     | 8,245      | 1,659      |
| Total revenues  | 226,743   | 225,297   | 194,944   | 191,897    | 182,946    |
| Operating expenses:                                   |           |           |           |            |            |
| General and administrative                            | 63,307    | 59,910    | 53,996    | 54,966     | 53,433     |
| Source of supply, pumping, treatment and distribution | 48,018    | 46,987    | 46,525    | 46,538     | 48,260     |
| Noncapitalized major repair                           | 5,796     | 4,285     | 6,429     | 5,642      | -          |
| Depreciation and amortization                         | 81,648    | 80,357    | 83,094    | 84,788     | 87,087     |
| Non-operating expense:                                |           |           |           |            |            |
| Interest expense                                      | 18,449    | 18,034    | 19,857    | 27,546     | 24,566     |
| Other expense   | 710       | -         | 2,273     | 812        | -          |
| Total expenses  | 217,928   | 209,573   | 212,174   | 220,292    | 213,346    |
| Income (loss) before capital contributions            | 8,815     | 15,724    | (17,230)  | (28,395)   | (30,400)   |
| Capital contributions                                 | 3,522     | 5,504     | 7,348     | 9,388      | 4,132      |
| Change in net position                                | \$12,337  | \$21,228  | (\$9,882) | (\$19,007) | (\$26,268) |

\*The 2013-2017 operating revenues are demonstrated by type and franchise fees are not included as revenue or an expense of the Water Authority in these fiscal years. They are a pass-through, therefore, they are not considered to be either a revenue for the Water Authority. However, the franchise fees are included in charges for services and general and administrative expenses in fiscal years prior to fiscal year 2013.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

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

FISCAL YEARS 2012 – 2008

|   | 2012       | 2011       | 2010       | 2009      | 2008      |
|---|------------|------------|------------|-----------|-----------|
| Operating revenues:                                   |            |            |            |           |           |
| Charges for services                                  | \$177,055  | \$158,515  | \$153,145  | \$147,146 | \$152,232 |
| Water revenues  | -          | -          | -          | -         | -         |
| Wastewater revenues                                   | -          | -          | -          | -         | -         |
| Miscellaneous revenues                                | -          | -          | -          | -         | -         |
| Non-operating revenues:                               |            |            |            |           |           |
| Investment income                                     | 148        | 209        | 866        | 2,648     | 6,443     |
| Utility expansion charges                             | 8,035      | 6,240      | 6,834      | 6,346     | 11,075    |
| Other revenues  | 1,470      | 1,331      | 1,535      | 7,777     | 1,018     |
| Total revenues  | 186,708    | 166,295    | 162,380    | 163,917   | 170,768   |
| Operating expenses:                                   |            |            |            |           |           |
| General and administrative                            | 57,877     | 55,810     | 40,632     | 37,383    | 33,435    |
| Source of supply, pumping, treatment and distribution | 42,655     | 44,946     | 54,365     | 52,346    | 46,106    |
| Noncapitalized major repair                           | -          | -          | -          | -         | -         |
| Depreciation and amortization                         | 84,849     | 83,447     | 81,443     | 72,295    | 60,906    |
| Non-operating expense:                                |            |            |            |           |           |
| Interest expense                                      | 23,806     | 25,324     | 24,977     | 21,682    | 21,782    |
| Other expense   | 348        | 414        | 516        | 360       | 405       |
| Total expenses  | 209,535    | 209,941    | 201,933    | 184,066   | 162,634   |
| Income (loss) before capital contributions            | (22,827)   | (43,646)   | (39,553)   | (20,149)  | 8,134     |
| Capital contributions                                 | 5,058      | 10,538     | 18,917     | 27,811    | 11,939    |
| Change in net position                                | (\$17,769) | (\$33,108) | (\$20,636) | \$7,662   | \$20,073  |

Source: Water Authority Financial/Business Services Division

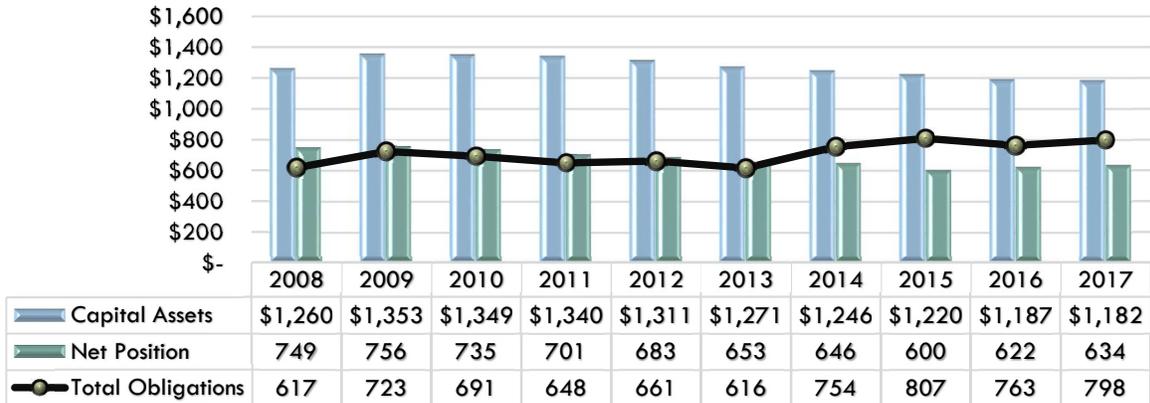
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TREND ANALYSIS FOR NET POSITION AND OPERATIONS

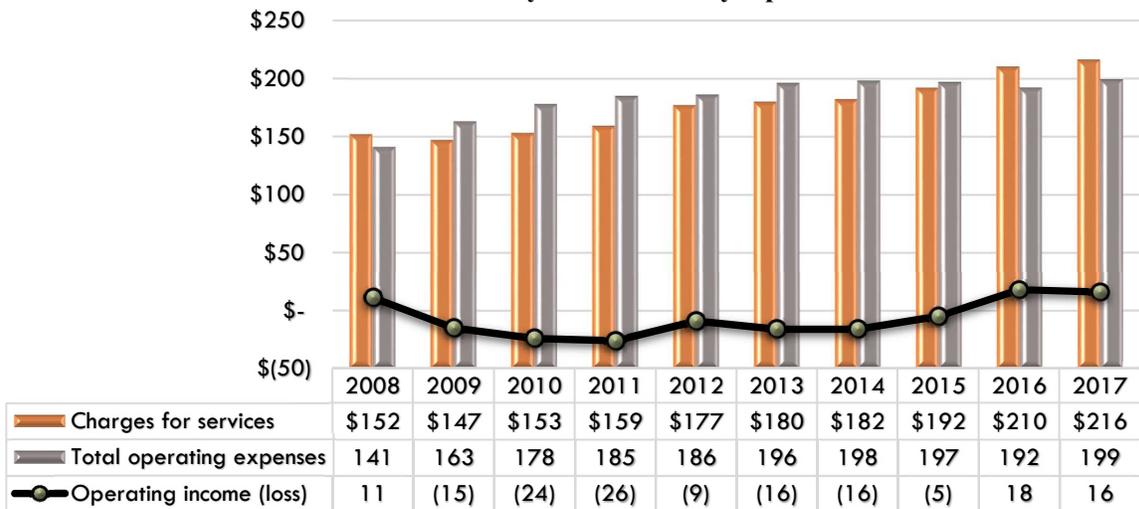
SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2017 – 2008

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



Trend Analysis of Authority Operations



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUES

SCHEDULE 4 – LAST TEN FISCAL YEARS

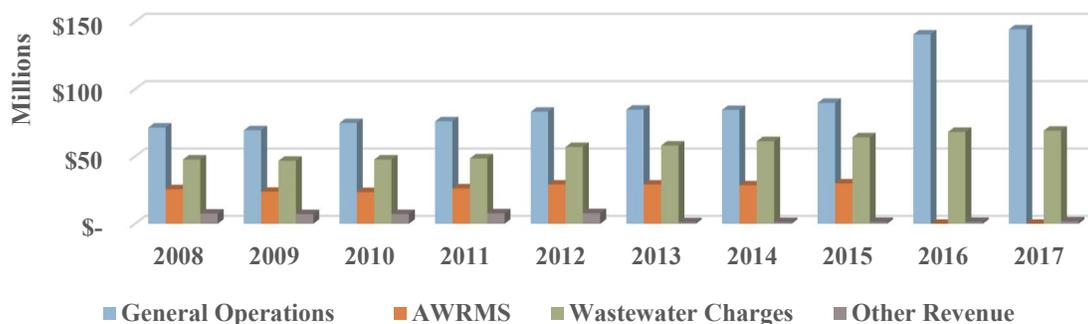
FISCAL YEARS 2017 – 2008

| Fiscal Year | General operations (2) | AWRMS (1)  | Wastewater charges | Other revenue | Total operating revenue |
|-------------|------------------------|------------|--------------------|---------------|-------------------------|
| 2017        | \$144,342,932          | -          | \$69,101,050       | \$1,750,000   | \$215,193,982           |
| 2016        | 140,551,140            | -          | 68,166,636         | 1,339,000     | 210,056,776             |
| 2015        | 89,768,328             | 29,939,349 | 64,171,110         | 1,323,000     | 185,201,787             |
| 2014        | 84,500,221             | 28,561,586 | 61,327,115         | 1,232,000     | 175,620,922             |
| 2013        | 84,713,861             | 29,161,139 | 57,072,020         | 8,053,146     | 173,048,483             |
| 2012        | 83,145,457             | 29,096,281 | 56,982,228         | 7,830,724     | 177,054,690             |
| 2011        | 76,072,550             | 26,219,494 | 48,504,637         | 7,718,145     | 158,514,826             |
| 2010        | 74,773,904             | 23,483,160 | 47,685,066         | 7,202,722     | 153,144,852             |
| 2009        | 69,395,141             | 23,803,266 | 46,805,468         | 7,141,714     | 147,145,589             |
| 2008        | 71,398,950             | 25,630,246 | 47,683,918         | 7,519,231     | 152,232,345             |

