



Albuquerque Bernalillo County  
Water Utility Authority

**ANNUAL INFORMATION STATEMENT**

**DATED MARCH 31, 2016**

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

# **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

## **WATER UTILITY AUTHORITY BOARD**

Councilor Trudy E. Jones, Chair  
Commissioner Art De La Cruz, Vice-Chair  
Mayor Richard J. Berry  
Councilor Pat Davis  
Commissioner Debbie O'Malley  
Councilor Ken Sanchez  
Commissioner Maggie Hart Stebbins  
Trustee Pablo R. Rael (ex-officio member)

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John Stomp, Chief Operating Officer  
Stan Allred, Chief Financial Officer  
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Charles S. Leder, P.E., Plant Operations Manager  
David J. Price, Water Resources, Planning and Engineering Manager  
Cody R. Stinson, Chief Information Officer  
Charles Kolberg, Esq., Chief Counsel  
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## **INTRODUCTION**

The Albuquerque Bernalillo County Water Utility Authority (the “Authority”) governs the water and wastewater utility for all of the City of Albuquerque (the “City”) and Bernalillo County (the “County”). The 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 Art De La Cruz, Vice-Chair; Mayor Richard J. Berry; Councilor Pat Davis; Commissioner Debbie O’Malley; Councilor Ken Sanchez, Commissioner Maggie Hart Stebbins and Trustee Pablo R. Rael, Ex-Officio (non-voting). The Executive Director of the Authority is Mark Sanchez. The Authority is focused regionally on conservation, elimination of septic tanks and provision of potable water to the developed areas of the City and County. It is also striving to make improvements to the existing distribution system to avoid water losses, to utilize the surface drinking water project to avoid the depletion of the aquifer, and to maintain compliance with Indian Pueblo water quality standards, which are more stringent than federal water quality standards. 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 Authority pursuant to Section 72-1-10 NMSA 1978. The 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 Authority has a minimal relationship with the City under a Memorandum of Understanding, dated July 1, 2013, by and between the Authority and the City. These ties include the Authority’s rental of space and computer equipment from the City and Authority employees may participate in certain City employment benefits such as medical, dental, vision and life insurance. Other than these limited connections, the Authority operates independently of the City and County.

Actions of the Authority’s governing board taken after January 1, 2016, including information relating to bonds, notes or other obligations of the Authority issued or incurred after that date, are not included in the Annual Statement. Other information contained in the Annual Statement is current as of January 1, 2016, 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 Authority have remained unchanged since the date of its delivery. The distribution of this Annual Statement by the Authority does not in any way imply that the Authority has obligated itself to update the information herein. All financial and other information presented in the Annual Statement has been provided by the 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 Authority’s Annual Financial Report for the year ended June 30, 2015.

**Outstanding Senior Obligations  
as of March 1, 2016**

<u>System Issue</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
Revenue Bonds, Series 2006A	\$133,390,000	\$6,910,000
NMFA – Public Project Revolving Fund Loan (2007)	77,005,000	9,720,000
Revenue Bonds, Series 2009A-1	135,990,000	58,665,000
NMFA – Drinking Water Revolving Fund Loan (2009)	1,010,000	862,388
NMFA – Public Project Revolving Fund Loan (2011)	53,400,000	42,800,000
Revenue Bonds, Series 2013A-B	118,215,000	105,125,000
Revenue Bonds, Series 2014A	97,270,000	97,720,000
Revenue Bonds, Series 2015	211,940,000	211,940,000
Total Senior Obligations		<u><u>\$533,282,388</u></u>

Other obligations payable on a subordinate basis from Net Revenues, as of March 1, 2016, are shown below:

**Outstanding Subordinate Obligations  
as of March 1, 2016**

<u>Obligation</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
New Mexico Finance Authority Drinking Water Loan (2008)	\$9,627,877	\$8,360,187
Revenue Bonds, Series 2014B	87,005,000	<u>86,555,000</u>
Total Subordinate Obligations		<u><u>\$94,915,187</u></u>

Other obligations payable on a super subordinate basis from Net Revenues, as of March 1, 2016, of the System are shown below:

**Outstanding Super Subordinate Obligations  
as of March 1, 2016**

<u>Obligation</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
Water Trust Board Loan (2009)	\$50,000	\$36,000
Water Trust Board Loan (2009)	100,000	72,109
Water Trust Board Loan (2010)	190,235	150,932
Water Trust Board Loan (2011)	452,000	363,399
Water Trust Board Loan (2011)	640,000	514,547
Water Trust Board Loan (2011)	63,354	<u>50,935</u>
Total Super Subordinate Debt	<u>\$1,495,589</u>	<u>\$1,187,922</u>

The 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, 2016**

Fiscal Year	Senior Current Debt Service	Subordinate Current Debt Service	Total Current Debt Service	Pledged Revenue	Senior Coverage	Senior and Subordinate Coverage
2016	\$61,243,755	\$13,583,027	\$74,826,782	\$96,236,808	1.57x	1.29x
2017	59,903,966	15,102,153	75,006,119	96,236,808	1.61x	1.28x
2018	62,785,593	11,958,654	74,744,247	96,236,808	1.53x	1.29x
2019	62,783,044	11,730,628	74,513,672	96,236,808	1.53x	1.29x
2020	56,965,045	11,459,065	68,424,111	96,236,808	1.69x	1.41x
2021	57,366,297	11,067,927	68,434,224	96,236,808	1.68x	1.41x
2022	51,039,298	10,856,816	61,896,114	96,236,808	1.89x	1.55x
2023	51,389,636	10,505,530	61,895,166	96,236,808	1.87x	1.55x
2024	46,321,888	10,145,567	56,467,454	96,236,808	2.08x	1.70x
2025	41,083,639	9,782,179	50,865,818	96,236,808	2.34x	1.89x
2026	35,896,140	715,367	36,611,507	96,236,808	2.68x	2.63x
2027	25,225,442	715,130	25,940,572	96,236,808	3.82x	3.71x
2028	17,073,391	714,718	17,788,109	96,236,808	5.64x	5.41x
2029	17,081,629	714,127	17,795,756	96,236,808	5.63x	5.41x
2030	17,189,541	725,687	17,915,228	96,236,808	5.60x	5.37x
2031	17,229,122	59,298	17,288,419	96,236,808	5.59x	5.57x
2032	17,134,031	-	17,134,031	96,236,808	5.62x	5.62x
2033	17,129,181	-	17,129,181	96,236,808	5.62x	5.62x
2034	8,763,031	-	8,763,031	96,236,808	10.98x	10.98x
2035	2,427,625	-	2,427,625	96,236,808	39.64x	39.64x
2036	2,423,813	-	2,423,813	96,236,808	39.70x	39.70x
2037	1,350,500	-	1,350,500	96,236,808	71.26x	71.26x
2038	1,349,250	-	1,349,250	96,236,808	71.33x	71.33x
<b>Total</b>	<b>\$731,154,855</b>	<b>\$119,835,873</b>	<b>\$850,990,728</b>			

In the ordinances pursuant to which the System obligations have been issued, the Authority, as successor to the City, 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 2015 were \$96,236,808. The maximum calendar year combined debt service requirements for Senior Obligations payable from net revenues of the System are \$62,785,593 (occurring in year-end July 1, 2018), resulting in a coverage ratio of 1.53x. The coverage ratio of Fiscal Year 2015 System net revenues of \$96,236,808 to combined debt service requirements of all System Obligations of \$75,006,119 (occurring in year-end July 1, 2017), is 1.28x.

