Albuquerque Bernalillo County
Water Utility Authority

ANNUAL INFORMATION STATEMENT

DATED MARCH 27, 2024

IN CONNECTION WITH WATER AND WASTEWATER BONDS AND OTHER OBLIGATIONS

BASE CUPSIP: 013493

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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Hobert "H" Warren, Field Division Manager
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Mark Kelly, P.E., Water Resources Manager
David Laughlin, Engineering Division Manager

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Dallas, Texas

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TABLE OF CONTENTS

Page

INTRODUCTION

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

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

Actions of the Board taken after January 1, 2024, including information relating to bonds, notes or other obligations of the Water Authority issued or incurred after that date, are not included in this Annual Information Statement unless otherwise indicated. Other information contained in this Annual Information Statement is current as of January 1, 2024, unless specifically stated otherwise in this Annual Information Statement. The information in this Annual Information Statement is subject to change without notice and the delivery of this Annual Information Statement shall not create any implication that the affairs of the Water Authority have remained unchanged since the date of its delivery. The distribution of this Annual Information Statement by the Water Authority does not in any way imply that the Water Authority has obligated itself to update the information herein. All financial and other information presented in this Annual Information Statement has been provided by the Water Authority from its records, except for information expressly attributed to other sources believed to be reliable.

COVID-19

Coronavirus Disease 2019 ("COVID-19"), a highly contagious respiratory disease caused by a particular strain of coronavirus, was declared a pandemic by the World Health Organization from March 11, 2020 through May 5, 2023. To slow the spread of COVID-19 in the United States, the federal government and state and local governments, including the State government, as well as many private entities, imposed numerous restrictions on gatherings, assemblies and other interpersonal contact, non-

essential travel and various other commercial, social and cultural activities and have strongly encouraged or mandated COVID-19 vaccines and booster shots (collectively, "Responsive Measures"). The State government's Responsive Measures consisted primarily of a series of Executive Orders issued by the Governor and Public Health Orders issued by the Cabinet Secretary of the State Department of Health. On March 3, 2023, the Governor issued Executive Order 2023-0036 ending the statewide public health emergency related to COVID-19 effective March 31, 2023 and ordered that all Executive Orders relating to COVID-19 shall be rescinded effective the same date.

At the onset of the COVID-19 pandemic, the Water Authority took steps in the interest of public health, including suspension of disconnections for non-payment, instituting remote working policies for qualified personnel, and discontinuing educational programs, tours, irrigation consultations and xeriscape inspections. In April 2022, the Water Authority reinstated disconnections of water service for non-payment. During 2022, all educational programs, tours, irrigation consultations and xeriscape inspections were reinstated. On July 1, 2024 the Water Authority will resume assessing late fees for unpaid water and wastewater services.

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

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

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

The tables and data set forth herein are qualified by the impact to the Water Authority's operations and financial condition resultant from the effects of the COVID-19 pandemic and the Responsive Measures. At the onset of the COVID-19 pandemic, the Water Authority conducted internal reviews to determine the extent of any immediate and intermediate financial impacts attributable to the Water Authority and any increased cost of service attributable to the COVID-19 pandemic and the Responsive Measures. The Water Authority experienced increased consumption during Fiscal Year 2021 of approximately 577,000,000 gallons, when compared to usage of the prior year, resulting in increased revenues of approximately $300,000. The Water Authority did not suffer material impacts with respect to terminated accounts due to nonpayment or delinquencies during Fiscal Years 2021, 2022 and 2023 and does not expect to suffer material impacts during Fiscal Year 2024. As of January 2024, the Water Authority continues to monitor chemical and power costs, will make necessary adjustments to remain under budget, and continues to maintain a healthy fund balance and cash on hand.

The Water Authority continues to actively monitor usage, payment receipts, and revenues and expenditures, so that any additional impacts of the COVID-19 pandemic or any future outbreaks can be anticipated. The Water Authority does not currently expect that the COVID-19 pandemic or future outbreaks will have a material adverse effect on the finances and operations of the Water Authority and the System.

OUTSTANDING OBLIGATIONS

Outstanding System Obligations

The obligations generally described below and certain terms of such obligations are summarized in the Water Authority's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023.

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

OUTSTANDING SENIOR OBLIGATIONS
AS OF FEBRUARY 1, 2024

Senior Obligations	Senior Obligations Authorizing Legislation	Original Principal Amount ($)	Principal Amount Outstanding ($)
New Mexico Finance Authority Drinking Water Revolving Fund Loan Agreement (2009)	O-09-9 & R-09-24	1,010,000	174,023[1]
Joint Water and Sewer System Improvement and Refunding Revenue Bonds Series 2013B	O-13-2 & R-13-13	55,265,000	2,420,000
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A	O-14-2 and R-14-10	97,270,000	32,550,000
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015	O-15-2 & R-15-6	211,940,000	122,120,000
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2017	O-16-2 & R-16-13	87,970,000	61,760,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2018	O-18-7 & R-18-20	75,085,000	52,305,000
New Mexico Finance Authority Drinking Water Revolving Fund Loan Agreement DW-4877 (2019)	O-19-1 & R-19-4	3,430,081	2,631,966[2]
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020	O-19-3 & R-19-26	69,440,000	57,440,000
Drinking Water State Revolving Fund Loan Agreement DW-5028 (2020)	O-20-1 & R-20-3	1,515,000	1,471,447
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Taxable Series 2020A	O-20-2 & R-19-26	47,800,000	35,200,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2021	R-21-21	73,255,000	73,255,000
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2023	R-23-18	113,425,000	113,425,000
		Total	**555,002,436**

(1) The Water Authority expects to payoff such loan agreement in full on or about April 1, 2024.
(2) The Water Authority expects to paydown such loan agreement in the principal amount of approximately $401,459 on or about April 1, 2024.

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

OUTSTANDING SUBORDINATE OBLIGATIONS
AS OF FEBRUARY 1, 2024

Subordinate Obligations	Subordinate Obligations Authorizing Legislation	Original Principal Amount ($)	Principal Amount Outstanding ($)
2008 NMFA Drinking Water Loan	O-08-4 & R-08-13 as amended by F/S O-14-2	12,000,000	4,214,651[1]
Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014B	O-14-2 & R-14-10	87,005,000	17,205,000
Water Project Fund Loan/Grant Agreement No. WPF-5103 (2021)	R-20-26	800,000	763,556
Water Project Fund Loan/Grant Agreement No. WPF-5401 (2021)	R-21-31	800,000	800,000
Water Project Fund Loan/Grant Agreement No. WPF-5402 (2022)	R-22-7	770,827	770,827
Water Project Fund Loan/Grant Agreement No. WPF-5659 (2023)	R-22-31	200,000	200,000
Water Project Fund Loan/Grant Agreement No. WPF-5660 (2023)	R-22-32	710,000	710,000
		Total	**24,664,034**

(1) The Water Authority expects to paydown such loan in the principal amount of approximately $175,000 on or about May 1, 2024.

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

Combined Debt Service and Coverage Ratios

The following schedule shows, for each Fiscal Year, the total combined debt service requirements payable for the outstanding System obligations and projected debt service coverage based on Fiscal Year 2023 System Net Revenues.