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

(2) The 2013-2017 General operations revenues are excluding franchise fees as revenue for the Water Authority. They are a pass-through, therefore, should not be included as revenue for the Water Authority.

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

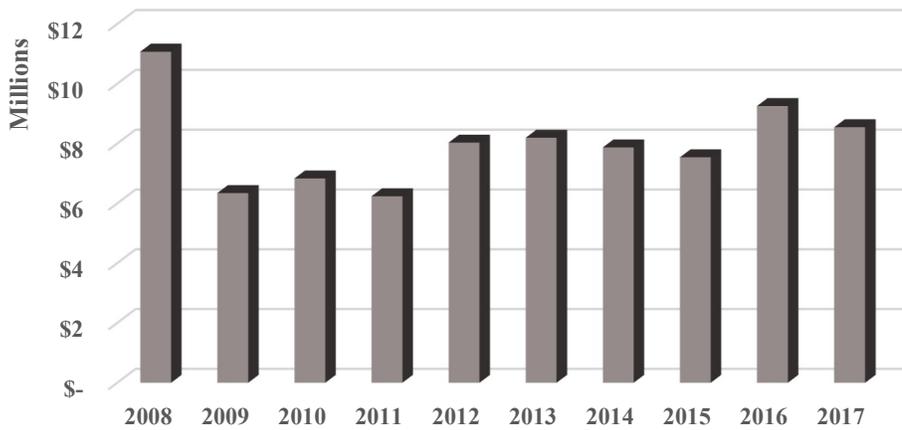
REVENUE FROM UTILITY EXPANSION CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2017 – 2008

| Fiscal Year | Utility expansion charges |
|-------------|---------------------------|
| 2017        | \$8,545,978               |
| 2016        | 9,256,938                 |
| 2015        | 7,541,201                 |
| 2014        | 7,872,237                 |
| 2013        | 8,197,016                 |
| 2012        | 8,035,123                 |
| 2011        | 6,240,073                 |
| 2010        | 6,834,261                 |
| 2009        | 6,346,401                 |
| 2008        | 11,074,840                |

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY CLASS:

2017 – 2013

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

2012 – 2008

| Class         | 2012           | 2011           | 2010           | 2009           | 2008           |
|---------------|----------------|----------------|----------------|----------------|----------------|
| Residential   | 174,277        | 173,339        | 172,787        | 171,983        | 153,959        |
| Multi-family  | 6,393          | 6,364          | 6,349          | 6,231          | 7,644          |
| Commercial    | 11,287         | 11,226         | 11,272         | 11,367         | 9,998          |
| Institutional | 2,316          | 2,279          | 2,223          | 2,119          | 2,013          |
| Industrial    | 102            | 99             | 106            | 113            | 110            |
| Other         | -              | -              | -              | -              | -              |
| <b>Total</b>  | <b>194,375</b> | <b>193,307</b> | <b>192,737</b> | <b>191,813</b> | <b>173,724</b> |

\* Fiscal Year 2017 the water users by meter size are illustrated between metered and non-metered accounts. Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE  
CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY METER SIZE:

2017 – 2013

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

2012 – 2008

| Meter size  | 2012    | 2011    | 2010    | 2009    | 2008    |
|-------------|---------|---------|---------|---------|---------|
| ¾"          | 171,103 | 169,984 | 169,414 | 168,632 | 151,172 |
| 1" and 1 ¼" | 17,717  | 17,820  | 17,820  | 17,611  | 17,621  |
| 1 ½"        | 2,221   | 2,195   | 2,195   | 2,169   | 1,968   |
| 2"          | 2,320   | 2,228   | 2,228   | 2,179   | 1,839   |
| 3"          | 634     | 714     | 714     | 834     | 766     |
| 4"          | 273     | 268     | 268     | 275     | 264     |
| 6"          | 61      | 58      | 58      | 67      | 53      |
| 8" and over | 46      | 40      | 40      | 46      | 41      |
| Total       | 194,375 | 193,307 | 192,737 | 191,813 | 173,724 |

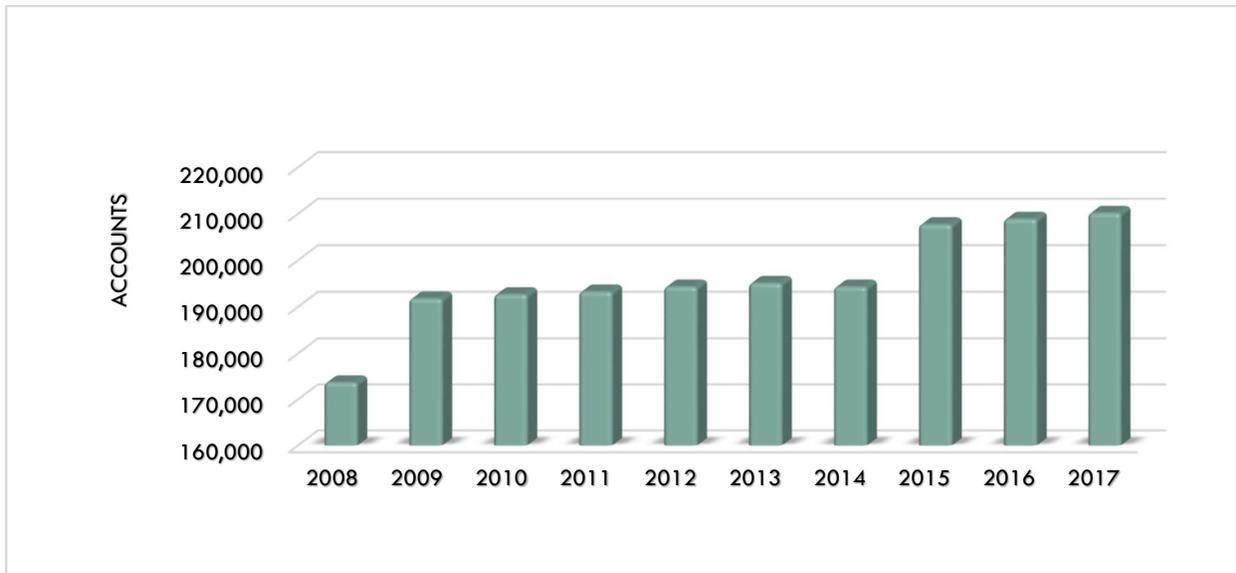
\* Fiscal Year 2017 the water users by meter size are illustrated between metered and non-metered accounts. Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

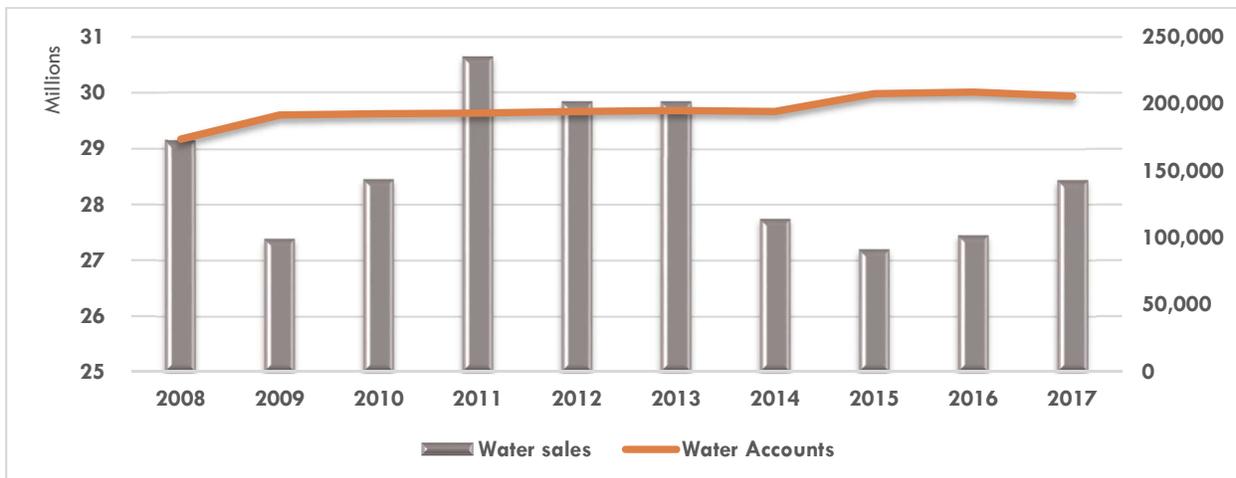
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE  
CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF AVERAGE NUMBER OF ACCOUNTS:  
2008 – 2017