In November 2010, the 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 Authority promptly hired a rate consultant to evaluate the current rates for the System and related operations and expenses for the System. The 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, of which the rate increases for Fiscal Years 2014, 2015 and 2016 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 AUTHORITY**

### **Water System**

The Water System provides water services to approximately 658,238 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, 2016, service is provided to approximately 207,762 customers, including 186,461 residential and 7,115 multi-family, commercial, institutional and industrial accounts. Approximately 50% of the water sales are for residential uses.

Groundwater from the middle Rio Grande basin aquifer and surface water from the San Juan-Chama Drinking Water Project are the primary sources of supply used for the Water System. In Calendar Year 2015, the Authority’s water resources use consisted of 44.2% from groundwater and 54.8% from San Juan-Chama surface water and 1% 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 surface water is diverted from the Rio Grande. Total available well production capacity is approximately 184 million gallons per day ("MGD"). Maximum historical peak day demand is 214 MGD. Peak day demand for 2015 was 145 MGD. A chlorination station associated with each well field satisfies the total required water treatment needs for the water produced in each well field.

Groundwater 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 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>
Thru 2015	132,100
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous groundwater permit limited the 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 Authority also holds groundwater diversion permit RG-4462 with 14 groundwater wells permitted in the Corrales trunk. The permit and wells were acquired when the Authority acquired New Mexico Utilities, Inc. in 2009.

The average annual groundwater withdrawal for the five years ending in Calendar Year 2015 was 51,734 acre-feet with a maximum occurring in Calendar Year 2011. Additionally, the Authority has the right to use consumptively 74,589.5 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, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other water rights totaling 8,514.5 acre-feet. By means of its program of water rights acquisition, the Authority attempts to increase its holdings each year through a strictly voluntary program. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Authority also has approximately 160,000 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 Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for Calendar Year 2015 were 52,417 acre-feet with an average of 48,936 acre-feet over the last five years.

The Authority believes that water received pursuant to the contract for San Juan-Chama water and the 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 658,238, and the current usage is approximately 127 gallons per capita per day (Fiscal Year 2015), down from an average of 250 gallons per capita per day between 1987 through 1993. The Authority believes this decrease can be attributed to the 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 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 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. There have been as much as a 20-foot increase in the water table and is predicted to continue to rise for more than a decade longer. The San Juan-Chama Drinking Water Project provides 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 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 Authority's wastewater return flows were sufficient to offset the annual seepage from the Rio Grande associated with the 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 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 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 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 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 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 Authority's transition to surface water (DWP), reuse and significant water conservation efforts. To date, the Authority has saved more than 1,000,000 acre-feet of ground water over the last five years. Consequently, the Water Authority is currently working to develop a new WRMS that would provide a sustainable water supply for 100 years. The Authority anticipates that this new WRMS will be adopted in Calendar Year 2016.

### *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 Authority is implementing to ensure a safe and sustainable water supply. The 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 Authority received the full-scale permit for the Bear Canyon ASR project and began regular operations in winter 2014. In 2015, the Authority recovered 1,357 acre-feet from the Bear Canyon storage account. The Authority has submitted a permit application to the New Mexico Office of the State Engineer for a large scale ASR project capable of injecting 5,000 acre-feet a year into the aquifer.

### *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 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 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 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 Authority committed to providing \$8.4 million.

### *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 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 Authority is now in compliance with the EPA’s arsenic regulations. 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 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 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, Authority customers had reduced their per capita use 33% compared with use during the established baseline period.

In 2004, the 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 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 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 2015 was 127 and the Authority's current goal is to maintain water use at or below the 135 GPCD goal.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing effort, financial incentives for customers who attend classes to learn about efficient irrigation techniques, replacement of high volume toilets with low volume toilets, converting high water use landscaping with xeriscaping, replacing high water use washing machines with low use models, installing rain water harvesting equipment, evaporative cooler thermostats, rain sensors, hot water recirculation units and more efficient sprinkler system heads. Free water use audits are available to all customers. Residential audits include retrofits of showerheads, faucet aerators, and hose nozzles. Finally, the 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 more successful water conservation programs in the United States. As discussed, the Authority has imposed 5% rate increases in Fiscal Years 2012, 2014, 2015 and 2016 and has authorized a 5% rate increase in Fiscal Year 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. The 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 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 Authority has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the 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 2014 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. The Authority's groundwater supply remains safe, has not experienced contamination and is tested on a monthly basis. The Air Force, New Mexico Environment Department and the 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 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. The Air Force has recently ramped up efforts to clean up this site, providing additional expert staff to the project from their Civil Engineering Center in San Antonio, Texas. For additional information concerning the Air Force fuel spill, please see [www.kirtlandjetfuelremediation.com](http://www.kirtlandjetfuelremediation.com).

#### *Drought Relief Measures*

The Authority adopted the City's Drought Management Strategy when the 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. The current Drought Management Strategy identifies 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 2011-2015, the Water System supplied the following volumes to customers within the service area:

**Usage<sup>(1)</sup>  
2011-2015**

<u>Calendar Year</u>	<u>Gallons Produced (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2011	32,104,000	28,621,945	89.15%
2012	32,964,000	29,662,707	89.99%
2013	33,222,000	29,829,025	89.79%
2014	30,836,000	28,075,612	91.05%
2015	29,498,000	27,195,260	92.19%

(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 2015**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total FY 2015 Revenue</u>	<u>% of Total FY 2015 Revenue</u>
City of Albuquerque	2,496,372	\$7,509,367	5.92%
Albuquerque Public Schools	635,522	2,512,095	1.98%
University of New Mexico	258,691	1,009,588	0.80%
Bernalillo County	202,125	653,727	0.52%
Kirtland Air Force Base	133,797	424,096	0.33%
Lovelace Health Systems	123,244	302,377	0.24%
Central New Mexico Community College	69,478	261,604	0.21%
ABCWUA	71,151	260,954	0.21%
Sumitomo	103,406	211,103	0.17%
Albuquerque Academy	96,384	<u>204,551</u>	<u>0.16%</u>
<b>Total</b>		<b><u>\$13,349,462</u></b>	<b><u>10.53%</u></b>
<b>Total Revenue for Water System</b>		<b><u>\$126,817,517</u></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 52 MGD over the past five years. The Authority has an operational industrial pretreatment program approved by the United States Environmental Protection Agency (“EPA”). The EPA recognized that the Authority’s pollution prevention efforts have been largely responsible for the Authority maintaining compliance with strict standards contained in National Pollution Discharge Elimination System (“NPDES”) permits. The Authority’s wastewater effluent discharge consistently meets all NPDES permit requirements. The current NPDES permit expires in October 2017.