Total Combined Debt Service
Outstanding Water/Wastewater Obligations
As of February 1, 2024

Fiscal Year(6/30)	Senior Lien Debt Service($)	Subordinate Lien Debt Service($)	Total Current Debt Service($)	Pledged Revenue($)	Senior Coverage(x)	Senior and Subordinate Coverage(x)
2023	79,271,756	10,482,799	89,754,555	116,204,469	1.47	1.29
2024	81,516,070	10,240,015	91,757,619	116,204,469	1.43	1.27
2025	78,578,449	9,886,843	88,465,292	116,204,469	1.48	1.31
2026	73,930,557	820,122	74,750,679	116,204,469	1.57	1.55
2027	68,934,556	820,151	69,754,708	116,204,469	1.69	1.67
2028	60,458,526	820,182	61,278,708	116,204,469	1.92	1.90
2029	60,151,537	820,213	60,971,751	116,204,469	1.93	1.91
2030	52,938,686	820,243	53,758,930	116,204,469	2.20	2.16
2031	43,581,371	168,937	43,750,308	116,204,469	2.67	2.66
2032	43,204,214	168,937	43,373,151	116,204,469	2.69	2.68
2033	36,505,079	168,936	36,674,015	116,204,469	3.18	3.17
2034	22,069,683	168,937	22,238,619	116,204,469	5.27	5.23
2035	16,101,614	168,936	16,270,551	116,204,469	7.22	7.14
2036	8,754,555	168,937	8,923,492	116,204,469	13.27	13.02
2037	7,867,189	168,936	8,036,126	116,204,469	14.77	14.46
2038	7,870,061	168,937	8,038,997	116,204,469	14.77	14.46
2039	6,684,422	168,936	6,853,358	116,204,469	17.38	16.96
2040	6,687,021	168,936	6,855,958	116,204,469	17.38	16.95
2041	6,686,172	168,936	6,855,108	116,204,469	17.38	16.95
2042	6,691,622	168,937	6,860,559	116,204,469	17.37	16.94
2043	6,521,953	127,738	6,649,691	116,204,469	17.82	17.48
2044	6,523,304	10,300	6,533,603	116,204,469	17.81	17.79
2045	6,519,354	-	6,519,354	116,204,469	17.82	17.82
2046	6,523,029	-	6,523,029	116,204,469	17.81	17.81
2047	4,783,341	-	4,783,341	116,204,469	24.29	24.29
2048	4,784,428	-	4,784,428	116,204,469	24.29	24.29
2049	58,704	-	58,704	116,204,469	1,979.51	1,979.51
2050	58,703	-	58,703	116,204,469	1,979.52	1,979.52
2051	58,704	-	58,704	116,204,469	1,979.51	1,979.51
2052	58,703	-	58,703	116,204,469	1,979.52	1,979.52
Total	**804,373,364**	**36,875,843**	**841,250,742**			

In the ordinances pursuant to which the System obligations have been issued, the Water Authority agreed to charge all purchasers of services reasonable rates sufficient to produce Net Revenues of the System annually to cover 133% of the annual debt service requirements on all Senior Obligations (excluding reserves therefor) and 120% of the annual debt service requirement on all Subordinate Obligations (excluding reserves therefor). The Net Revenues of the System for Fiscal Year 2023 were $116,204,469. The maximum fiscal year combined debt service requirements for Senior Obligations payable from Net Revenues of the System are $81,517,605 (occurring in Fiscal Year-end June 30, 2024), resulting in a coverage ratio of 1.43x. The coverage ratio of Fiscal Year 2023 Net Revenues of the System of $116,204,469 to maximum combined debt service requirements of all System obligations of $91,757,619 (occurring in Fiscal Year-end June 30, 2024), is 1.27x.

The Board continues to monitor rate covenant compliance and has previously approved separate 5% System rate increases for Fiscal Years 2012, 2014, 2015, 2016 and 2018, all of which have been added to System rates. There was no rate increase in Fiscal Years 2019, 2020, 2021 and 2022. On May 18, 2022, the Board approved a 5% System rate increase for Fiscal Year 2023. A cost-of-service study is being performed during Fiscal Year 2024 to analyze future System needs and the findings of such study are expected to be presented to the Board in Spring 2024.

Current Ratings

The outstanding Senior Obligations are currently rated "AA+" by S&P and "Aa2" by Moody's. Certain Senior Obligations (Senior Lien Joint Water and Sewer System Revenue Bonds, Series 2013B, Series 2014A, and Series 2015) are also rated "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.

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

JOINT WATER AND WASTEWATER SYSTEM OF THE WATER AUTHORITY

Water System

The System provides water services to approximately 656,237 residents comprising approximately 95% of the residents of the County. Approximately one-third of unincorporated County residents are water customers of the Water System. As of January 1, 2024, service is provided to approximately 217,564 customer accounts, including 187,386 residential and 30,178 multi-family, commercial, institutional and industrial accounts. Approximately 86.1% of the water sales are for residential uses.

Surface water from the San Juan-Chama Drinking Water Project that is utilized through the San Juan-Chama Drinking Water Project is the primary source of potable water supply for the Water Authority. Groundwater is used to supplement surface water supplies to meet peak demands and to provide supply during drought periods or other times when surface water is not available. The Water Authority also owns and operates two (2) non-potable water systems to provide irrigation and industrial water in the service area. In calendar year 2023, the Water Authority's potable water resources use consisted of 50% from groundwater and 50% from San Juan-Chama surface water. The non-potable water supply is derived from 5% of reuse of treated effluent and non-potable for irrigation. The groundwater supply is produced from 59 wells grouped in 17 well fields located throughout the metropolitan area and the San Juan-Chama surface water is diverted from the Rio Grande. Total well production capacity is approximately 255 million gallons per day ("MGD"). Eliminating high arsenic wells (those greater than ten (10) parts per billion arsenic) results in available production capacity of 178 MGD. Peak day demand for 2023 was 153 MGD. The Water Authority also has five (5) arsenic treatment facilities that remove naturally occurring arsenic from groundwater. Each well field includes chlorination for disinfection as required by the Safe Drinking Water Act.

Water storage reservoirs provide for fire, peak hour and uphill transfer to storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 pounds per square inch ("psi") for consumers. 62 reservoirs are located throughout the service area, with a total reservoir storage capacity of 247,000,000 gallons. If demand requires, reservoir water can also be transferred to a higher zone or across zones through an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 39 potable water pump stations housing 130 booster pumps, with a total capacity of 748 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,099 miles of pipelines, consisting of active distribution mains, transmission mains, well collector and hydrant legs, and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Water Authority's service area which allows ground level storage while simultaneously providing system pressure by gravity. Control

of the Water System is provided by remote telemetry units distributed throughout the Water System for control from a central control facility.