WATER SALES VS. NUMBER OF WATER ACCOUNTS:  
2008 – 2017



Source: Water Authority Financial/Business Services Division

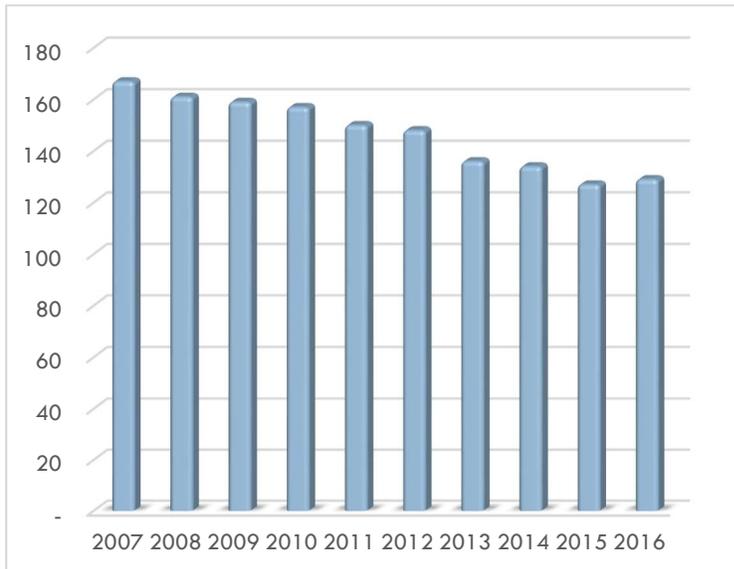
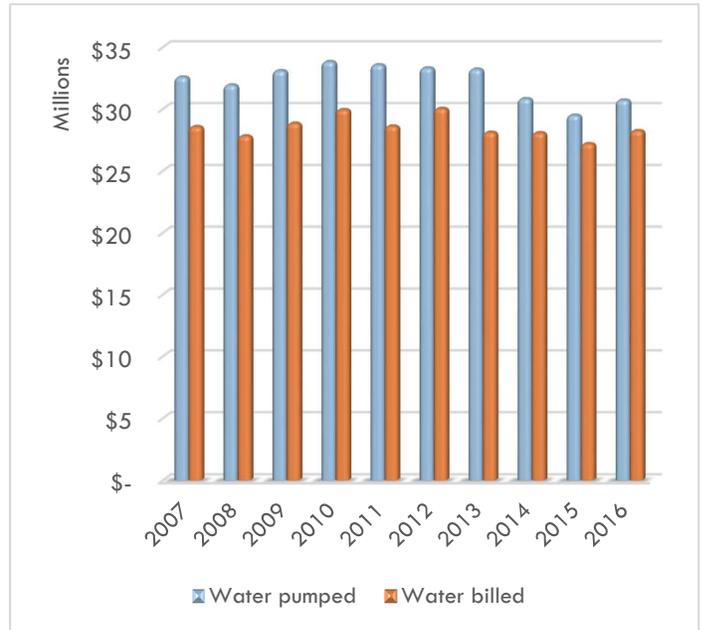
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

SCHEDULE 7 – LAST TEN CALENDAR YEARS

CALENDAR YEARS 2016 – 2007

| Calendar year | Water Pumped | Water Billed | % Billed |
|---------------|--------------|--------------|----------|
| 2016          | 30,720,000   | 28,250,591   | 91.96%   |
| 2015          | 29,498,000   | 27,195,260   | 92.19%   |
| 2014          | 30,836,000   | 28,075,612   | 91.05%   |
| 2013          | 33,222,000   | 28,113,371   | 84.62%   |
| 2012          | 33,318,000   | 30,044,094   | 90.17%   |
| 2011          | 33,577,000   | 28,621,945   | 85.24%   |
| 2010          | 33,830,964   | 29,949,844   | 88.53%   |
| 2009          | 33,098,373   | 28,844,216   | 87.15%   |
| 2008          | 31,940,000   | 27,816,110   | 87.09%   |
| 2007          | 32,589,000   | 28,573,691   | 87.68%   |



| Calendar year | Per Capita Water Usage |
|---------------|------------------------|
| 2016          | 129                    |
| 2015          | 127                    |
| 2014          | 134                    |
| 2013          | 136                    |
| 2012          | 148                    |
| 2011          | 150                    |
| 2010          | 157                    |
| 2009          | 159                    |
| 2008          | 161                    |
| 2007          | 167                    |

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2017

| Customer Name                | Water Revenue | Rank | % of Total Revenue | Consumption |
|------------------------------|---------------|------|--------------------|-------------|
| City of Albuquerque          | \$9,134,660   | 1    | 5.98%              | 2,884,365   |
| Albuquerque Public Schools   | 3,169,349     | 2    | 2.08%              | 742,653     |
| University of New Mexico     | 1,299,145     | 3    | 0.85%              | 136,463     |
| Bernalillo County            | 828,899       | 4    | 0.54%              | 231,851     |
| Kirtland Air Force Base      | 684,830       | 5    | 0.45%              | 148,765     |
| Water Authority              | 324,528       | 6    | 0.21%              | 86,736      |
| Lovelace Health              | 291,783       | 7    | 0.19%              | 93,113      |
| Central NM Community College | 278,331       | 8    | 0.18%              | 64,731      |
| Sumitomo                     | 270,565       | 9    | 0.18%              | 110,990     |
| Albuquerque Academy          | 255,004       | 10   | 0.17%              | 104,396     |
| Total                        | \$16,537,094  |      | 10.83%             |             |

|                          |               |
|--------------------------|---------------|
| 2017 Total Water Revenue | \$152,676,463 |
|--------------------------|---------------|

WATER REVENUE - FISCAL YEAR 2008

| Customer Name                   | Water Revenue | Rank | % of Total Revenue | Consumption |
|---------------------------------|---------------|------|--------------------|-------------|
| City of Albuquerque             | 6,027,021     | 1    | 6.21%              | 1,927,086   |
| Albuquerque Public Schools      | 1,384,736     | 2    | 1.43%              | 322,670     |
| Tanoan Country Club             | 466,305       | 3    | 0.48%              | 212,920     |
| University of NM Physical Plant | 829,600       | 4    | 0.86%              | 155,287     |
| Lovelace Health                 | 502,888       | 5    | 0.52%              | 126,077     |
| Presbyterian Health             | 581,345       | 6    | 0.60%              | 93,294      |
| Albuquerque Academy             | 179,735       | 7    | 0.19%              | 82,843      |
| Four Hills Mobile Home Park     | 199,527       | 8    | 0.21%              | 65,250      |
| University of NM Hospital       | 350,003       | 9    | 0.36%              | 63,935      |
| Towne Park                      | 136,675       | 10   | 0.14%              | 52,082      |
| Total                           | \$10,657,835  |      | 10.84%             |             |

|                          |              |
|--------------------------|--------------|
| 2008 Total Water Revenue | \$97,029,196 |
|--------------------------|--------------|

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS CONTINUED

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2017

| Customer Name                | Wastewater Revenue | Rank | % of Total Revenue | Consumption |
|------------------------------|--------------------|------|--------------------|-------------|
| Kirtland Air Force Base      | \$1,273,411        | 1    | 1.84%              | 746,335     |
| University of New Mexico     | 901,821            | 2    | 1.31%              | 566,858     |
| Albuquerque Public Schools   | 758,774            | 3    | 1.10%              | 130,320     |
| Creamland Dairies            | 648,381            | 4    | 0.94%              | 49,381      |
| City of Albuquerque          | 643,308            | 5    | 0.93%              | 93,915      |
| Lovelace Health              | 196,583            | 6    | 0.28%              | 56,804      |
| Bernalillo County            | 190,554            | 7    | 0.28%              | 59,627      |
| Central NM Community College | 113,967            | 8    | 0.16%              | 29,383      |
| Sandia Peak Services         | 80,507             | 9    | 0.12%              | 76,759      |
| Four Hills Mobile Home Park  | 73,920             | 10   | 0.11%              | 33,565      |
| Total                        | \$4,881,225        |      |                    |             |

|                               |              |
|-------------------------------|--------------|
| 2017 Total Wastewater Revenue | \$69,101,505 |
|-------------------------------|--------------|