The 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 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 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.

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 Authority continues to research how to sell its RECs to increase revenue. For example, the Authority issued an RFB for the unused REC’s which were purchased by El Paso Electric.

Total beneficial reuse of sludge is accomplished by three methods: surface disposal (62% of sludge produced); land application on 5,000 acres of public-private range land (0% of sludge produced); and production of compost (38% of sludge produced). The Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated land application site is used when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). The 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 Authority reduces expenses by analyzing all of the bacteriological samples at the 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 2011-2015:



**Treated Water  
2011-2015**

<u>Calendar Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2011	19,937,440	191,506
2012	20,595,000	191,810
2013	20,378,630	192,387
2014	18,214,780	194,360
2015	18,122,990	193,922

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten customers of the Wastewater System are:

**Wastewater System Top Ten Customers**

Fiscal Year 2015

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected FY 2015 Revenue</u>	<u>% of Total FY 15 Revenue</u>
Kirtland Air Force Base	742,061	\$1,177,562	1.84%
University of New Mexico	545,973	853,042	1.33%
Albuquerque Public Schools	154,922	772,714	1.20%
City of Albuquerque	173,278	573,408	0.89%
Creamland Dairies	53,270	422,779	0.66%
Lovelace Health	100,125	212,363	0.33%
Bernalillo County	55,248	169,312	0.26%
Central NM Community College	31,642	110,490	0.17%
Sandia Park Services	77,547	76,403	0.12%
Four Hills MHP	34,632	<u>70,876</u>	<u>0.11%</u>
<b>Total</b>		<b><u>\$4,438,949</u></b>	<b><u>6.92%</u></b>
<b>Total Revenue Wastewater System</b>		<b><u>\$64,171,110</u></b>	

Source: Albuquerque Bernalillo County Water Utility Authority..

**Management of the System**

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 Authority.

Mark Sanchez, Executive Director. Mr. Sanchez has been the Executive Director of the Authority since its inception 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 business and government policy, housing and community development, health, human and social services, job training and economic development. Mr. Sanchez serves as a Commissioner on the New

Mexico Interstate Stream Commission and on the Board of the Multi-State Salinity Coalition and National Association of Clean Water Agencies. He has been very active at the local, state and national levels on intergovernmental issues.

John M. Stomp, P.E., Chief Operating Officer. Mr. Stomp is responsible for the 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 Authority as successor, since April 1996. Prior to employment with the 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 28 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 Authority warehouse functions. He has approximately 28 years of financial and cost accounting experience. Prior to employment with the 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 Authority, for over 37 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 Masters 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 and business research methods & projects, and motivation theory; 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 approximately 38 years-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., Water Resources, 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 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 17 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.

Charles W. Kolberg, Chief Counsel. Mr. Kolberg has been with the Authority since January 1, 2008. Prior to becoming Chief Counsel, Mr. Kolberg was the Risk Manager for the City for four years. In this role he managed an internally funded insurance company covering all municipal liability exposures. Prior to becoming Risk Manager, Mr. Kolberg practiced as an attorney for seventeen years with twelve of those years as an Assistant City Attorney handling all aspects of municipal law including substantial litigation on water resource issues. Mr. Kolberg attended the University of New Mexico before obtaining his B.A. in Political Science from the University of Colorado in 1981. He received his Juris Doctorate in 1986 from Arizona State University.

Hobert "H" Warren, Customer Services and Area Operations Manager. Mr. Warren has held the manager position since 2012. He has approximately 20 years-experience in operations, compliance, construction, transition planning, automated meter reading implementation, billing systems, and rate studies. Prior to employment with the 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 11 years of engineering experience in water and wastewater system design, as well as landfill design. He has a B.S. in Environmental Engineering from the New Mexico Institute of Mining and Technology.

## FINANCIAL INFORMATION

### Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years 2011-2015:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$68,886,433	\$23,118,415	\$4,376,391	\$41,250,713	\$21,457,906
Cash held for debt service	0	37,717,945	34,205,405	33,547,414	35,929,424
Accounts receivable	14,678,230	14,513,349	15,487,864	15,861,463	11,723,252
Due from other governments	932,227	2,616,356	2,194,935	768,235	963,280
Prepaid assets	0	0	15,851	93,054	0
Notes receivable	790,870	817,849	920,432	989,359	1,915,253
<b>Total Current Assets</b>	<b>85,287,760</b>	<b>78,783,914</b>	<b>57,200,878</b>	<b>92,510,238</b>	<b>71,989,115</b>
Noncurrent Assets					
Long-term receivables	3,754,006	3,946,792	5,216,608	5,719,123	4,938,586
Restricted Assets <sup>(1)</sup>					
Cash and investments	77,114,772	31,848,311	3,057,077	0	0
Post-Employment life insurance benefit trust	798,900	818,273	0	0	0
<b>Total Restricted Assets</b>	<b>81,667,678</b>	<b>32,613,376</b>	<b>3,057,077</b>	<b>0</b>	<b>0</b>
Capital Assets					
Net capital assets other than purchased water rights	1,094,473,803	1,146,008,251	1,222,710,534	1,257,370,901	1,245,796,694
Purchased water rights	48,240,385	45,116,733	44,581,533	43,720,597	40,443,654
Land	25,724,125	25,702,293	0	0	0
Long-term notes receivable	3,754,006	3,946,792	0	0	0
Construction work in progress	42,578,965	16,202,781	3,892,953	10,384,658	53,427,401
<b>Total Capital Assets</b>	<b>1,220,391,650</b>	<b>1,245,562,198</b>	<b>1,271,185,020</b>	<b>1,311,476,156</b>	<b>1,339,667,749</b>
Capitalized bond issuance costs	0	0	0	3,537,317	3,682,601
<b>Total Noncurrent Assets</b>	<b>1,302,059,328</b>	<b>1,282,175,574</b>	<b>1,279,458,705</b>	<b>1,320,732,596</b>	<b>1,348,288,936</b>
<b>TOTAL ASSETS</b>	<b>1,387,347,088</b>	<b>1,360,959,488</b>	<b>\$1,336,659,583</b>	<b>\$1,413,242,834</b>	<b>\$1,420,278,051</b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	10,500,449	10,860,709	2,817,948	3,959,680	4,852,804
Accrued payroll	2,129,109	2,305,108	1,912,951	434,532	1,599,945
Claims payable, current portion	563,865	0	0	0	0
Accrued compensated absences	2,663,822	3,349,805	3,071,653	3,264,417	3,307,594
Deposits	727,676	766,419	702,845	673,903	734,559
Construction contracts payable	0	5,272,729	4,274,419	6,283,258	8,127,643
Current portion debt obligations bonds	35,530,000	24,735,000	23,545,000	22,235,000	24,130,000
Loan agreements/lines of credit	8,508,529	10,109,815	18,609,698	18,422,091	14,093,477
Water rights contract	1,102,203	1,069,622	1,038,005	1,007,322	977,546
Accrued interest payable	0	276,343	11,829,953	12,426,778	12,880,851
Accrued interest for debt obligations	12,568,850	13,326,311	0	0	0
<b>Total Current Liabilities</b>	<b>74,294,503</b>	<b>66,822,789</b>	<b>67,802,472</b>	<b>68,706,981</b>	<b>70,704,419</b>
Noncurrent Liabilities					
Debt obligations					
Bonds net premium/discouts	634,147,215	508,809,453	410,568,603	438,180,426	455,544,109
Loan agreements/line of credit	58,704,590	127,174,021	192,195,579	211,221,688	179,629,299
Water rights contract	8,714,965	9,817,168	10,886,790	11,924,795	12,932,117
Unamortized premium	0	23,863,736	0	0	0
<b>Total Debt Obligations</b>	<b>701,566,770</b>	<b>645,800,642</b>	<b>613,650,972</b>	<b>661,326,909</b>	<b>648,105,525</b>
Other Noncurrent Liabilities					
Claims payable, net of current position	1,188,165	0	0	0	0
Net pension liability	29,351,538	0	0	0	0
OPEB life insurance obligation	415,763	390,711	1,108,722	0	0
Accrued compensated absences	889,528	1,222,954	746,797	52,457	108,563
<b>Total Other Noncurrent Liabilities</b>	<b>31,844,994</b>	<b>1,613,665</b>	<b>1,855,519</b>	<b>52,457</b>	<b>108,563</b>
<b>Total Noncurrent Liabilities</b>	<b>733,706,267</b>	<b>647,414,307</b>	<b>615,506,491</b>	<b>661,379,366</b>	<b>648,214,088</b>
<b>TOTAL LIABILITIES</b>	<b>807,706,267</b>	<b>714,237,096</b>	<b>683,308,963</b>	<b>730,086,347</b>	<b>718,918,507</b>
<b>NET POSITION</b>					
Net investment in capital assets	576,677,611	595,695,430	617,398,422	636,174,669	656,043,802
Unrestricted	23,764,690	51,026,962	35,952,198	46,981,818	45,315,742
<b>TOTAL NET POSITION</b>	<b>\$600,442,301</b>	<b>\$646,722,392</b>	<b>\$653,350,620</b>	<b>\$683,156,487</b>	<b>\$701,359,544</b>