Water Supply

Existing Water Resources

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

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

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

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

The average annual groundwater withdrawal for the five (5) years ending in Calendar Year 2023 was 52,078 acre-feet with a maximum withdrawal of 70,516 acre-feet occurring in Calendar Year 2021. Additionally, the Water Authority has the right to use consumptively 74,622.2 acre-feet of surface water per year. This figure consists of imported Colorado River water pursuant to a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama Drinking Water Project, pre-1907 water rights of 4,916.7 acre-feet, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other native water rights. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Water Authority also has approximately 127,531 acre-feet of San Juan-Chama water (as of December 2023) from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu, Heron, and Elephant Butte Reservoirs). In July 2003, the Water Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for Calendar Year 2023 were 49,347 acre-feet with an average of 43,149 acre-feet over the last five (5) years.

The Water Authority believes that water received pursuant to the contract for San Juan-Chama water and the native water rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a customer population of more than 1,000,000 using 135 gallons per capita per day ("GPCD") with 40% consumptive use and 60% return flow. Alternatively, these same water resources will support a customer population of 500,000 using water at the rate of 250 gallons per person per day with the same consumptive use and return flow. The current service population is approximately 656,237, and the current usage was approximately 129 GPCD (during Calendar Year 2023), down from an average of 250 GPCD when compared to the period of 1987 through 1993. The Water Authority believes this decrease can be attributed to the Water Authority's Water Conservation Program.

San Juan-Chama Drinking Water Project

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

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

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

Water Supply Plan

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

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

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

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

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

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

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

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

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

such that new supplies would be implemented over time to reduce long-term aquifer drawdown and allow future generations the opportunity to utilize that savings account.

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

Aquifer Storage and Recovery

Aquifer storage and recovery ("ASR") is a means of storing excess water in the aquifer to reduce evaporation and provide a groundwater drought reserve when surface water supplies are not available. ASR is another water resources management tool that the Water Authority is implementing to ensure a safe and sustainable water supply. The Water Authority initiated the first land application project, called the Bear Canyon ASR Project, in 2009. In November 2014, the Water Authority received the full-scale permit for the Bear Canyon ASR Project and began regular operations. The current recoverable volume at the Bear Canyon ASR project is 2,351.3 acre-feet. The full-scale permit allows for up to 3,000 acre-feet of recharge per year with a maximum of 10,000 acre-feet.

The Water Authority received a permit from the New Mexico Office of the State Engineer for the large-scale ASR project capable of injecting approximately 5,000 acre-feet a year into the aquifer which will provide for additional storage that will assist in further expanding the drought supply for the Water Authority. Construction was completed on the large-scale ASR in March 2019 and injection went on-line in January 2020. The large-scale ASR currently has a recoverable volume of 4,662 acre-feet. Additional ASR projects are called for in the new 100-year plan that would include both infiltration and direct injection.

The Water Authority is in the process of expanding its current ASR program through the addition of three (3) direct injection and recovery ASR wells through two (2) projects: (i) Expansion of the existing San Juan-Chama Drinking Water Large-Scale Recharge project, by adding two (2) new ASR wells; and (ii) Arroyo del Oso Golf Course project, by building all new piping and a new ASR well. These projects will construct and equip wells using similar well designs to ASR-01 at the San Juan-Chama Drinking Water Large-Scale Recharge project, and will recharge treated San Juan-Chama surface water. The addition of the three (3) wells are anticipated to increase the annual recharge volume by 4,500 acre-feet per year; the actual volume will be based on final design and construction of the wells. Funding for the new wells consists of a combination of Water Trust Board funding, WaterSMART grants, federal appropriations, and capital outlays.

South Valley Drinking Water Project

Construction of the South Valley Drinking Water Project is being completed in phases and is managed by the Bernalillo County Public Works Department. The Water Authority is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of the County and allow the residents to connect to the System and end their use of wells. The project will provide water service to approximately 3,200 developed parcels in the Southwest Valley. Phase 1, consisting of a major transmission line, was completed in August 2007. The Water Authority contributed $9 million of the $14 million cost. Phases 2 and 2A consist of a water distribution system to 1,240 households in the area and were completed in May 2008 with a cost of approximately $8.5 million with the Water Authority's share at $7.5 million. Phase 3, consisting of the Pajarito Reservoir and transmission line, was completed in December 2009, and Phase 4, consisting of the Pajarito Pump Station, was completed in May 2011, with the Water Authority committing $8.4 million. The Water Authority and County recently partnered to complete Phases 7A, 7B, and 7C of the water line project in the Los Padillas area, also known as the Los Padillas Water Project. The Water Authority contributed $250,000 in addition to the labor and equipment to install the water lines. The County contributed $1.7 million toward the project. The Water Authority expended an additional $2.575 million for installation of transmission/distribution piping on

Coors Blvd. as an additional component to the Los Padillas Water Project. Construction of this project was completed in March 2022, and such piping connected the distribution systems that were installed in Phases 2, 5, and 6, and will provide waterline connections for the future identified Phases 8 and 9. For Phases 8 and 9 of the South Valley Drinking Water Project, the County has provided $8 million of Rescue Act funds to the Water Authority for planning, design, and a portion of construction. See "FINANCIAL INFORMATION – Financial Management – *Other Projects*" for a description of other Rescue Act funding provided by the County to the Water Authority. Currently, the Water Authority and its engineering consultant are actively engaged in planning and design work for Phases 8 and 9, which will include a Preliminary Engineering Report, and a final design package for Phases 8A, 8B, 8C, and 8D. The Water Authority expects that Phases 8A and 8B will be ready for bid by April 2024. The Water Authority will apply Rescue Act funds to cover the costs of the construction of Phases 8A and 8B. The bid dates for Phases 8C and 8D have not been determined as the funding for such phases has not been identified.

Arsenic Standard Applicable to Water Supply

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

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

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

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

Water Conservation Program

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

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

In 2013, the Water Authority adopted an additional reduction goal to reduce per capita usage from 150 GPCD to 135 GPCD over the next ten (10) years. A program was established to accomplish the goal following significant public input and meetings with the Board. The elements consisted of increased public education, "test your toilet month," new rebate programs, and revisions to the xeriscape program. As part of Water 2120, the Water Authority adopted a new conservation goal of 110 GPCD by 2037. In March

2018, an updated water conservation plan was adopted which revises the rebate programs and places a greater emphasis on outdoor efficiency in order to achieve the new goal. In 2023, usage was 129 GPCD.

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

The Water Conservation Program has achieved significant reductions in water use since 1995 and is recognized as one of the most successful water conservation programs in the United States. The Water Authority imposed 5% rate increases in Fiscal Years 2012, 2014, 2015, 2016 and 2018 to help address System revenues lost due to conservation. There was no rate increase in Fiscal Years 2019 through 2022. On May 18, 2022, the Board approved a 5% System rate increase for Fiscal Year 2023. A rate increase is not anticipated for Fiscal Year 2024. However, 5% rate increases are anticipated for Fiscal Years 2025 and 2026. See "FINANCIAL INFORMATION – Rates and Charges of the System."