WASTEWATER REVENUE - FISCAL YEAR 2008

| Customer Name                   | Wastewater Revenue | Rank | % of Total Revenue | Consumption |
|---------------------------------|--------------------|------|--------------------|-------------|
| New Mexico Utilities            | \$2,938,391        | 1    | 6.16%              | 2,976,498   |
| Kirkland Air Force Base         | 890,374            | 2    | 1.87%              | 788,400     |
| University of NM Physical Plant | 477,542            | 3    | 1.00%              | 472,281     |
| City of Albuquerque             | 434,911            | 4    | 0.91%              | 214,243     |
| Albuquerque Public Schools      | 418,583            | 5    | 0.88%              | 128,450     |
| Lovelace Health                 | 121,791            | 6    | 0.26%              | 96,602      |
| Sandia Peak Services            | 70,610             | 7    | 0.15%              | 89,190      |
| University of NM Hospital       | 185,847            | 8    | 0.39%              | 69,672      |
| Presbyterian Health             | 127,285            | 9    | 0.27%              | 57,340      |
| Creamland Dairies               | 304,093            | 10   | 0.64%              | 53,910      |
| Total                           | \$5,969,427        |      | 12.52%             |             |

|                               |              |
|-------------------------------|--------------|
| 2008 Total Wastewater Revenue | \$47,683,918 |
|-------------------------------|--------------|

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**OUTSTANDING DEBT RATIO**

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

FISCAL YEAR 2017 – 2008

| Fiscal Year | Revenue Bonds | Loan Agreements | Water Rights Contract | Lines of Credit | Un-Amortized Premium | Total     | Per Capita | Per Customer |
|-------------|---------------|-----------------|-----------------------|-----------------|----------------------|-----------|------------|--------------|
| 2017        | \$589,880     | \$44,013        | \$7,579               | -               | \$60,241             | \$701,713 | 1,286      | 3,419        |
| 2016        | 566,455       | 54,819          | 8,715                 | -               | 58,712               | 688,701   | 1,232      | 3,296        |
| 2015        | 601,985       | 63,627          | 9,817                 | -               | 71,578               | 747,007   | 1,170      | 3,250        |
| 2014        | 515,450       | 131,515         | 10,887                | -               | 23,864               | 681,716   | 1,204      | 3,198        |
| 2013        | 420,780       | 210,805         | 11,925                | -               | 13,334               | 656,844   | 1,172      | 3,366        |
| 2012        | 443,015       | 229,644         | 12,932                | -               | 17,400               | 703,023   | 1,267      | 3,617        |
| 2011        | 467,145       | 193,620         | 13,910                | 103             | 12,631               | 687,409   | 1,239      | 3,556        |
| 2010        | 489,210       | 206,642         | 14,858                | 760             | 12,529               | 723,999   | 1,322      | 3,768        |
| 2009        | 515,345       | 209,584         | 15,779                | 3,524           | 17,397               | 761,629   | 1,400      | 3,971        |
| 2008        | 407,925       | 219,780         | 16,672                | -               | 10,189               | 654,566   | 1,215      | 3,768        |

Note:

1. Per Capita is based on the estimated 2014 population provided by the US Census Bureau.
2. Per customer is based on the number of customers for the Water Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2008 – 2016.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SENIOR / SUBORDINATE LIEN DEBT COVERAGE

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

SENIOR LIEN

| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Available Revenue | Principal | Interest | Amortized Premium | Coverage | Required Coverage |
|-------------|----------------|--------------------------|-----------------------|-----------|----------|-------------------|----------|-------------------|
| 2017        | \$227,044      | \$111,326                | \$115,718             | \$37,497  | \$23,899 | (\$12,407)        | 2.36     | 1.33              |
| 2016        | 226,774        | 106,897                  | 119,877               | 43,031    | 23,794   | (12,866)          | 2.22     | 1.33              |
| 2015        | 203,834        | 107,597                  | 96,237                | 33,819    | 22,579   | (9,046)           | 2.03     | 1.33              |
| 2014        | 199,234        | 108,177                  | 91,057                | 41,151    | 31,502   | (4,684)           | 1.34     | 1.33              |
| 2013        | 184,338        | 96,611                   | 87,727                | 39,732    | 23,773   | -                 | 1.38     | 1.33              |
| 2012        | 180,272        | 94,085                   | 86,187                | 38,674    | 22,878   | -                 | 1.40     | 1.33              |
| 2011        | 166,652        | 88,790                   | 77,862                | 37,329    | 29,146   | -                 | 1.17     | 1.33              |
| 2010        | 158,528        | 87,768                   | 70,760                | 34,094    | 33,953   | -                 | 1.03     | 1.33              |
| 2009        | 160,800        | 83,177                   | 77,623                | 34,996    | 27,345   | -                 | 1.24     | 1.33              |
| 2008        | 166,580        | 72,541                   | 94,039                | 34,460    | 24,007   | -                 | 1.61     | 1.33              |

SENIOR AND SUBORDINATE LIEN

| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Available Revenue | Principal | Interest | Amortized Premium | Coverage | Required Coverage |
|-------------|----------------|--------------------------|-----------------------|-----------|----------|-------------------|----------|-------------------|
| 2017        | \$227,044      | \$111,326                | \$115,718             | \$46,901  | \$27,673 | (\$12,407)        | 1.86     | 1.20              |
| 2016        | 226,774        | 106,897                  | 119,877               | 43,964    | 27,865   | (12,866)          | 2.03     | 1.20              |
| 2015        | 203,834        | 107,597                  | 96,237                | 34,491    | 25,746   | (9,046)           | 1.88     | 1.20              |
| 2014        | 199,234        | 108,177                  | 91,057                | 42,081    | 31,889   | (4,684)           | 1.31     | 1.20              |
| 2013        | 184,338        | 96,611                   | 87,727                | 41,265    | 24,197   | -                 | 1.34     | 1.20              |
| 2012        | 180,272        | 94,085                   | 86,187                | 41,574    | 23,404   | -                 | 1.33     | 1.20              |
| 2011        | 166,652        | 88,790                   | 77,862                | 38,270    | 32,089   | -                 | 1.11     | 1.20              |
| 2010        | 158,528        | 87,768                   | 70,760                | 36,413    | 34,570   | -                 | 1.00     | 1.20              |
| 2009        | 160,800        | 83,177                   | 77,623                | 37,235    | 27,909   | -                 | 1.19     | 1.20              |
| 2008        | 166,580        | 72,541                   | 94,039                | 37,858    | 23,927   | -                 | 1.52     | 1.20              |

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

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 11 – LAST TEN FISCAL YEARS

FISCAL YEAR 2017 – 2008

| Fiscal Year | Population Albuquerque MSA* | Total Personal Income | Per Capita Personal Income | Unemployment Rate |
|-------------|-----------------------------|-----------------------|----------------------------|-------------------|
| 2017        | 545,852                     | \$20,689,428          | \$37,903                   | 6.0%              |
| 2016        | 559,121                     | 20,650,016            | 36,933                     | 6.1%              |
| 2015        | 557,169                     | 20,035,240            | 35,959                     | 5.7%              |
| 2014        | 566,059                     | 19,385,257            | 34,246                     | 6.4%              |
| 2013        | 560,454                     | 18,359,913            | 32,759                     | 6.8%              |
| 2012        | 554,905                     | 18,192,560            | 32,785                     | 7.2%              |
| 2011        | 554,905                     | 17,664,291            | 31,833                     | 7.6%              |
| 2010        | 549,411                     | 16,695,501            | 30,388                     | 8.0%              |
| 2009        | 543,971                     | 16,278,876            | 29,926                     | 7.8%              |
| 2008        | 538,586                     | 16,255,603            | 30,182                     | 4.6%              |

Source: US Census Bureau and the University of New Mexico Bureau of Business and Economic Research (BBER). \*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TOP TEN MAJOR EMPLOYERS