(1) The Authority's external auditor re-identified assets previously accounted for in 'restricted assets' to 'current assets' in FY2011.  
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 2011-2015:

	Fiscal Years				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>					
Charges for services	<u>\$192,311,627</u>	<u>\$182,350,427</u>	<u>\$179,677,625</u>	<u>\$177,054,690</u>	<u>\$158,514,826</u>
<b>Operating Expenses</b>					
General and administrative	61,106,551	-	-	-	-
Source of supply, pumping, treating, distr.	46,524,899	-	-	-	-
Non-capitalized major repair	6,428,665	-	-	-	-
Salaries and fringe benefits	-	50,381,058	48,510,025	46,482,075	43,501,259
Professional services	-	1,726,252	882,847	297,125	445,835
Utilities	-	15,076,188	12,889,006	13,125,123	12,748,440
Supplies	-	1,504,730	9,295,557	8,985,061	9,103,638
Travel <sup>(1)</sup>	-	-	-	-	59,449
Fuels, repairs and maintenance	-	18,749,564	13,095,120	9,447,368	11,898,221
Chemicals	-	5,943,487	-	-	-
Contractual services	-	9,179,077	9,694,480	9,449,591	9,338,703
Franchise fees <sup>(2)</sup>	-	6,714,627	6,629,318	6,524,463	5,843,692
Tort and other legal fees <sup>(2)</sup>	-	2,306,928	2,618,768	2,489,935	3,335,152
Workman's compensation costs <sup>(2)</sup>	-	351,186	754,159	831,048	1,579,826
Administrative fees other governments <sup>(2)</sup>	-	271,588	1,550,000	1,550,000	1,550,000
Other operating expenses <sup>(2)</sup>	-	1,671,153	1,294,397	1,350,532	1,350,814
Depreciation	83,094,979	84,788,418	86,644,314	84,849,475	83,447,066
Amortization	-	448,100	442,748	434,139	401,370
Bad debt expense	-	<u>56,973</u>	<u>27,084</u>	<u>77,124</u>	<u>358,090</u>
Total Expenses	<u>\$197,155,094</u>	<u>198,664,257</u>	<u>195,436,545</u>	<u>185,893,059</u>	<u>184,961,555</u>
<b>Operating Income/Loss</b>	<u>(4,843,467)</u>	<u>(16,313,830)</u>	<u>(15,758,920)</u>	<u>(8,838,369)</u>	<u>(26,446,729)</u>
<b>Non-operating revenues (expenses)</b>					
Interest on investments	44,453	159,871	42,009	148,520	208,699
Interest expense	(19,856,948)	(27,545,590)	(24,565,918)	(23,806,064)	(25,324,138)
Water service expansion charges	7,541,201	7,872,237	8,197,016	8,035,123	6,240,073
Bond issue amortization	(2,272,566)	(812,445)	-	(348,123)	(413,779)
Lease of stored water	99,627	3,536,037	-	-	-
Other	<u>2,057,745</u>	<u>4,709,186</u>	<u>1,685,449</u>	<u>1,546,894</u>	<u>1,688,693</u>
Total non-operating income	<u>(12,386,488)</u>	<u>(12,080,704)</u>	<u>(14,641,444)</u>	<u>(14,423,650)</u>	<u>(17,600,452)</u>
<b>Income (loss) before contributions</b>	<u>(17,229,955)</u>	<u>(28,394,534)</u>	<u>(30,400,364)</u>	<u>(23,262,019)</u>	<u>(44,017,181)</u>
Capital contributions	<u>7,347,569</u>	<u>9,388,162</u>	<u>4,131,814</u>	<u>5,058,962</u>	<u>10,538,027</u>
<b>Change in Net Position</b>	<u>(9,882,386)</u>	<u>(19,006,372)</u>	<u>(26,268,550)</u>	<u>(18,203,057)</u>	<u>(33,509,154)</u>
<b>Net Position July 1, as restated<sup>(3)</sup></b>	<u>610,324,687</u>	<u>653,350,620</u>	<u>679,619,170</u>	<u>701,359,544</u>	<u>734,868,698</u>
<b>Net Position June 30</b>	<u>\$600,442,301</u>	<u>\$646,722,392</u>	<u>\$653,350,620</u>	<u>\$683,156,487</u>	<u>\$701,359,544</u>

(1) Reclassified to other operating expenses for the 2012 financial statements.

(2) Reclassified from other operating expenses for the 2011 financial statements.

(3) Net positions as of July 1, 2012 was restated to conform to GASB No. 65 which eliminated deferred bond issuance costs as an asset.