Surface and Groundwater Protection Plan

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

Kirtland Air Force Base Fuel Spill

In 1999, the United States Air Force discovered an underground fuel leak around its bulk fuel storage facility at Kirtland Air Force Base (the "KAFB") in the Southeast portion of the City. The Air Force, in conjunction with the New Mexico Environment Department ("NMED") and the City, immediately began to investigate the scope of the leak and to take the necessary regulatory steps. The Air Force installed a soil vapor remediation system which began extracting fuel vapor from the soil in 2003 and was operational until 2014. Beginning in 2015, the Air Force started groundwater remediation with a pump and treat system that currently utilizes four (4) extraction wells located inside the contamination plume. Other intermediate remediation efforts, including bioventing and 1,2-dibromoethane bioremediation, have been disapproved by NMED and discontinued. The groundwater pump and treat is currently the only operational remediation at the site. The Air Force conducts staggered sampling of the total 174 wells in the groundwater monitoring network with 71 wells sampled in Q1 and Q3 and 167 wells sampled in Q2 and Q4 of each year. The 302 soil vapor monitoring points are sampled on a semi-annual frequency. The Water Authority's groundwater supply wells remain safe and have not experienced contamination. The project remains in the site characterization phase with a Phase I RCRA Facility Investigation (RFI) Report submitted in 2018 and the Phase II RFI Report has yet to be submitted. NMED approval of these reports is necessary to proceed into the Corrective Measures Evaluation (CME) phase where a final remedy will be selected and the site can proceed with cleanup. The Water Authority continues to advocate for rapid cleanup of the contamination, providing technical reviews of project documents, and by requesting that the Air Force resume technical working group meetings. In 2022, the Water Authority drilled, installed, and began sampling the data gap groundwater monitoring well it received capital outlay funding for in 2021. The monitoring well was

installed at the northern extent of the contamination and was first identified as critical to the characterization of contamination in groundwater during the Water Authority's review of the 2018 Phase 1 RFI Report. The Water Authority conducts quarterly water quality monitoring at the monitoring well to ensure protection of nearby supply wells. Additionally, the Water Authority participated in all public meetings, stakeholder meetings, and initiated a tour of the project with the Board Chair and the Air Force. The Water Authority has worked with local, State, and federal elected officials to ensure progress towards cleanup of the site. NMED has also increased its oversight of the Air Force remediation. The Air Force has accepted responsibility for the cost of the remediation and has stated its commitment to dedicate the necessary resources to remediate the fuel leak. For additional information concerning the KAFB Bulk Fuels Facility jet fuel leak remediation project, please see https://www.kirtland.af.mil/Home/BFF. *Neither the information on (nor accessed through) such website of KAFB is incorporated herein by reference, either expressly or by implication, and the Water Authority does not assume any responsibility for the accuracy of the information on such website*.

Drought Relief Measures

The Water Authority adopted the City's Drought Management Strategy when the Water Authority was created in 2004. The Drought Management Strategy was updated and approved over the years by the Board, most recently in 2023. The purpose of a Drought Management Strategy is to make the best use of available public water supplies while proactively managing demand to align with Water 2120 and associated conservation goals during periods of prolonged drought. In April 2023, the Drought Management Strategy was renamed "Water Resources Drought Management Plan." All elements of the plan remained the same and such plan identifies four (4) levels of drought as follows: drought advisory, drought watch, drought warning and drought emergency, and provides various educational steps and voluntary and mandatory conservation measures to reduce water usage during each of these drought levels. Since October 2023, the Water Authority has been in a Stage 0 (Drought Advisory). Under this stage, Water Authority staff increase public awareness efforts regarding conservation by offering $20 rebates to customers for the completion of a virtual Water Smart drought class, advance conservation guidelines, monitor regional drought conditions, and track annual supply and demand triggers. These triggers are monitored to track supply expectations from snowpack conditions and respond to customer demand under hot and dry weather.

Water Usage

The System's water component serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10.4% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths with yields ranging from approximately 500 gallons per minute to more than 3,700 gallons per minute. During Calendar Years 2019-2023, the Water System supplied the following water volumes to customers within the service area including contributions from both surface water and groundwater supplies:

WATER USAGE[(1)]
2019-2023

Calendar Year	Gallons Produced (in 000s)	Gallons Billed (in 000s)	Percentage Billed
2019	29,393,000	27,073,469	92.11%
2020	30,878,760	28,431,768	92.08%
2021	30,460,000	27,967,068	91.82%
2022	29,352,000	26,768,692	91.20%
2023	29,950,000	27,897,712	93.55%

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

Source: Water Authority.

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

WATER SYSTEM TOP TEN CUSTOMERS[(1)]
Fiscal Year 2023

Customer Name	Consumption Rate (Kgal)	Total Collected Revenue	% of Total Revenue
City of Albuquerque	2,382,724	$8,620,281	5.82%
Albuquerque Public Schools	505,590	2,687,122	1.81
University of New Mexico	254,212	1,320,690	0.89
Bernalillo County	174,200	681,322	0.46
Kirtland Air Force Base	119,093	653,564	0.44
Central New Mexico Community College	69,287	309,429	0.21
Sumitomo	120,876	307,010	0.21
Lovelace Health	81,669	277,915	0.19
Water Authority	37,979	271,405	0.18
New Mexico Fair Grounds	62,787	221,050	0.15
Total	3,808,417	**$15,349,789**	10.37%
Total Revenue for Water System		**$148,092,311**	

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

Wastewater Plant and Collection System

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

Treatment plant capacity is based upon 76 MGD hydraulic capacity. Existing flows at the plant have averaged 47.9 MGD over the past five (5) years, but these figures do not reflect the amount of non-potable water being reused for irrigation and industrial use at the SWRP. The Water Authority has an operational industrial pretreatment program approved by the EPA. The EPA recognized that the Water Authority's pollution prevention efforts have been largely responsible for the Water Authority maintaining compliance with strict standards contained in NPDES Permit #NM0022250, with the most recent renewal of such permit effective December 1, 2019 (as renewed, the "NPDES Permit"). The Water Authority's wastewater effluent discharge consistently meets all requirements contained in the NPDES Permit.

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

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

The Water Authority currently manages wastewater sludge using two (2) methods: surface disposal and production of compost. The Water Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated surface disposal site is used when seasonal market conditions are not favorable for sale of compost product. During Fiscal Year 2023, 28% of all sludge produced at the treatment plant was beneficially recycled into compost and sold. The Water Authority's Compliance Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing. The entire laboratory is also accredited by the American Association for Laboratory Accreditation. The Water Authority reduces expenses by analyzing a majority of the bacteriological samples at the Water Authority's internal water quality lab.

The following table sets forth the quantity of wastewater treated and customers served through the Wastewater System for Calendar Years 2019-2023:

TREATED WASTEWATER
Calendar Years 2019-2023

Calendar Year	Gallons Treated (in 000s)	Average # of Customers
2019	18,432,870	200,116
2020	17,666,960	201,349
2021	17,728,286	203,015
2022	16,618,000	203,951
2023	16,951,110	204,248

Source: Water Authority.

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

WASTEWATER SYSTEM TOP TEN CUSTOMERS[(1)]
Fiscal Year 2023

Customer Name	Consumption Rate (Kgal)	Total Collected Revenue	% of Total Revenue
Kirtland Air Force Base	742,747	$1,482,129	1.84%
Intel Corporation	-	1,205,696	1.49
University of New Mexico	815,901	1,150,733	1.43
Albuquerque Public Schools	99,019	785,516	0.97
City of Albuquerque	156,614	726,411	0.90
Creamland Dairies	52,686	543,001	0.67
Sumitomo	-	262,672	0.33
General Mills	9	199,610	0.25
Lovelace Health	55,047	159,660	0.20
Bernalillo County	33,478	153,903	0.19
Total	1,955,501	**$6,669,331**	8.26%
Total Revenue Wastewater System		**$80,746,197**	

(1) Amounts may not foot due to rounding.