SCHEDULE 12 – CURRENT FISCAL YEAR AND NINE YEARS AGO

FISCAL YEAR 2017 AND 2008

| Employer                           | 2017                |      |                                  | 2008                |      |                                  |
|------------------------------------|---------------------|------|----------------------------------|---------------------|------|----------------------------------|
|                                    | Number of Employees | Rank | % of Albuquerque MSA* Employment | Number of Employees | Rank | % of Albuquerque MSA* Employment |
| Albuquerque Public Schools         | 14,810              | 1    | 9.54%                            | 14,000              | 3    | 3.38%                            |
| Kirtland Air Force Base (civilian) | 10,125              | 2    | 3.87%                            | 35,690              | 1    | 8.62%                            |
| Sandia National Laboratories       | 9,852               | 3    | 3.82%                            | -                   |      | 0.00%                            |
| Presbyterian Hospital              | 7,310               | 4    | 2.25%                            | 7,315               | 4    | 1.77%                            |
| UNM Hospital                       | 6,021               | 5    | 1.97%                            | 4,595               | 8    | 1.11%                            |
| City of Albuquerque                | 5,500               | 6    | 1.79%                            | 6,500               | 5    | 1.57%                            |
| State of New Mexico                | 4,950               | 7    | 1.59%                            | 5,605               | 6    | 1.35%                            |
| University of New Mexico           | 4,210               | 8    | 1.58%                            | 15,435              | 2    | 3.73%                            |
| Lovelace Health System             | 4,000               | 9    | 0.99%                            | 3,400               | 9    | 0.82%                            |
| Bernalillo County                  | 2,425               | 10   | 0.00%                            | -                   |      | 0.00%                            |
| Kirtland Air Force Base (military) | -                   |      | 0.00%                            | 4,860               | 7    | 1.17%                            |
| Intel Corporation                  | -                   |      | 0.00%                            | 3,300               | 10   | 0.80%                            |
| Total                              |                     |      | 18.47%                           |                     |      | 24.33%                           |
| Total Employment:                  |                     |      | 374,775                          |                     |      | 413,897                          |

Sources: University of New Mexico Bureau of Business and Economic Research (BBER)

[https://www.abq.org/uploads/files/Albuquerque%20MSA%20Business%20Location%20Overview%20PDF\\_5-15-2017.pdf](https://www.abq.org/uploads/files/Albuquerque%20MSA%20Business%20Location%20Overview%20PDF_5-15-2017.pdf)

\*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FULL-TIME EQUIVALENT WATER AUTHORITY EMPLOYEES BY FUNCTION

SCHEDULE 13 – LAST TEN FISCAL YEARS

FISCAL YEAR 2017 - 2008

| FUNCTION                             | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Administration:                      |       |       |       |       |       |       |       |       |       |       |
| Water Authority                      | 13.0  | 8.0   | 8.0   | 13.0  | 12.0  | 12.0  | 12.0  | 12.0  | 12.0  | 10.0  |
| Legal/Risk                           | 7.0   | 5.0   | 5.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Human Resources                      | 13.0  | 13.0  | 13.0  | 13.0  | 13.0  | 12.0  | 19.0  | 19.0  | 19.0  | 12.0  |
| Financial/Business Services:         |       |       |       |       |       |       |       |       |       |       |
| Finance                              | 31.5  | 31.5  | 28.5  | 27.0  | 23.0  | 23.0  | 23.0  | 20.0  | 20.0  | 7.0   |
| Customer Service                     | 90.0  | 92.0  | 80.0  | 80.0  | 74.0  | 73.0  | 75.0  | 77.0  | 62.0  | 58.0  |
| Information Technology               | 26.0  | 25.0  | 27.0  | 25.0  | 25.0  | 22.0  | 22.0  | 19.0  | 19.0  | 17.0  |
| Plant:                               |       |       |       |       |       |       |       |       |       |       |
| Wastewater Treatment                 | 92.0  | 99.0  | 99.0  | 99.0  | 109.0 | 109.0 | 107.0 | 106.0 | 105.0 | 97.0  |
| Groundwater                          | 55.0  | 26.0  | 27.0  | 28.0  | 68.0  | 79.0  | 55.0  | 59.0  | 58.0  | 58.0  |
| San Juan-Chama Water Treatment Plant | 28.0  | 56.0  | 56.0  | 57.0  | 24.0  | 11.0  | 9.0   | 22.0  | 20.0  | 20.0  |
| Field:                               |       |       |       |       |       |       |       |       |       |       |
| Wastewater Collections               | 61.0  | 60.0  | 60.0  | 65.0  | 63.0  | 63.0  | 61.0  | 61.0  | 61.0  | 62.0  |
| Water Field Operations               | 124.0 | 117.0 | 126.0 | 126.0 | 122.0 | 123.0 | 146.0 | 130.0 | 129.0 | 138.0 |
| Other:                               |       |       |       |       |       |       |       |       |       |       |
| Compliance                           | 45.5  | 46.0  | 46.0  | 44.0  | 44.0  | 41.0  | 38.0  | 38.0  | 39.0  | 56.0  |
| Water Resources Management           | 0.0   | 40.0  | 41.0  | 35.0  | 36.0  | 35.0  | 33.0  | 33.0  | 32.0  | 38.0  |
| Planning and Engineering             | 23.0  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Water Resources                      | 16.0  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| CIP Funded                           | 7.0   | 9.0   | 9.0   | 9.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Total                                | 632.0 | 627.5 | 625.5 | 621.0 | 613.0 | 603.0 | 600.0 | 596.0 | 576.0 | 573.0 |

Note: In FY2017, Water Resources Management function separated into two divisions; Planning and Engineering and Water Resources.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2016 - 2012

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

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION CONTINUED

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2011 - 2007

| FUNCTION   | 2011        | 2010        | 2009        | 2008        | 2007        |
|--|-------------|-------------|-------------|-------------|-------------|
| Estimated Population (Service Area)                  | 634,284     | 623,700     | 543,971     | 533,253     | 530,600     |
| Number of Meters (Billed)                            | 201,884     | 200,498     | 194,087     | 174,005     | 172,394     |
| Estimated Persons Per Meter                          | 3.14        | 3.11        | 2.80        | 3.10        | 3.09        |
| Annual Pumpage (1,000 Gallons)                       | 33,577,000  | 33,830,964  | 33,098,373  | 31,940,000  | 32,598,000  |
| Annual Water Billed (1,000 Gallons)                  | 28,621,945  | 29,949,844  | 28,844,216  | 27,816,110  | 28,573,691  |
| Average Daily Pumpage (Gallons)                      | 91,991,781  | 92,687,573  | 90,680,474  | 87,506,849  | 89,309,589  |
| Peak Day Pumpage (Gallons)                           | 182,000,000 | 226,902,542 | 186,819,804 | 155,329,700 | 174,986,400 |
| Peak Day Consumption (Gallons)                       | 161,500,000 | 160,000,000 | 144,030,800 | 149,870,000 | 147,670,000 |
| Average Daily Production Per Meter (Gallons)         | 456         | 462         | 467         | 503         | 518         |
| Well Pumping Capacity (Per 24-hour period)           | 282,000,000 | 282,000,000 | 314,250,000 | 294,000,000 | 294,000,000 |
| Storage Capacity (Gallons)                           | 249,000,000 | 228,700,000 | 228,700,000 | 211,000,000 | 211,000,000 |
| Surface Water Treatment Plant Capacity (Gallons)     | 84,000,000  | -           | -           | -           | -           |
| Surface Water Pumping Capacity (Gallons)             | 140,000,000 | 140,000,000 | 140,000,000 | -           | -           |
| Surface Water Storage Capacity (Gallons)             | 20,000,000  | 20,000,000  | 20,000,000  | -           | -           |
| Southside Water Reclamation Plant Capacity (Gallons) | 76,000,000  | 76,000,000  | 76,000,000  | 76,000,000  | 76,000,000  |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**CAPITAL STATISTICS BY FUNCTION**

SCHEDULE 15 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2016 - 2012

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

CALENDAR YEAR 2011 - 2007

| FUNCTION                  | 2011   | 2010   | 2009   | 2008   | 2007   |
|---------------------------|--------|--------|--------|--------|--------|
| Fire Hydrants             | 14,996 | 14,879 | 14,778 | 14,577 | 14,093 |
| Number of Miles of Lines: |        |        |        |        |        |
| Water                     | 2,650  | 2,636  | 2,626  | 2,599  | 2,520  |
| Wastewater                | 1,866  | 1,863  | 1,858  | 1,846  | 1,820  |
| San Juan-Chama            | 37     | 37     | 37     | -      | -      |

Source: Water Authority Financial/Business Services Division



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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