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

## Historical Financial Information

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

<b>Water/Wastewater System Debt Service Coverage Calculation Fiscal Years 2011-2015</b>					
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total operating revenues	\$192,311,627	\$182,350,427	\$179,677,625	\$177,054,690	\$158,514,826
Non-operating revenues (expenses):					
Interest	44,453	75,920	211,411	148,520	208,699
Expansion charges	7,541,201	7,872,237	8,197,016	8,035,123	6,240,073
Other Expenses	-	-	(1,150,019)	-	-
Other Revenues	<u>3,936,638</u>	<u>8,935,575</u>	<u>4,031,540</u>	<u>1,546,894</u>	<u>1,688,693</u>
Total adjusted revenues	<u>\$203,833,919</u>	<u>\$199,234,160</u>	<u>\$190,967,573</u>	<u>\$186,785,227</u>	<u>\$166,652,291</u>
Total operating expenses	\$197,155,094	\$198,664,257	\$195,436,545	\$185,893,059	\$184,961,555
Less:					
Franchise fees	-0-	-0-	(6,629,318)	(6,524,463)	(5,843,692)
Bad debt expense	-	(56,973)	-	-	-
Non-capitalized system obligations	(6,428,665)	(5,641,663)	-	-	-
OPEB Life Insurance Benefits	(34,339)	-	(1,108,722)	-	-
Depreciation	(843,094,979)	(84,788,418)	(86,644,314)	(84,849,475)	(83,447,066)
Amortization	<u>-0-</u>	<u>-0-</u>	<u>(442,748)</u>	<u>(434,139)</u>	<u>(401,370)</u>
Total adjusted operating expenses	<u>\$107,597,111</u>	<u>\$108,177,203</u>	<u>\$100,611,443</u>	<u>\$94,084,982</u>	<u>\$95,269,427</u>
Release from Rate Reserve Fund	=	=	<u>\$4,000,000</u>	-	<u>\$7,000,000</u>
Net revenues available for debt service	\$96,236,808	\$91,056,957	\$94,356,130	\$92,700,245	\$78,382,864
Total senior debt service	<u>\$47,351,384</u>	<u>\$67,968,843</u>	<u>\$63,504,816</u>	<u>\$61,574,823</u>	<u>\$66,395,314</u>
Senior debt service coverage	2.03x	1.34x	1.49x	1.51x	1.18x <sup>(1)</sup>
Subordinate debt service <sup>(2)</sup>	<u>\$3,838,983</u>	<u>\$1,316,774</u>	<u>\$1,957,641</u>	<u>\$3,403,355</u>	<u>\$3,052,316</u>
Combined total debt service	<u>\$51,190,367</u>	<u>\$69,285,617</u>	<u>\$65,462,457</u>	<u>\$64,978,178</u>	<u>\$69,447,630</u>
All in debt service coverage	1.88x	1.31x	1.44x	1.43x	1.13x <sup>(1)</sup>

(1) In Fiscal Year 2011, the Authority failed to meet the debt service coverage requirement of 1.33x for Senior Obligations. See "SECURITY AND SOURCES OF PAYMENT – Rate Covenant" and "RISK FACTORS – New Enterprise Resource Planning System."

(2) This total does not include Outstanding Super Subordinate Obligations.

Source: Albuquerque Bernalillo County Water Utility Authority.

## Operating Revenue

The following table outlines the 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>(2)</sup></u>	<u>Total Operating Revenue</u>
	<u>For General Operations</u>	<u>For WRMS<sup>(1)</sup></u>			
2011	\$76,072,550	\$26,219,494	\$48,504,637	\$7,718,145	\$158,514,826
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
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

- (1) These revenues are attributable to rate increases adopted to finance capital costs and operating expenses to implement the Water Resource Management Strategy.
- (2) 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 Authority and the City. Under the Development Fees Act, the 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 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 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”	\$2,902	\$2,177
1”	4,836	3,628
1 ½”	9,673	7,254
2”	15,479	11,607
3”	30,952	23,270
4”	48,365	37,191
6”	96,732	74,387
8” & over	154,771	116,073

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

During Fiscal Years 2011 through 2015, the following revenue from the collection of UECs was received.

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

<u>Fiscal Year</u>	<u>Total UEC Revenues</u>
2011	\$6,240,073
2012	8,035,123
2013	8,197,016
2014	7,872,236
2015	7,541,201

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

Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the 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 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 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 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 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 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”	\$1,499
1”	2,507
1 ½”	4,994
2”	7,991
3”	15,983
4”	24,971
6”	50,053
8” & over	79,911

Source: Albuquerque Bernalillo County Water Utility Authority

### **Rate Reserve Fund**

The Rate Reserve Fund (also referred to as 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 Reserve Fund is currently funded at \$2 million annually. There is no funding cap set for the Rate Reserve Fund and the current balance is \$6.0 million for Fiscal Year 2016. Consistent with the Rate Reserve Fund’s intended use, the Authority withdrew \$4.0 million of available funds in Fiscal Year 2013 due to declining revenues. Any expenditure from this Rate Reserve Fund requires an appropriation approved by the Authority Board.

### **Additional Charges in Effect**

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 \$1.653 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 \$1.357 per unit for residential, commercial, industrial and institutional customers and \$0.709 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 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 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 Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The 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 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 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 2.18%.

## **Rates and Charges of the System**

The 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 Authority receives federal grant funds through the United States Environmental Protection Agency, the requirements under the Amendments must be met. Accordingly, the 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 Authority’s water conservation efforts. Residential customers pay fixed water rates (depending on service size) between \$14.43 and \$2,746.62, while commercial customers pay between \$15.11 and \$2,848.99. For wastewater service, residential customers pay a fixed wastewater rate (depending on service size) between \$9.12 and \$1,016.41, while commercial customers pay between \$11.28 and \$1,291.19.

#### *Increases to Rates and Charges*

The Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2010-2016 as described below and has approved a 5% rate increases effective July 1, 2017, respectively, 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>
2010	0	0	0
2011	0	0	0
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 2011 through 2015.

**History of Water Users by Meter Sizes  
Fiscal Year**

<u>Meter Size</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
¾"	169,984	171,103	171,874	171,395	184,743
1" and 1 ¼"	17,820	17,717	17,645	17,474	17,447
1 ½"	2,195	2,221	2,249	2,238	2,269
2"	2,228	2,320	2,352	2,303	2,349
3"	714	634	634	578	575
4"	268	273	286	270	276
6"	58	61	63	60	63
8" and over	40	46	47	42	40
<b>Total</b>	<b>193,307</b>	<b>194,375</b>	<b>195,150</b>	<b>194,360</b>	<b>207,762</b>

Source: Albuquerque Bernalillo County Water Utility Authority.

## History of Water Users by Class

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	173,339	174,277	174,909	174,193	186,461
Multi-Family	6,364	6,393	6,430	6,569	7,115
Commercial	11,226	11,287	11,321	11,303	11,923
Institutional	2,279	2,316	2,391	2,196	2,150
Industrial	99	102	99	99	113
<b>Total</b>	<b>193,307</b>	<b>194,375</b>	<b>195,150</b>	<b>194,360</b>	<b>207,762</b>

*Source:* Albuquerque Bernalillo County Water Utility Authority.