Source: Water Authority.

Management of the System

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

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

Marta Ortiz, Chief Financial Officer. Ms. Ortiz has held the Chief Financial Officer position since July 2023. Previous roles in the Water Authority include CIP/Asset Management Program Manager and Controller. As Chief Financial Officer, Ms. Ortiz is responsible for the Financial and Business Services division including Customer Services, Finance, Budget, Accounting, Purchasing and Warehouse functions, Grants Management and Asset Management. Ms. Ortiz has over two (2) decades of experience in governmental finance, capital asset management, and financial reporting. Prior to joining the Water Authority, she was Acting CFO and Accounting Manager for the City of Rio Rancho, New Mexico for 13 years. Ms. Ortiz received a B.S. in Business Administration with a concentration in Accounting from the University of Phoenix in Albuquerque, New Mexico.

Stan Allred, Chief Operations Officer. Mr. Allred held the position of Finance Officer, Water Utility Department from June 2003 until May 2008 when he was promoted to Chief Financial Officer, which position he held through June 2023. In 2020, Mr. Allred also became the Chief Operations Officer of the Water Authority, which position he currently holds, where he is responsible for the Water Authority's operations group including the water and wastewater treatment plants, wastewater collection systems and lift/vacuum stations, and water distribution and transmission lines. In addition, Mr. Allred is responsible for managing the Compliance Division. He has over 36 years of financial and cost accounting experience. Prior to employment with the Water Authority, Mr. Allred was employed as a director with a multi-billion dollar national long-term care corporation. Mr. Allred was involved with corporate financial reporting requirements and rate setting for Medicare and 15 different state Medicaid systems. Mr. Allred has a BBA with a concentration in Accounting from the University of New Mexico.

Elizabeth Anderson, Chief Planning Officer. Mrs. Anderson has held the Chief Planning Officer position since March 2020. Previous roles in the Water Authority include Chief Innovation and Performance Manager, Water Quality Program Manager, and Senior Engineer in Centralized Engineering. Before joining the Water Authority, Mrs. Anderson worked as an engineering consultant for 11 years. She has over 21 years of experience in planning, design, construction, and operations of water and wastewater facilities. Mrs. Anderson has a B.S. in Civil Engineering and an M.S. in Environmental/Water Resources Engineering from the University of New Mexico. Mrs. Anderson is a licensed professional engineer and a certified operator for water and wastewater systems.

Hobert "H" Warren, Field Division Manager. Mr. Warren has served as the Field Division manager since 2018. He obtained his Bachelor of Business Administration from the University of New Mexico. His career has spanned over 27 years in the areas of operations, compliance, collections, construction, transition planning, automated meter reading implementation, smart water, billing systems, and rate studies. Prior to

employment with the Water Authority, Mr. Warren was the local operations manager for a company that owns and operates more than 130 regulated water and wastewater systems in nine (9) states.

Joel Berman, P.E., Plant Division Manager. Mr. Berman began managing the Plant Division in 2023 after joining the Water Authority as the Field-Distribution Chief Engineer in 2015. Prior to employment with the Water Authority, Mr. Berman worked in the public and private sectors planning, designing, constructing, operating and maintaining water and wastewater systems. Mr. Berman has a B.S. in Environmental Engineering from Northern Arizona University and is a licensed professional engineer.

Cody R. Stinson, Chief Information Officer. Mr. Stinson has a B.A. from the University of New Mexico in Management of Information Systems, and a M.B.A. from the University of New Mexico in Management of Technology. Mr. Stinson also has over 25 years of Information Technology experience, including work for the New Mexico State Judiciary, and as Deputy Chief Information Officer for the County. Mr. Stinson has managed several large implementations, including the Video Arraignment Process for the Bernalillo County Metropolitan Court, and the County's procurement and implementation of its Enterprise Resource Planning solution, which was SAP.

Chris Melendrez, General Counsel. Mr. Melendrez has served as General Counsel since June 2023. He holds a B.S. with dual majors in Geography and City and Regional Planning from New Mexico State University, and a J.D. from the University of New Mexico School of Law. Mr. Melendrez has over 20 years of experience in land use and land development matters, and over 15 years of experience as a licensed attorney. He has previously served as a judicial law clerk for the New Mexico Court of Appeals, and has provided representation and advisement to public entities in State and Local Government including the New Mexico State Land Office and the Albuquerque City Council.

Andres E. Santiago, Risk Manager. Has held the position of Risk Manager at the Water Authority since 2019, after serving as the Director of Risk Management for Bernalillo County since 2016. Prior to returning to the public sector, he worked for a Global Materials Science Company; W. L Gore and Associates, as a Regulatory Affairs and Risk Manager, directing corporate compliance and global risk programs. Mr. Santiago has over 29 years of experience working both in public and private sectors. Mr. Santiago earned both his B.A. in Political Science and M.S. of Public Administration from the University of New Mexico.

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

Erica L. Jaramillo, SHRM-CP, PHR, Human Resources Manager. Ms. Jaramillo has been with Water Authority Human Resources since 2011 and was promoted to Human Resources Manager in 2020. She graduated with Honors from University of Phoenix with a B.S. in Business Management. Ms. Jaramillo is also a proud graduate of Leadership Sandoval County in 2011. She has over 25 years of experience in management and human resources in both the private and public sector, specializing in employee development, mediation and labor relations.

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

Mark P. Kelly, P.E., Water Resources Manager. Mr. Kelly has been the Water Resources Manager since October 2020. Prior to his current position, he was the Water Authority's Compliance Manager. Mr. Kelly has 20 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.

David Laughlin, Engineering Division Manager. Mr. Laughlin began managing the Engineering Division in 2023. Mr. Laughlin joined the Water Authority as a Principal Engineer in 2016, and served as Chief Engineer beginning in 2020. Prior to employment with the Water Authority, Mr. Laughlin worked in the private sector in both consultant and contractor roles, focusing primarily on the design, construction, operation, and maintenance of water, wastewater, and groundwater remediation systems. Mr. Laughlin has a B.S. in Civil Engineering and a M.S. in Environmental Engineering from New Mexico State University and is a licensed professional engineer.

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FINANCIAL INFORMATION

Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years ended June 30, 2019-2023.