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

CALENDAR YEAR 2016 - 2012

| FUNCTION                          | 2016                | 2015                | 2014                | 2013                | 2012                 | Average             | Maximum              |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| Groundwater Diversion             | 32,196.0<br>(10.49) | 41,599.9<br>(13.56) | 38,176.6<br>(12.44) | 55,785.3<br>(18.18) | 59,556.9<br>(19.41)  | 45,462.9<br>(14.81) | 59,556.9<br>(19.41)  |
| System Wells Only                 | 32,196.0<br>(10.49) | 40,864.4<br>(13.32) | 36,781.7<br>(11.99) | 54,426.7<br>(17.73) | 58,052.0<br>(18.92)  | 44,464.2<br>(14.49) | 58,052.0<br>(18.92)  |
| Surface Water Diverted from River | 64,221.9<br>(20.93) | 51,340.0<br>(16.73) | 59,397.6<br>(19.35) | 42,543.0<br>(13.86) | 46,074.6<br>(15.01)  | 52,715.4<br>(17.18) | 64,221.9<br>(20.93)  |
| Recovered Surface Water from ASR  | 0.0<br>(0.00)       | 1,077.2<br>(0.35)   | 0.0<br>(0.00)       | 0.0<br>(0.00)       | 0.0<br>(0.00)        | N/A<br>N/A          | 1,077.2<br>(0.35)    |
| Total System Water Diversion      | 96,417.9<br>(31.42) | 93,281.6<br>(30.40) | 96,179.6<br>(31.34) | 96,969.7<br>(31.60) | 104,126.6<br>(33.93) | 97,395.0<br>(31.74) | 104,126.6<br>(33.93) |
| Groundwater Use                   | 32,196.0<br>(10.49) | 40,864.4<br>(13.32) | 36,781.7<br>(11.99) | 54,426.7<br>(17.73) | 58,052.0<br>(18.92)  | 44,464.2<br>(14.49) | 58,052.0<br>(18.92)  |
| Surface Water Use                 | 64,221.0<br>(20.93) | 52,417.2<br>(17.08) | 59,397.6<br>(19.35) | 42,543.0<br>(13.86) | 46,074.6<br>(15.01)  | 52,930.7<br>(17.25) | 64,221.0<br>(20.93)  |
| Percent Groundwater Use           | 33.4%               | 43.8%               | 38.2%               | 56.1%               | 55.8%                | 45.7%               | 56.1%                |
| Percent Surface Water Use         | 66.6%               | 56.2%               | 61.8%               | 43.9%               | 44.2%                | 54.3%               | 66.6%                |
| GPCD                              | 129.0               | 127.0               | 134.0               | 136.0               | 148.0                | 134.8               | 148.0                |

| Water Rights Holdings | Vested (V) | Acquired Pre-1907 | Acquired (A) | Total V + A | San Juan-Chama | Total    |
|-----------------------|------------|-------------------|--------------|-------------|----------------|----------|
| As of December, 2016  | 17,875.0   | 4,916.7           | 8,547.2      | 26,422.2    | 48,200.0       | 74,622.2 |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA CONTINUED

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

CALENDAR YEAR 2011 - 2007

| FUNCTION                          | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | Average              | Maximum              |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Groundwater Diversion             | 62,479.1<br>(20.36)  | 61,617.5<br>(20.08)  | 80,821.7<br>(26.34)  | 99,295.1<br>(32.36)  | 101,267.5<br>(33.00) | 81,096.2<br>(26.43)  | 101,267.5<br>(33.00) |
| System Wells Only                 | 61,052.9<br>(19.89)  | 60,181.6<br>(19.61)  | 79,436.8<br>(25.88)  | 97,858.5<br>(31.89)  | 99,862.3<br>(32.54)  | 79,678.4<br>(25.96)  | 99,862.3<br>(32.54)  |
| Surface Water Diverted from River | 44,095.1<br>(14.37)  | 45,099.0<br>(14.70)  | 23,936.8<br>(7.80)   | 3,046.0<br>(0.99)    | 2,119.9<br>(0.69)    | 23,659.4<br>(7.71)   | 45,099.0<br>(14.70)  |
| Recovered Surface Water from ASR  | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Total System Water Diversion      | 105,148.0<br>(34.26) | 105,280.6<br>(34.31) | 103,373.6<br>(33.68) | 100,904.5<br>(32.88) | 101,982.2<br>(33.23) | 103,337.8<br>(33.67) | 105,280.6<br>(34.31) |
| Groundwater Use                   | 61,052.9<br>(19.89)  | 60,181.6<br>(19.61)  | 79,436.8<br>(25.88)  | 97,858.5<br>(31.89)  | 99,862.3<br>(32.54)  | 79,678.4<br>(25.96)  | 99,862.3<br>(32.54)  |
| Surface Water Use                 | 44,095.1<br>(14.37)  | 45,099.0<br>(14.70)  | 23,341.0<br>(7.61)   | 3,046.0<br>(0.99)    | 2,119.9<br>(0.69)    | 23,540.2<br>(7.67)   | 45,099.0<br>(14.70)  |
| Percent Groundwater Use           | 58.1%                | 57.2%                | 77.3%                | 97.0%                | 97.9%                | 77.2%                | 97.9%                |
| Percent Surface Water Use         | 41.9%                | 42.8%                | 22.7%                | 3.0%                 | 2.1%                 | 22.8%                | 42.8%                |
| GPCD                              | 155.0                | 157.0                | 159.0                | 161.0                | 167.0                | 159.8                | 167.0                |

| Water Rights Holdings | Vested (V) | Acquired Pre-1907 | Acquired (A) | Total V + A | San Juan-Chama | Total    |
|-----------------------|------------|-------------------|--------------|-------------|----------------|----------|
| As of December, 2011  | 17,875.0   | 4,624.2           | 8,254.7      | 26,129.7    | 48,200.0       | 74,329.7 |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

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

FISCAL YEAR 2017 - 2013

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

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

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

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

|                            |         |         |        |        |        |
|----------------------------|---------|---------|--------|--------|--------|
| Current Ratio Calculation: |         |         |        |        |        |
| Unrestricted Cash          | 125,990 | 101,196 | 68,886 | 60,836 | 38,582 |
| + Receivables, net         | 20,381  | 20,170  | 16,401 | 17,948 | 18,603 |
| /Current Liabilities       | 78,147  | 81,583  | 74,295 | 66,823 | 67,802 |
| (4) Current Ratio:         | 1.9     | 1.5     | 1.1    | 1.2    | 0.8    |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

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

FISCAL YEAR 2012 - 2008

| RATIO TYPE                   | 2012      | 2011      | 2010      | 2009      | 2008      |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Operating Ratio Calculation: |           |           |           |           |           |
| Operating Revenues           | \$177,055 | \$158,515 | \$153,145 | \$147,146 | \$152,232 |
| /Operating Expenses          | 185,893   | 184,962   | 176,836   | 162,513   | 141,179   |
| (1) Operating Ratio:         | 1.0       | 0.9       | 0.9       | 0.9       | 1.1       |

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Operating Revenues                       | 177,055 | 158,515 | 153,145 | 147,146 | 152,232 |
| /Operating Expenses (excl. Depr.)        | 100,609 | 101,113 | 94,996  | 89,821  | 79,880  |
| (1) Operating Ratio, excl. Depreciation: | 1.8     | 1.6     | 1.6     | 1.6     | 1.9     |

|                                  |        |        |        |        |        |
|----------------------------------|--------|--------|--------|--------|--------|
| Days Cash on Hand Calculation:   |        |        |        |        |        |
| Unrestricted Cash                | 47,108 | 57,387 | 37,288 | 56,758 | 72,514 |
| /Operating Expense (excl. Depr.) | 276    | 277    | 260    | 246    | 219    |
| (2) Days Cash on Hand:           | 170.9  | 207.2  | 143.3  | 230.6  | 331.3  |

|                                      |          |          |          |          |          |
|--------------------------------------|----------|----------|----------|----------|----------|
| Days of Working Capital Calculation: |          |          |          |          |          |
| Current Unrestricted Assets          | 64,820   | 71,989   | 53,910   | 71,455   | 92,877   |
| Less: Current Liabilities            | (68,707) | (70,704) | (67,090) | (73,191) | (68,257) |
| /Operating Expenses (excl. Depr.)    | 276      | 277      | 260      | 246      | 219      |
| (3) Days of Working Capital:         | (14.1)   | 4.6      | (50.6)   | (7.1)    | 112.5    |

|                            |        |        |        |        |        |
|----------------------------|--------|--------|--------|--------|--------|
| Current Ratio Calculation: |        |        |        |        |        |
| Unrestricted Cash          | 47,108 | 57,387 | 37,288 | 56,758 | 72,514 |
| + Receivables, net         | 17,619 | 14,602 | 16,622 | 14,632 | 20,363 |
| /Current Liabilities       | 68,707 | 70,704 | 67,090 | 73,191 | 68,257 |
| (4) Current Ratio:         | 0.9    | 1.0    | 0.8    | 1.0    | 1.4    |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**FINANCIAL BENCHMARKS CONTINUED**

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

FISCAL YEAR 2017 - 2008

Notes for Financial Benchmarks:

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

Source: Water Authority Financial/Business Services Division

# OTHER SUPPLEMENTARY INFORMATION SECTION

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

The Board of Directors of the Albuquerque  
Bernalillo County Water Utility Authority  
and  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements, and the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, and have issued our report thereon dated November 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Water Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2017-001, 2017-002 and 2017-003.