According to the Authority's records for Fiscal Year 2015, the top ten retail customers of the System, in the aggregate, accounted for no more than 15.41% of the total billed consumption for the Water System, 9.89% of the total revenue of the Water System, 26.12% of the total billed consumption for the Wastewater System and 6.30% of the total revenue of the Wastewater System.

During Fiscal Year 2015, 52% of billed water consumption was residential, while 17% was classified as commercial. The balance consisted of multi-family users consuming 16%, institutional users consuming 5%, industrial users at 1% and special contracts and hydrants meters at 9%.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Estimated Population (Service Area)	634,284	638,887	643,881	656,305	658,238
Number of Meters Billed	201,884	203,912	205,316	206,944	208,200
Estimated Persons Per Meter	3.14	3.13	3.14	3.17	3.16
Annual Pumpage (1,000 Gallons)	33,577,000	33,318,000	33,222,000	30,836,000	29,498,000
Annual Water Billed (1,000 Gallons)	28,621,945	30,044,094	28,113,371	28,075,612	27,195,260
Average Daily Pumpage (Gallons)	91,991,781	91,282,192	91,019,178	84,482,192	80,816,438
Peak Day Pumpage (Gallons)	182,000,000	175,000,000	157,000,000	144,000,000	146,000,000
Average Daily Production Per Meter (Gallons)	456	448	443	408	388
Well Pumping Capacity (per 24 Hour Period)	282,000,000	196,000,000	187,000,000	183,000,000	184,000,000
Storage Capacity (Gallons)	249,000,000	249,000,000	249,000,000	253,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Fire Hydrants	14,996	15,110	15,249	15,344	15,572
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines <sup>(1)</sup>					
-Water	2,650	2,663	2,680	2,691	2,721
-Wastewater	1,866	1,869	1,875	1,879	1,900
Surface Water	37	37	37	37	37

(1) Estimated

Source: Albuquerque Bernalillo County Water Utility Authority.

## **Financial Management**

### *Financial Policies*

The Authority has implemented various financial policies to facilitate its performance based budgeting process which requires balanced budgets. The Authority expects to spend approximately \$54 million in Fiscal Year 2016, 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 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 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 Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

### *Budget Process*

The 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 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 Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The 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 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 Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the 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 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 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 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 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 Authority's capital program is comprised of 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. Since the Basic 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 Authority has increased in recent years its utilization of state and federal grants to fund some capital projects in whole or in part.

Basic Program capital needs are incorporated into the water/wastewater rate structure. The Rate Ordinance requires that Basic Program needs are funded, on average, by 50% from cash, with the balance of capital funding 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 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 \$40 million per year level of rehabilitation investment starting in Fiscal Year 2014 and increasing every year thereafter by \$3.0 million.

The development of this decade plan continued the use of risk analysis techniques combined with an asset management strategy to determine where the Authority's capital resources should be expended in order to maximize the benefit to rate payers. The 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 Authority. Project prioritization resulted from discussions within the Authority and with outside consultants engaged to assist the Authority in charting a path for its capital program.

The 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 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 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 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, and wastewater treatment plant, and groundwater and collection system facilities). The 10-year plans are generated to provide the Authority with a more accurate understanding of the short and intermediate-term renewal requirements. In Fiscal Year 2014, the 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 Authority’s infrastructure and future system needs as well as changes in the external environment in which the Authority operates will necessarily lead to changes in revenue allocation over time. The next decade plan, Fiscal Year 2016 – Fiscal Year 2025, that will be in place before the start of Fiscal Year 2016 can be expected to reflect some change in priorities from the current decade plan.

The Authority anticipates \$549 million in capital needs through Fiscal Year 2023.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>Total</u>	<u>%</u>
Capital Needs	\$50,000	\$53,000	\$56,000	\$59,000	\$62,000	\$65,000	\$65,000	\$68,000	\$71,000	\$549,000	100%
Bond Proceeds	\$39,000	\$31,000	\$33,000	\$28,000	\$28,000	\$26,000	\$26,000	\$26,000	\$26,000	\$263,000	50%
Difference Funded with Cash	\$11,000	\$22,000	\$23,000	\$31,000	\$34,000	\$39,000	\$39,000	\$42,000	\$45,000	\$286,000	50%

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 2016 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 asset management program, the 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 Authority in identifying what it does well and areas where improvement is necessary. The 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 Authority.

#### *Approved Fiscal Year 2016 Budget*

The approved Fiscal Year 2016 budget is the Authority's financial plan for Fiscal Year 2016. The development of this financial plan has been guided by the Authority's Five-year Goals, One-year Objectives, Performance Plan and the Guiding Principles. In the development of this approved budget, the Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources. This approved budget is balanced and fiscally conservative.

For Fiscal Year 2016 the approved budget includes a 5% revenue rate adjustment effective July 1, 2014. The Authority believes that the working capital balance will be 1/12<sup>th</sup> of annual budgeted expenditures by Fiscal Year 2016. Looking forward, the Authority must continue to spend \$250 million to upgrade its wastewater treatment plant and adding an additional \$36 million per year in CIP funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in a recent asset management study commissioned by the Authority. The CIP infrastructure renewal budget is planned to increase by \$3 million per year starting in Fiscal Year 2015.

Human Resources ("HR") will continue its efforts to promote employee health and wellness by combining programs offered through the insurance providers with the Authority's health and wellness specialist. The goal in Fiscal Year 2016 is to have employees take voluntary health assessments, provided by the insurance company, to determine the overall state of the Authority employees' health. From the survey, management can ascertain where to focus improvement. HR will continue to automate processes, including online benefits in the ERP system, electronic files and automated systems for secure confidential file sharing and improved streamlined forms and information on the employee intranet.

The approved Fiscal Year 2016 Budget includes nonrecurring funding for an employee incentive program. This program will reward employees for cost savings as a result of a decrease in work-related losses. Funding for this program is contingent on the Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Authority's workers compensation expense.

Customer Services Department ("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 Operations, and NWSA Field Operations & Maintenance sections will work together to implement the Clevest mobile workforce management system, which will provide a bridge for Maximo (Work Order & Asset Management) and Customer Care & Billing (CC&B) 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 will be used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives. In Fiscal Year 2016, a reporting matrix where response

time, emergency repairs, work order completion percentage, and preventative maintenance will be developed to measure and benchmark against industry leaders.

CSD has implemented and will continue the professional development of all levels of its employees. The clerical employees now have a career ladder in place where they will be working to meet requirements to promote through the levels of the program. Completion of the program is a catalyst to prepare these employees for management level career opportunities. Management employees will continue to receive leadership development materials and classes on topics such as Leading Change, Interviewing Skills, and Conflict Management. The recently converted Water Representatives should achieve the Utility Tech 2 level of the Authority's certification program by the first quarter of Fiscal Year 2016. The large meter group will move from Water Field Distribution to Customer Services.

Information Technology Department ("ITD") will continue implementation and system integration of mobile solutions to operations staff for optimization of the work order and asset management process, including Clevest and automation of preventative maintenance on utility equipment and the consolidation of mobile work order functions. Work will also continue on mobile applications such as Kronos and mobile applications for the web. ITD will begin the Maximo system upgrade in Fiscal Year 2016. ITD will also assess upgrade alternatives for CC&B and SunGard, the financial/HR/payroll system. In Fiscal Year 2016, ITD will complete the Authority separation from the City of Albuquerque network and telephony systems resulting in more efficient business processes, better reliability and cost savings.