	2023	2022[1]	2021	2020	2019
ASSETS					
Current Assets					
Cash and investments	$164,164,691	$179,464,851	$154,903,452	$159,849,423	$172,814,612
Accounts and leases receivable	22,953,490	23,964,523	20,507,045	20,636,353	19,601,149
Due from other governments	2,737,938	6,726,082	1,488,611	329,245	183,575
Prepaid assets	1,424,880	683,898	462,303	323,566	66,263
Notes receivable	1,317,725	1,723,247	1,218,622	1,039,307	872,650
Total Current Assets	192,598,724	212,562,601	178,580,033	182,177,894	193,538,249
Noncurrent Assets					
Long-term receivables	4,977,223	5,540,882	5,552,923	5,439,559	5,004,280
Restricted Assets					
Cash and investments	3,255,271	52,818,145	15,457,559	89,078,154	47,168,017
Total Restricted Assets	8,232,494	58,359,027	21,010,482	94,517,713	52,172,297
Capital Assets, net of accumulated depreciation/amortization					
Buildings and other improvements	988,493,369	1,009,392,052	1,041,081,143	1,040,382,749	1,055,575,339
Leases	1,508,207	219,544	505,102	890,386	1,418,603
Subscription-Based IT Arrangements (SBITA)	1,814,945	2,033,504	-	-	-
Purchased water rights	49,251,368	49,251,368	49,251,368	49,251,368	49,251,368
Land	25,490,033	25,462,800	25,416,568	25,360,568	25,265,606
Machinery and equipment	11,491,040	11,010,292	13,044,015	14,732,858	13,850,563
Construction work in progress	107,233,215	58,299,962	48,902,132	44,782,159	23,607,887
Total Capital Assets	1,185,282,177	1,155,669,522	1,178,200,328	1,175,400,088	1,168,969,366
Total Noncurrent Assets	1,193,514,671	1,214,028,549	1,199,210,810	1,269,917,801	1,221,141,663
TOTAL ASSETS	1,386,113,395	1,426,591,150	1,377,790,843	1,452,095,695	1,414,679,912
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	5,144,080	6,394,516	6,882,821	847,366	848,944
Deferred amounts related to pensions	11,079,006	5,019,966	20,480,718	10,451,756	14,974,502
Deferred amounts on refunding	7,461,121	10,578,504	13,695,887	14,249,960	17,196,455
Total deferred outflows of resources	23,684,207	21,992,986	41,059,426	25,549,082	33,019,901
LIABILITIES					
Current Liabilities					
Accounts payable	25,949,678	21,528,999	14,392,083	27,026,101	16,679,973
Accrued payroll	4,173,583	3,553,590	2,408,685	2,486,502	1,834,689
Claims payable, current portion	1,254,774	1,719,711	1,708,055	1,732,003	1,690,735
Accrued compensated absences	3,935,865	4,035,189	3,339,179	3,166,267	3,887,137
Deposits	1,099,257	1,020,390	941,470	892,117	877,364
Lease	461,237	167,639	449,265	468,754	1,491,546
SBITA	770,513	640,963	-	-	-
Current portion debt obligation bonds	66,050,000	63,495,000	56,725,000	53,010,000	51,335,000
Loan agreements/lines of credit	858,701	780,280	594,441	4,908,241	4,692,256
Water rights contract	-	1,359,809	1,319,619	1,280,611	1,242,757
Accrued interest for SBITA	34,966	39,748	-	-	-
Accrued interest for debt obligations	10,504,642	11,989,511	11,879,342	12,709,316	13,181,001
Total Current Liabilities	115,093,216	110,330,829	93,757,139	107,679,912	96,912,458
Noncurrent Liabilities					
Debt obligations			¤		
Bonds net premium/discounts	487,232,126	562,886,873	550,216,161	595,086,218	571,510,789
Loan agreements/line of credit	9,432,200	9,732,008	7,970,873	27,359,460	32,279,020
Water rights contract	-	-	1,359,809	2,679,428	3,960,039
Total Debt Obligations	496,664,326	572,618,881	559,546,843	625,125,106	607,749,848
Other Noncurrent Liabilities					
Claims payable, net of current portion	2,974,875	3,061,967	3,097,210	2,239,516	1,913,763
Lease liability, net of current portion	1,087,624	72,539	109,476	495,601	-
SBITA liability, net of current portion	255,748	575,537	-	-	-
Net pension liability	64,975,550	41,794,768	74,155,075	64,315,537	59,487,543
Net post-employment benefit obligation liability	16,468,970	24,278,782	30,393,823	25,399,296	34,650,853
Accrued compensated absences	1,690,572	1,094,118	1,479,230	1,252,621	96,159
Total Other Noncurrent Liabilities	87,453,339	70,877,711	109,234,814	93,702,571	96,148,318
Total Noncurrent Liabilities	584,117,665	643,496,592	668,781,657	718,827,677	703,898,166
TOTAL LIABILITIES	699,210,881	753,827,421	762,538,796	826,507,589	800,810,624
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to leases	391,958	433,068	610,045	951,377	1,280,371
Deferred amounts related to other post-employment benefits	17,054,263	15,558,882	13,880,527	15,701,138	9,331,810
Deferred amounts related to pensions	2,257,795	17,723,870	661,834	1,027,092	2,060,504
NET POSITION					
Net investment in capital assets	629,850,422	579,355,522	589,167,871	594,404,243	568,941,434
Unrestricted	61,032,283	81,685,373	51,991,196	39,053,338	65,275,070
TOTAL NET POSITION	$690,882,705	$661,040,895	$641,159,067	$633,457,581	$634,216,504

(Footnotes on Following Page)

(1) Fiscal Year 2022 results were restated to reflect the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements in Fiscal Year 2023, which decreased the net position as of June 30, 2022 by approximately $777,256. Such restatement had no effect on Net Revenues of the System or debt service coverage for System obligations for Fiscal Year 2022.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2019-2023.

The following table shows the historical revenues and expenditures for the System for Fiscal Years ended June 30, 2019-2023:

Revenues and Expenditures

	2023	2022[1]	2021	2020	2019[2]
Operating Revenues					
Charges for services	$230,979,477	$224,194,834	$225,663,414	$225,609,119	$219,984,311
Operating Expenses					
General and administrative	69,070,032	61,872,732	61,977,062	69,394,965	66,274,400
Source of supply, pumping, treating, distribution	63,089,220	54,988,517	50,881,255	51,686,336	48,844,000
Non-capitalized major repair	18,679,578	17,184,915	21,576,088	19,138,683	13,012,052
Amortization	1,654,887	453,147	493,756	528,217	736,098
Depreciation	85,222,816	86,136,347	86,167,169	84,985,126	84,319,801
Total Expenses	237,716,533	220,635,658	221,095,330	225,733,327	213,186,351
Operating Income/Loss	(6,737,056)	3,559,176	4,568,084	(124,208)	6,797,960
Non-operating revenues (expenses)					
Interest on investments	5,355,541	647,128	622,445	2,163,600	3,117,644
Interest expense	(16,453,023)	(17,351,811)	(17,193,522)	(19,842,367)	(20,068,297)
Utility expansion charges	6,399,829	8,421,390	9,060,038	8,916,871	6,884,954
Water Resource Charges	859,781	1,873,759	1,612,875	838,525	437,646
Debt issuance costs	(51,456)	(667,711)	(340,821)	(665,000)	(629,086)
Lease of stored water	523,200	200,177	809,838	294,824	1,845,393
Other revenues	4,245,893	1,152,842	2,225,007	1,217,438	2,978,492
Total non-operating income	879,765	(5,724,226)	(3,204,140)	(7,076,109)	(5,433,254)
Income (loss) before contributions	(5,857,292)	(2,165,050)	1,363,944	(7,200,317)	1,364,706
Capital contributions	35,699,102	21,269,622	6,337,542	6,441,394	10,145,264
Change in Net Position	29,841,810	19,104,572	7,701,486	(758,923)	11,509,970
Net Position July 1	661,040,895	641,936,323	633,457,581	634,216,504	622,706,534
Net Position June 30	$690,882,705	$661,040,895	$641,159,067	$633,457,581	$634,216,504

(1) Fiscal Year 2022 results were restated to reflect the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements in Fiscal Year 2023, which decreased the net position as of June 30, 2022 by approximately $777,256. Such restatement had no effect on Net Revenues of the System or debt service coverage for System obligations for Fiscal Year 2022.