**The Water Authority’s Responses to Findings**

The Water Authority’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Water Authority’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

REDW LLC

Albuquerque, New Mexico  
November 29, 2017

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2017-001 - Disposition of Capital Assets  
(Other noncompliance)

*Criteria:* According to 2.2.2.10(U) New Mexico Administrative Code (NMAC), sections 13-6-1 to 13-6-2 NMSA 1978 governs the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies. The Water Authority's governing board shall designate a committee of at least three officials to approve and oversee dispositions, and at least 30-days prior to any disposition of property, written notification of the proposed disposition must be sent to the New Mexico Office of the State Auditor. Furthermore, the disposition of property with a resale value greater than \$5,000 requires the approval from the Department of Finance and Administration (DFA).

*Condition:* Based on our testing of fourteen capital asset disposals, it was determined that the Water Authority did not provide written notification to the New Mexico Office of the State Auditor 30-days prior to the dispositions. Furthermore, the Water Authority did not obtain approval from DFA for the sale of a capital asset item with a resale value of \$12,988. Also, during fiscal year 2017, the Water Authority did not have a designated committee to oversee the disposition of capital assets.

*Cause:* The Water Authority did not have internal controls in place to ensure compliance with the capital asset disposition requirements.

*Effect:* The Water Authority was not in compliance with the applicable New Mexico Administrative Code and State Statutes.

*Auditor's Recommendation:* We recommend that the Water Authority implement internal controls to ensure compliance with the State Statutes related to the disposition of capital assets. Additionally, the disposition of property with a resale value greater than \$5,000 should be approved by DFA prior to the disposition.

*Management's Response:* The Water Authority concurs with this finding. A task force committee has been created, which is reviewing the processes and procedures for the disposition of capital assets in its entirety. The committee members include the Purchasing Officer, the Warehouse Manager, the Controller, and the Treasurer. The committee will identify capital asset internal control systems, including requirements and time frames for implementation and make recommendations in revising the policies and procedures to incorporate the requirements under 2.2.2.10(U) New Mexico Administrative Code (NMAC), sections 13-6-1 to 13-6-2 NMSA 1978 and DFA for the disposition of capital assets.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES CONTINUED**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2017-002 – Public Money Act  
(Other noncompliance)

*Criteria:* According to 2.2.2.10(J)(3) New Mexico Administrative Code (NMAC), compliance with the Public Money Act, 6-10-1 to 6-10-63 NMSA 1978 is required. According to section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section [6-10-54](#) NMSA 1978 provided, be deposited before the close of the next succeeding business day.

*Condition:* Based on our testing of thirty daily deposits, it was determined that the Water Authority did not deposit a cash receipt in the amount of \$1,025.96 before the close of the next succeeding business day.

*Cause:* Internal controls were not in place to ensure that all cash receipts were deposited by the close of the next succeeding business day.

*Effect:* The Water Authority was not in compliance with the applicable requirements.

*Auditor's Recommendation:* We recommend that the Water Authority follow State Statutes and ensure cash receipts are deposited by the close of the next succeeding business day.

*Management's Response:* The Water Authority agrees that all daily cash receipts be deposited in accordance with 2.2.2.10(J)(3) New Mexico Administrative Code (NMAC), compliance with the Public Money Act, 6-10-1 to 6-10-63 NMSA 1978 as required. The Customer Service Manager will ensure all daily cash receipts are deposited the next succeeding business day.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES CONTINUED**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2017-003 – The Audit Act  
(Other noncompliance)

*Criteria:* According to 2.2.2.10(W)(2) New Mexico Administrative Code (NMAC), the Water Authority shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of The Audit Act (12-6-10 NMSA 1978). According to Section 12-6-10 NMSA 1978, upon completion of the physical inventory count, the inventory shall be certified by the governing authority to verify correctness of the results.

*Condition:* While the Water Authority completed a physical inventory, the inventory was not certified by the Water Authority's governing board to verify correctness of the results.

*Cause:* Internal controls were not in place to ensure compliance with the applicable board certification requirement.

*Effect:* The Water Authority was not in compliance with the applicable requirements.

*Auditor's Recommendation:* We recommend that the Water Authority follow state Statutes and ensure annual physical inventory counts are certified by the Water Authority's governing board as to the correctness of the results.

*Management's Response:* The Water Authority concurs with this finding. The Chief Financial Officer will present the results of the annual physical inventory counts to the governing board for verification purposes, prior to each fiscal year end.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**PRIOR AUDIT FINDINGS**

2016-001 Developer Contributions and Capital Assets  
Status: Resolved

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                             | BUDGET               |                      | Actual<br>Budgetary<br>Basis | Variance from<br>Final Budget –<br>Budgetary<br>Basis |
|-----------------------------|----------------------|----------------------|------------------------------|---|
|                             | Original             | Final                |                              |   |
| <b>REVENUES:</b>            |                      |                      |                              |   |
| <i>OPERATING:</i>           |                      |                      |                              |   |
| Water service               | \$87,677,000         | \$87,677,000         | \$105,570,500                | \$17,893,500  |
| Water facilities rehab      | 30,902,000           | 30,902,000           | 34,517,906                   | 3,615,906   |
| Wastewater service          | 54,124,000           | 54,124,000           | 41,644,324                   | (12,479,676)  |
| Wastewater facilities rehab | 25,562,000           | 25,562,000           | 27,456,726                   | 1,894,726   |
| Water resources management  | 4,500,000            | 4,500,000            | 4,362,949                    | (137,051)   |
| COA administrative fees     | 1,750,000            | 1,750,000            | 1,750,000                    | -   |
| Transfer from capital       | 921,000              | 921,000              | 792,961                      | (128,039)   |
| Investment income           | 100,000              | 100,000              | 86,073                       | (13,927)  |
| Miscellaneous revenue       | 3,345,000            | 3,345,000            | 1,756,289                    | (1,588,711)   |
| Franchise fees              | 8,111,000            | 8,111,000            | -                            | (8,111,000)   |
| <i>CAPITAL:</i>             |                      |                      |                              |   |
| Transfer from operating     | 21,000,000           | 21,000,000           | 21,000,000                   | -   |
| Transfer from debt service  | 4,474,000            | 4,474,000            | 4,474,000                    | -   |
| <i>DEBT SERVICE:</i>        |                      |                      |                              |   |
| Utility Expansion Charges   | 8,000,000            | 8,000,000            | 8,545,978                    | 545,978   |
| Transfer from Operating     | 70,628,000           | 70,628,000           | 70,628,000                   | -   |
| <b>TOTAL REVENUES</b>       | <b>\$321,094,000</b> | <b>\$321,094,000</b> | <b>\$322,585,706</b>         | <b>\$1,491,706</b>                                    |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                           | BUDGET               |                      | Actual<br>Budgetary<br>Basis | Variance from<br>Final Budget –<br>Budgetary<br>Basis |
|---------------------------|----------------------|----------------------|------------------------------|---|
|                           | Original             | Final                |                              |   |
| <b>EXPENSES:</b>          |                      |                      |                              |   |
| <i>OPERATING:</i>         |                      |                      |                              |   |
| Administration            | \$2,511,000          | \$2,511,000          | \$2,726,163                  | (215,163)   |
| Legal                     | -                    | 439,583              | 459,035                      | (19,452)  |
| Risk                      | 4,595,000            | 4,155,417            | 4,239,454                    | (84,037)  |
| Human resources           | 1,409,000            | 1,440,588            | 1,313,201                    | 127,387   |
| Finance                   | 4,060,000            | 3,944,390            | 3,893,669                    | 50,721  |
| Customer service          | 8,934,000            | 8,966,629            | 8,587,494                    | 379,135   |
| Information technology    | 6,964,000            | 7,079,610            | 7,072,446                    | 7,164   |
| Wastewater plant          | 11,412,000           | 11,361,413           | 10,747,375                   | 614,038   |
| SJC water treatment plant | 3,387,000            | 3,486,857            | 3,415,003                    | 71,854  |
| Groundwater operations    | 6,302,000            | 6,252,730            | 5,985,005                    | 267,725   |
| Wastewater collection     | 6,480,000            | 6,480,000            | 6,539,779                    | (59,779)  |
| Water field operations    | 19,898,000           | 19,898,000           | 19,134,162                   | 763,838   |
| Compliance                | 5,269,000            | 5,237,412            | 4,512,527                    | 724,885   |
| Planning and engineering  | 2,854,000            | 3,124,013            | 2,870,760                    | 253,253   |
| Water resources           | 4,267,000            | 3,964,358            | 3,586,769                    | 377,589   |
| General government        | 29,373,000           | 30,873,000           | 22,015,336                   | 8,857,664   |
| San Juan-Chama            | 2,247,000            | 2,247,000            | 2,377,966                    | (130,966)   |
| Transfer to debt service  | 70,628,000           | 70,628,000           | 70,628,000                   | -   |
| Transfer to capital       | 21,000,000           | 21,000,000           | 21,000,000                   | -   |
| <i>CAPITAL:</i>           |                      |                      |                              |   |
| Capital expense           | 65,903,000           | 121,479,092          | 80,090,072                   | 41,389,020  |
| Transfer to operating     | 921,000              | 921,000              | 792,960                      | 128,040   |
| <i>DEBT SERVICE:</i>      |                      |                      |                              |   |
| Debt service              | 76,264,000           | 76,264,000           | 75,746,787                   | 517,213   |
| Transfer to capital       | 4,474,000            | 4,474,000            | 4,474,000                    | -   |
| <b>TOTAL EXPENSES</b>     | <b>\$359,152,000</b> | <b>\$416,228,092</b> | <b>\$362,207,963</b>         | <b>\$54,020,128</b>                                   |