The Authority continues to develop and implement work load management practices to measure the amount of work that is being completed by the various sections. All of the Standard Operating Procedures are in the process of being finalized for the operations groups and the Water Authority will continue to implement additional safety and job planning activities to improve the overall safety program.

Over a third of the active wells are approaching their expected useful life of 60 years and will need to be replaced. The Authority's well system was evaluated during Fiscal Year 2015 and a list of wells for renewal was prioritized. During Fiscal Year 2016, a pilot test will be completed on the Thomas No. 5 Well to study a method of reducing the arsenic concentration in the water. The pilot will involve blocking off the lower section of the well screens with the intention of reducing flow into the well from strata of the aquifer with higher arsenic concentration water. If successful, this method may allow several other Authority "high arsenic wells" to be brought back into service. The Authority is also evaluating the use of several currently out of service "high arsenic wells" along the Alameda Trunk, which could provide an additional 30 MGD or more of water supply. With this project, the well water would be conveyed to the San Juan-Chama Water Treatment Plant (SJCWTP) to remove the arsenic, making it suitable for drinking. This project would be especially beneficial during drought periods when there is insufficient flow in the Rio Grande to allow diversions of surface water to the SJCWTP. During such times, instead of having to idle the plant, it could be used to treat the well water. During Fiscal Year 2016, pilot studies will be conducted to refine the treatment process for water drawn from these wells. In addition, the Authority will continue with design and construction of blending and treatment facilities that will expand the use of existing wells in the Corrales Trunk for water supply.

Groundwater Operations will be adding these facilities into operation: Echo Canyon Reservoir in Carnuel, BCIP Reservoir #2, Leyendecker Pump Station New Booster Pump #6,

and BCIP Pump Station. The section will be implementing a field study to assess reservoir stratification and determine which reservoirs would benefit from installation of active mixing systems to improve water quality. Groundwater Operations will continue the Large Diameter Valve Exercise Program at reservoirs, pump stations and well sites and to complete the Montgomery Trunk and proceed to the Freeway Trunk. The Authority will be completing the database configuration of confined spaces including assessments for each space and publishing a written plan for the permit-required Confined Space Program and developing an electrical safety program with assistance from an electrical consultant.

Wastewater Plant Operations began a major renovation of the Southside Water Reclamation Plant (“SWRP”) in Fiscal Year 2010 called the Reclamation Rehabilitation and Asset Management Plan (“RRAMP”). The RRAMP is a multi-year program to renew the treatment processes at the SWRP. Construction of the Preliminary Treatment Facility will be completed by the start of Fiscal Year 2016. Design and construction of rehabilitation/improvements to the Solids Dewatering Facility will continue in Fiscal Year 2016 with completion by the end of Fiscal Year 2017. Improvements will also be made to the anaerobic digesters, aeration basins, plant-wide electrical systems, and other facilities.

The SWRP continues to generate Renewable Energy Certificates using digester gas (containing methane) which is used to power a generator. The SWRP facility generates approximately 20% of its power requirements using digester gas and another 7% using renewable solar power from an on-site solar array.

Plans are to continue to increase the amount of residual solids that are composted and sold to increase revenue from compost sales in Fiscal Year 2016. It is the Authority’s goal to compost and sell at least 25% of the total wastewater residuals while not “over-saturating” the regional market for bio-solids compost.

Wastewater Collections continues to implement the Capacity Management Operations and Maintenance (“CMOM”) Program. The expanded closed circuit television inspection of 5% of the small diameter system 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 which is a portion of the CMOM. The fleet of combination cleaning units is being renewed and provided with updated nozzles. Arc flash and transformer oil testing was completed of the pump and vacuum stations allowing for improved maintenance operations and identifying high priority repairs. Magnesium hydroxide is being studied for control of hydrogen sulfide which is the cause of corrosion and most odor complaints. After a pilot study in the collection system, a testing program is currently underway to examine potential impacts at the SWRP.

Water and Wastewater Operations are regulated by a myriad of federal, state, and local environmental permits, regulations, and rules. The Compliance Division continues to maintain a matrix that is updated quarterly of regulatory requirements to monitor regulatory initiatives to define operational impacts and develop compliance strategies. To comply with requirements of the 2012 National Pollutant Discharge Elimination System (“NPDES”) permit requirements, the Industrial Pretreatment Program completed modification of the Water Authority Sewer Use and Wastewater Control Ordinance as approved by the Water Authority Board in January 2014 to become effective in July 2014, developed a policy to reduce the impacts to the wastewater systems caused by fats, oils, and grease discharges, and revised the Technically Based Local Limits. Each of these documents was submitted to EPA for approval and has been compiled,

along with other documents as a proposed Pretreatment Program Modification. The Program Modification was approved by EPA in January 2015. Improvements in ordinance compliance continue with inspection, monitoring, and enforcement actions for permitted industrial users, septage waste haulers, food service establishments, and dental offices. In the coming year, compliance with the Cross Connection Control Ordinance will also be tracked.

In conjunction with ITD, the Laboratory Information Management System (“LIMS”) implementation project was advanced in Fiscal Year 2015. The LIMS steering committee will be implementing the first phase of the new LIMS system, LabVantage during Fiscal Year 2016. A complete listing of current Water Quality Laboratory processes have been developed that will help with the configuration of LabVantage.

In Fiscal Year 2016, the Authority will be conducting a rain water harvesting pilot project at locations all over the service area to determine how much water can be saved with rain water harvesting systems and how much time and money it takes to install them. Water Smart classes will be offered from April thru September and customers who attend both the turf irrigation and drip irrigation classes will receive a \$20 credit on their water bill. The successful student education programs will continue, including the RIO field trips where every fourth-grade student from public schools in the service area attends a full-day field trip to the Rio Grande. In addition, in Fiscal Year 2016 more education and outreach programs in the Water Use Compliance Division will be implemented. A new program will be rolled out where customers who receive water conservation rebates will be able to choose to donate a portion of that rebate to other conservation programs taking place in the service area.

The Fiscal Year 2016 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 Authority’s priorities for Fiscal Year 2016.

## **OTHER POST-EMPLOYMENT BENEFITS**

### **Public Employees Retirement Association**

The 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 Authority's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The 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 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. Statement No. 68 is effective for fiscal years beginning after June 15, 2014. As of June 30, 2015, the Authority reported a net pension liability of \$29,351,538 for its proportionate share of the net pension liability. See “Detailed Notes (F) –

Defined Benefit Pension Plan – Public Employees Retirement Association”, Appendix A - Annual Financial Report Year ended June 30, 2015.