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

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2019-2023.

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Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service for Fiscal Years ended June 30, 2019-2023.

System Debt Service Coverage Calculation
Fiscal Years 2019-2023

	2023	2022	2021	2020	2019
Total operating revenues	$230,979,477	$224,194,834	$225,663,414	$225,609,119	$219,984,311
Non-operating revenues (expenses):					
Interest	5,355,541	647,128	622,445	2,163,600	3,117,644
Expansion charges	7,259,610	10,295,149	10,672,913	9,755,396	7,322,600
Other Expenses	-	-	-	-	-
Other Revenues	4,769,093	1,353,019	3,034,845	2,860,879	5,220,372
Total adjusted revenues	**$248,363,721**	**$236,490,130**	**$239,993,617**	**$240,388,994**	**$235,644,927**
Total operating expenses	$237,716,533	$220,635,658	$221,095,330	$225,733,327	$213,186,351
Less:					
Franchise fees	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Non-capitalized system obligations	(18,679,578)	(17,184,915)	(21,576,088)	(19,138,683)	(13,012,052)
OPEB Life Insurance Benefits	-	-	-	-	-
Depreciation	(85,222,816)	(86,136,347)	(86,167,169)	(84,985,126)	(84,319,801)
Amortization	(1,654,887)	(453,147)	(493,756)	(528,217)	(736,098)
Total adjusted operating expenses	**$132,159,252**	**$116,861,249**	**$112,858,317**	**$121,081,301**	**$115,118,400**
Release from Rate Stabilization Fund	-	-	-	-	-
Net revenues available for debt service	**$116,204,469**	**$119,628,881**	**$127,135,300**	**$119,307,693**	**$120,526,527**
Total senior debt service	$79,271,756	$61,704,698	$62,276,955	$62,696,267	$60,553,383
Senior debt service coverage	**1.46x**	**2.18x**	**2.06x**	**1.91x**	**1.99x**
Subordinate debt service	$10,482,799	$9,804,228	$10,004,234	$10,106,849	$10,098,204
Combined total debt service	$89,754,555	$71,508,926	$72,280,299	$72,803,116	$70,651,587
All in debt service coverage	**1.29x**	**1.88x**	**1.78x**	**1.64x**	**1.71x**

Source: Water Authority and data extracted from the Annual Comprehensive Financial Reports for Fiscal Years 2019-2023.

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Operating Revenue

The following table outlines the Water Authority's revenue from water and wastewater charges and other operating revenue as measured in the Statement of Revenues, Expenses and Change in Net Position for Fiscal Years ended June 30, 2019-2023.

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUE

Fiscal Year	Revenue Water Charges[1]	Revenue Wastewater Charges	Other Operating Revenue[2]	Total Operating Revenue
2019	$141,267,719	$76,848,592	$1,868,000	$219,984,311
2020	147,244,774	76,231,345	2,133,000	225,609,119
2021	147,199,054	76,441,792	2,022,568	225,663,414
2022	145,215,374	76,845,065	2,134,395	224,194,834
2023	148,092,311	80,746,197	2,140,969	230,979,477

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

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

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2019-2023.

Utility Expansion Charges

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

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

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

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

UTILITY EXPANSION CHARGES
(Effective 7/01/2023)

Meter Size	Water Charge	Wastewater Charge
¾"	$3,713	$2,785
1"	6,189	4,642
1 ½"	12,376	9,284
2"	19,808	14,852
3"	39,607	29,775
4"	61,886	47,589
6"	123,777	95,184
8" & over	198,040	148,523

Source: Water Authority.

During Fiscal Years 2019 through 2023, the Water Authority received the following revenue from the collection of UECs.

REVENUE FROM UTILITY EXPANSION CHARGES

Fiscal Year	Total UEC Revenues[(1)]
2019	$7,322,600
2020	9,755,396
2021	10,672,913
2022	10,295,149
2023	7,259,610[(2)]

(1) Includes water resource charge.

(2) The decline in UEC Revenues is due to higher construction costs and higher interest rates which led to a decline in new construction.

Source: Water Authority's Annual Comprehensive Financial Reports for Fiscal Years 2019-2023.

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

Water Resource Charge

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

The following table sets forth the current Water Resource Charges.

CURRENT WATER RESOURCE CHARGES – YEAR FOUR PHASE-IN
(Effective 7/01/2023)

Meter Size	Water Resource Charge
¾"	$3,332
1"	5,553
1 ½"	11,106
2"	17,769
3"	38,871
4"	66,635
6"	149,929
8" & over	177,694

Source: Water Authority.

Rate Stabilization Fund

The Rate Stabilization Fund reserves water and wastewater revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The funding cap for the Rate Stabilization Fund is $9 million. Any expenditure from this Rate Stabilization Fund requires an appropriation approved by the Board. In February 2024, the Board approved the use of $5.2 million of the fund for the increase in chemical and power expenses.

Additional Charges

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

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

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

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

Rate Comparisons

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

Water/Wastewater Billing and Collections

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

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

The Water Authority has previously made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has historically averaged 2.49% and as of December 31, 2023 was 1.06%.

Rates and Charges of the System

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

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

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

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

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

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

Current Levels of Base Rates and Charges

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

Increases to Rates and Charges

The Water Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2016-2024 as described below due to a decrease in consumption levels. On May 18, 2022, the Board increased System rates and charges by 5% effective July 1, 2022.

Implemented and Approved

Increases in Rates and Charges

	% Increase		
Fiscal Year	**General Operations**	**WRMS**	**Franchise Fee**
2016	5	0	0
2017	0	0	0
2018	5	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0
2022	0	0	0
2023	5	0	0
2024	0	0	0

Source: Water Authority.

Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2019 through 2023.

Meter Size	**2019**	**2020**	**2021**	**2022**	**2023**
¾"	184,464	185,668	186,802	187,847	188,364
1" and 1 ¼"	17,843	17,847	17,815	17,831	17,835
1 ½"	2,522	2,522	2,549	2,567	2,580
2"	2,713	2,737	2,811	2,796	2,898
3"	626	609	606	603	611
4"	287	286	286	288	288
6"	66	66	69	68	67
8" and over	43	44	44	44	43
Non-metered	4,527	4,541	4,560	4,593	4,609
Total	**213,091**	**214,320**	**215,542**	**216,637**	**217,295**

Source: Water Authority.