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                                   | BUDGET         |                | Actual<br>Budgetary<br>Basis | Variance from<br>Final Budget –<br>Budgetary<br>Basis |
|-----------------------------------|----------------|----------------|------------------------------|---|
|                                   | Original       | Final          |                              |   |
| <b>NET EFFECT:</b>                |                |                |                              |   |
| Revenues over (under)<br>expenses | (\$38,058,000) | (\$95,134,092) | (\$39,622,257)               | (\$52,528,422)  |

|   |              |
|---|--------------|
| Revenues (expenses) not budgeted:       |              |
| Depreciation                            | (81,648,334) |
| Amortization on premium and discounts   | 9,460,025    |
| Non-budgeted miscellaneous expenses     | (4,114,973)  |
| Lease of stored water                   | 1,181,658    |
| Net expenses over revenues not budgeted | (75,121,624) |

|  |               |
|--|---------------|
| Changes to conform to generally accepted accounting principles:    |               |
| Principal payments on bonds and loan agreements                    | 48,070,991    |
| Principal payments on water rights contract                        | 1,135,776     |
| Expenses recorded in capital general ledger funds                  | 73,583,878    |
| Capital contributions  | 3,522,244     |
| Capital outlay   | 767,746       |
| Net changes to conform to generally accepted accounting principles | \$127,080,635 |

|                         |              |
|-------------------------|--------------|
| Changes in net position | \$12,336,754 |
|-------------------------|--------------|

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

**SCHEDULE OF DEPOSITS AND INVESTMENTS**

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

BY FINANCIAL INSTITUTION

| Account Name             | Type of Account | Bank Balance  | Outstanding   | Book Balance  |
|--------------------------|-----------------|---------------|---------------|---------------|
| Bank of Albuquerque:     |                 |               |               |               |
| Lockbox                  | Checking        | \$18,482,632  | -             | \$18,482,632  |
| Wells Fargo Bank:        |                 |               |               |               |
| General Fund             | Checking        | 132,237,265   | (67,645)      | 132,169,620   |
| Accounts Payable ZBA*    | Checking        | -             | (1,231,682)   | (1,231,682)   |
| Payroll ZBA*             | Checking        | -             | (13,300)      | (13,300)      |
| Depository ZBA*          | Checking        | -             | -             | -             |
| Money Market             | Savings         | 185,839       | -             | 185,839       |
| Money Market Reserve     | Savings         | 8,024,264     | -             | 8,024,264     |
| Flex Spending            | Checking        | 35,484        | -             | 35,484        |
| Rio Grande Credit Union: |                 |               |               |               |
| Money Market             | Savings         | 249,092       | -             | 249,092       |
| Sunflower Bank           |                 |               |               |               |
| Money Market             | Savings         | 25,040,680    | -             | 25,040,680    |
| Total Cash Deposits      |                 | \$184,255,256 | (\$1,312,627) | \$182,942,629 |

\*Zero Balance Account(ZBA) – “Sweep” of daily activity into the General Fund Account.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

BY FINANCIAL INSTITUTION

| Collateral Description  | CUSIP Number | Current Market | Maturity Date | Coupon Rate |
|---|--------------|----------------|---------------|-------------|
| Bank of Albuquerque, N.A.:  |              |                |               |             |
| FNA 2014-M2 ASV2  | 3136AJDR4    | \$862,832      | 06/25/2021    | 2.78%       |
| FNA 2014-M2 ASV2  | 3136AJDR4    | 1,294,248      | 06/25/2021    | 2.78%       |
| FNA 2014-M2 ASV2  | 3136AJDR4    | 1,553,097      | 06/25/2021    | 2.78%       |
| FHMS K043 A1  | 3137BGJZ3    | 7,497,090      | 10/25/2023    | 2.53%       |
| FHMS K055 A1  | 3137BPVZ9    | 961,979        | 04/24/2025    | 2.26%       |
| FHMS K055 A1  | 3137BPVZ9    | 2,885,938      | 04/24/2025    | 2.26%       |
| FHMS KJ08 A1  | 3137BS6P3    | 1,452,453      | 01/25/2035    | 1.65%       |
| FHMS KJ08 A1  | 3137BS6P3    | 2,904,905      | 01/25/2035    | 1.65%       |
| FHR 3810 EA   | 3137A6WK4    | 3,457,115      | 02/15/2025    | 3.10%       |
| Location of collateral: Bank of Oklahoma – Oklahoma City, OK          |              |                |               |             |
| Sunflower Bank:   |              |                |               |             |
| FHLB Letter of Credit   | 46153        | 25,500,000     | 09/19/2017    |             |
| Location of collateral: Federal Home Loan Bank of Dallas – Dallas, TX |              |                |               |             |
| Wells Fargo Bank, N.A.:   |              |                |               |             |
| FMAC FGPC   | 3128P8CT6    | 96,964,874     | 08/01/2036    | 3.00%       |
| FNMA FNRM   | 3136A7FV9    | 20,710,452     | 06/25/2027    | 1.75%       |
| FMAC FGRM   | 3137ASJL9    | 20,332,815     | 07/15/2027    | 1.50%       |
| FNMA FNMS   | 3138MPDX0    | 13,534,705     | 02/01/2043    | 3.00%       |
| FNMA FNMS   | 31418ADQ8    | 1,506,602      | 03/01/2032    | 3.50%       |
| Location of collateral: Bank of New York Mellon – New York, NY        |              |                |               |             |
| Total Collateral of Cash Deposits                                     |              | \$201,419,105  |               |             |

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**EXIT CONFERENCE**

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

An exit conference was held on Monday, November 27, 2017 at the office of the Water Authority with the following present:

On behalf of the Water Authority:

Wayne Johnson, Board Member

Mark S. Sanchez, Chief Executive Officer

Stanley R. Allred, Chief Financial Officer

Peter Auh, General Counsel

Marta J. Ortiz, Controller

On behalf of REDW LLC:

James Montoya, Principal

Jesse Jiron, Senior Audit Associate

## APPENDIX B

### CUSIP Numbers

| Bond Issue name               | D/S Month & Year | CUSIP     | Principal   |
|-------------------------------|------------------|-----------|-------------|
| Joint Water and Sewer 2009A-1 | July 2018        | 013493CU3 | \$1,645,000 |
|                               | July 2018        | 013493DM0 | 6,370,000   |
|                               | July 2019        | 013493CV1 | 3,000,000   |
|                               | July 2019        | 013493DN8 | 5,395,000   |
| Joint Water and Sewer 2013A   | July 2018        | 013493DY4 | \$3,925,000 |
|                               | 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 2018        | 013493EU1 | \$5,010,000 |
|                               | 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 2018        | 013493FM8 | \$8,275,000 |
|                               | 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 2026 | 013493FQ9 | 5,255,000  |

Joint Water and Sewer 2014B

|           |           |             |
|-----------|-----------|-------------|
| July 2018 | 013493FT3 | \$2,005,000 |
| July 2018 | 013493GC9 | 6,080,000   |
| 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   |

Joint Water and Sewer 2015

|           |           |              |
|-----------|-----------|--------------|
| July 2018 | 013493GG0 | \$12,020,000 |
| July 2019 | 013493GH8 | 12,615,000   |
| July 2020 | 013493GJ4 | 16,215,000   |
| July 2021 | 013493GK1 | 17,380,000   |
| July 2022 | 013493GL9 | 11,785,000   |
| July 2023 | 013493GM7 | 16,595,000   |
| July 2024 | 013493GN5 | 17,275,000   |
| July 2025 | 013493GP0 | 15,510,000   |
| July 2026 | 013493GQ8 | 17,875,000   |
| July 2027 | 013493GR6 | 18,765,000   |
| July 2028 | 013493GS4 | 11,150,000   |
| July 2029 | 013493GT2 | 11,495,000   |
| 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 2018 | 013493GY1 | \$3,880,000 |
| July 2019 | 013493GZ8 | 4,040,000   |
| 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 |

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