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 Authority is required to contribute 9.15% of the gross covered salary. The Authority has elected to pay a percentage of the employee’s contributions. The contribution requirements of plan members and the 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 Authority’s employer contribution to PERA for the fiscal years ended June 30, 2015, 2014 and 2013 were \$2,959,288, \$2,664,487 and \$2,703,455, respectively, which equal the amount of the required contributions for each fiscal year. The Authority’s total paid contributions for fiscal year ended June 30, 2015 were \$6,425,778.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund  
Summary Information as of June 30, 2015**

Membership <sup>1</sup>	96,479
Actuarial Information	
Actuarial Accrued Liability <sup>2</sup>	\$18,786,486,000
Actuarial Value of Assets <sup>3</sup>	\$14,074,919,000
Unfunded Actuarial Accrued Liability	\$4,711,567,000
Funded Ratio	74.92%

<sup>1</sup> Includes both state and municipal divisions.

<sup>2</sup> Includes accrued liability of both the retired and active members.

<sup>3</sup> The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.75% annual return are smoothed in over a four-year period.

Source: Public Employees Retirement Association

As of June 30, 2015, PERA has an amortization or funding period of 42 years based on the employer and member contribution rates in effect as of July 1, 2015. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 74.9% as of June 30, 2015 and the Unfunded Actuarial Accrued Liability (“UAAL”) of the PERA Fund increased \$410 million to approximately \$4.7 billion. Prior to the 2013 pension reform<sup>1</sup>, the funded ratio was 65.3% and the UAAL of the PERA Fund was calculated to be approximately \$6.2 billion. The primary cause of the slight decrease in the funded ratio and increase in accrued actuarial liability is the lower than expected investment return from the 2015 plan years. ON a market value basis, PERA’s funded ratio is approximately 76.99% as of June 30, 2015.

<sup>1</sup> Senate Bill 27 significantly amends the Public Employees’ Retirement Act by creating a new tier of reduced benefits for new hires. The law reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provides for an increase in the statutory employee contribution rate of 1.5% (subject to certain requirements) for employees earning \$20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4% beginning in Fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5% for most members; and makes several other clarifying and technical changes.

## **Defined Contribution Retirement Plan**

The Authority approved a Declaration of Trust for a 401 qualified defined contribution retirement plan through ICMA Retirement Corporation for 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 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 contributions to the plan were \$199,363 in fiscal year 2015, of which \$152,683 was from employer contributions and \$46,680 was from employee contributions.

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

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. NMRHCA offers both pre-Medicare and Medicare plans, as well as dental, vision, and life insurance plans to eligible retirees. There were approximately 58,036 enrolled members as of July 2015 and approximately 300 participating public entities. 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.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Association, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. 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 Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA 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. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.000% of each employee's annual salary. The Authority's contributions (employer and employee) to the NMRHCA for the fiscal years ended June 30, 2015, 2014 and 2013 were \$931,393, \$913,779 and \$883,814, respectively, which equal the required contributions for each year.

Based on GASB Statement 43 valuation for fiscal year 2014, and assuming that the NMRHCA Fund is an equivalent arrangement to an irrevocable trust and, hence using a discount rate of 5%, the UAAL has been calculated to be approximately \$3.4 billion. As required by

GASB Statement 43, this calculation takes into consideration only current assets of the NMRHCA Fund. The NMRHCA continues to look for additional opportunities to strengthen the financial standing of the NMRHCA. The NMRHCA Board of Directors has passed a five-year solvency plan for the long-term financial stability of the program through a series of targeted benefit reductions and increases to contribution levels from participating employees and employers. In addition to increased retiree cost sharing through plan design changes, the solvency plan calls for proportionately higher premiums for retirees retired younger (decreased premium subsidies to pre-Medicare retirees), did not work or pay into the system as long (increasing years of service required to receive maximum subsidy), and decreased subsidies for family members. Combined, these actions are expected to improve the financial condition of the trust fund by increasing revenues and reducing future liabilities.

As recently as 2007, the NMRHCA was projected to be insolvent as early as 2014. However, according to the most recent solvency report, actions taken by the NMRHCA, including decreasing subsidy levels, increasing premiums and modifying plan designs, coupled with increases in employer and employee contribution rates have extended the NMRHCA's solvency period through 2035. 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.

### **Life Insurance Benefits**

The Authority, as of the fiscal year ended June 30, 2015, 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 Authority. Upon retirement, an eligible 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 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 Authority retired employees covered under the City Plan at June 30, 2015 was 177. The number of active employees at June 30, 2015 was 498.

In fiscal year 2014, the City and the Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the 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, 2015 exceeded the annual required contribution. The Authority's contributions to the trust for the fiscal year ended June 30, 2015 were \$13,494.



## **INVESTMENT POLICIES AND PROCEDURES**

The Authority's funds are invested by the Authority's Chief Financial Officer pursuant to the 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 Authority's portfolio; and
- Recognize the impact of the Authority's investment program on the local economy.

The Investment Policy permits the 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 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 Authority's knowledge threatened, involving the Authority which may result, either individually or in the aggregate, in final judgments against the Authority which would have a material adverse effect on the 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 Authority.

Approved by:

/s/ Mark Sanchez

Executive Director

**Appendix A**

**Albuquerque Bernalillo County Water Utility Authority  
Annual Financial Report  
Year ended June 30, 2015**

## APPENDIX B

### CUSIP Numbers

Bond Issue name	D/S Month & Year	CUSIP	Principal
Joint Water and Sewer 2006A	July 2016	013493BF7	\$785,000
	July 2016	013493BY6	6,125,000
	July 2017	013493BG5	7,265,000
	July 2018	013493BH3	7,595,000
	July 2019	013493BJ9	7,945,000
	July 2020	013493BK6	8,315,000
	July 2021	013493BL4	8,695,000
	July 2022	013493BM2	9,095,000
	July 2023	013493BN0	9,550,000
	July 2024	013493BP5	10,000,000
	July 2025	013493BQ3	10,480,000
	July 2026	013493BR1	11,000,000
Joint Water and Sewer 2009A-1	July 2016	013493CS8	\$600,000
	July 2016	013493DK4	6,705,000
	July 2017	013493CT6	2,000,000
	July 2017	013493DL2	5,660,000
	July 2018	013493CU3	1,645,000
	July 2018	013493DM0	6,370,000
	July 2019	013493CV1	3,000,000
	July 2019	013493DN8	5,395,000
	July 2020	013493CW9	8,805,000
	July 2021	013493CX7	9,285,000
	July 2022	013493CY5	3,205,000
	July 2023	013493CZ2	3,375,000
	July 2024	013493DA6	3,560,000
	July 2025	013493DB4	3,755,000
	July 2026	013493DC2	3,965,000
	July 2027	013493DD0	4,180,000
	July 2028	013493DE8	4,410,000
July 2029	013493DF5	4,655,000	
Joint Water and Sewer 2013A	July 2016	013493DW8	\$3,595,000
	July 2017	013493DX6	3,735,000
	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 2016	013493ES6	\$9,455,000
July 2017	013493ET4	4,720,000
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 2016	013493FB2	\$1,090,000
July 2017	013493FL0	7,910,000
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 2016	013493FS5	\$8,910,000
July 2017	013493GB1	10,695,000
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 2017	013493GF2	\$3,210,000
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