HISTORY OF WATER USERS BY CLASS

	Fiscal Year				
Class	2019	2020	2021	2022	2023
Residential	183,942	184,919	185,889	186,730	187,187
Multi-Family	7,876	7,907	7,925	7,943	7,973
Commercial	12,100	12,159	12,242	12,314	12,352
Institutional	3,701	3,766	3,807	3,829	3,854
Industrial	121	119	123	128	129
Other Meter	824	909	996	1,099	1,191
Solid Waste Only	1,392	1,402	1,410	1,418	1,423
Non-meter	3,135	3,139	3,150	3,176	3,186
Total	**213,091**	**214,320**	**215,542**	**216,637**	**217,295**

Source: Water Authority.

According to the Water Authority's records for Fiscal Year 2023, the top ten (10) retail customers of the System, in the aggregate, accounted for no more than 13.65% of the total billed consumption for the Water System, 10.37% of the total revenue of the Water System, 11.54% of the total billed consumption for the Wastewater System and 8.26% of the total revenue of the Wastewater System. During Fiscal Year 2023, 51.26% of billed water consumption was residential, while 15.426% was classified as commercial. The balance consisted of multi-family users consuming 18.16%, institutional users consuming 5.30%, industrial users consuming 1.73% and special contracts and hydrants users consuming 8.12%.

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Selected Water/Wastewater System Statistics
(Calendar Year)

	2019	2020	2021	2022	2023
Estimated Population (Service Area)	683,207	685,486	665,392[1]	654,067[1]	656,237
Number of Meters Billed	209,029	210,357	211,444	212,258	212,945
Estimated Persons Per Meter	3.27	3.26	3.25	3.08	3.08
Annual Pumpage (1,000 Gallons)	29,392,000	30,878,760	30,466,000	29,351,780	29,950,000
Annual Water Billed (1,000 Gallons)	27,073,469	28,431,768	27,967,068	26,768,692	27,897,712
Average Daily Pumpage (Gallons)	80,526,027	84,599,000	83,468,493	79,219,834	82,054,000
Peak Day Pumpage (Gallons)	147,000,000	141,450,000	142,984,000	142,460,000	153,300,000
Average Daily Production Per Meter (Gallons)	385	402	395	373	385
Well Pumping Capacity (per 24 Hour Period)	176,000,000	176,000,000	176,000,000	176,000,000	178,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	247,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Fire Hydrants	15,948	16,076	16,194	16,337	16,486
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines [2]					
-Water	2,767	2,783	2,802	2,821	2,836
-Wastewater	1,920	1,926	1,936	1,946	1,952
Surface Water	38	38	38	38	38

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

[2] Estimated.

Source: Water Authority.

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Financial Management

Financial Policies

The Water Authority has implemented various financial policies to facilitate its performance based budgeting process which requires balanced budgets. The Water Authority spent approximately $86.2 million in Fiscal Year 2023, and will continue an increase in funds transfer from the General Fund of $3 million annually, for System rehabilitation. Basic system capital needs are expected to be funded with 50% cash and grants and 50% bond or loan proceeds. The Water Authority's policy with respect to debt issuance is to target coverage of 150% of debt service on all lien levels for current and future years with the debt service coverage being monitored at the end of each quarter. Additionally, the Water Authority's policy when issuing bonds to finance basic capital needs is to not exceed a final maturity of 12 years. Pursuant to the Water Authority's "no net expense" System expansion policy, infrastructure for new development within or outside the System's service area will not be funded from the System's existing customer base. The Water Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

Budget Process

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

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

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

Capital Implementation Program

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

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

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

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

Decade Plan

The current Decade Plan, Fiscal Year 2024 – Fiscal Year 2033, is designed to focus on meeting the basic utility needs for water and wastewater assets, balancing growth and rehabilitation, and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and System reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at targeted levels of rehabilitation investment as outlined in the "Capital Needs" table set forth below.

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

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

Asset Management Plan

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

In Fiscal Year 2019, the Water Authority upgraded its Maximo® Enterprise Asset Management System/Computerized Maintenance Management System and integrated mobile work order technology to improve the accuracy of the asset data. In May 2023, the Water Authority updated its 2011 System-wide Asset Management Plan, which is now referred to as the Comprehensive Asset Management Plan (the "CAMP"), based on improved data from such Fiscal Year 2019 management systems upgrades. The CAMP highlights: (i) the methodology used to create detailed asset management plans for linear and vertical assets, (ii) the understanding of the strategic components of the asset management program, (iii) the system-wide risk profile assessment, (iv) the review of projected capital improvement program renewal needs, and (iv) the insight gained into the existing levels of service and associated performance criteria. The CAMP is reviewed annually and updated as needed to account for major changes to the Water Authority's facilities.

The Water Authority anticipates the following capital needs through Fiscal Year 2033.

CAPITAL NEEDS* (in 000's)

Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	**Total**	**%**
Total Capital Needs	$88,768	$100,000	$63,000	$63,000	$63,000	$63,000	$80,000	$80,000	$80,000	$80,000	$760,768	100%
Bond Funded	$60,500	$60,500	$28,000	$28,000	$28,000	$28,000	$28,000	$28,000	$45,000	$45,000	$379,000	50%
Cash Funded	$28,268	$39,500	$35,000	$35,000	$35,000	$35,000	$52,000	$52,000	$35,000	$35,000	$381,768	50%

* Projections, subject to change. Amounts indicated are rounded.
Source: Water Authority's Fiscal Year 2025 Finance Plan.

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

In addition to seeking improvements in efficiency and effectiveness through its AMP, the Water Authority utilizes the American Water Works Association's ("AWWA") Benchmarking Performance Indicators Survey ("Survey") in developing its performance plan. The Survey provides utilities an opportunity to collect and track data from already identified and tested performance measures, based on the same collection process and definitions. The most recent Survey data was compiled in 2023 by AWWA from 130 different utilities. The performance plan uses the survey data as a basis for its performance measures to track the Water Authority's performance with that of other utilities and to provide guidance in the one-year objectives and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented by the Water Authority.

Looking forward, the Water Authority must spend $90 million per year in CIP funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in the Water Authority's asset management program.

Approved Fiscal Year 2024 Budget

The approved Fiscal Year 2024 budget is the Water Authority's financial plan for Fiscal Year 2024. The development of this financial plan has been guided by the Water Authority's Ten-Year Financial Plan, Five-Year Goals, One-Year Objectives, Performance Plan and the Guiding Principles. In the development of the approved budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources, and is balanced, fiscally conservative and sound.

Revenue for Fiscal Year 2024 is estimated to be $248.4 million. There is no rate adjustment proposed for Fiscal Year 2024. The appropriation for Fiscal Year 2024 for CIP is $103.5 million. $88.7 million is appropriated for the basic rehabilitation capital programs, $4.0 million for growth-related projects, $8.3 million for special projects, and $2.5 million for Water 2120 projects. The $8.3 million for special projects is comprised of $1.0 million for Automated Meter Infrastructure, $2.0 million for steel

water line replacement, $0.3 million for various renewable energy projects, and $5.0 million for Mission Facility site renewal.

The Fiscal Year 2024 Budget represents a financial plan to provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address the Water Authority's priorities for Fiscal Year 2024 to improve services and gain operating efficiencies.

The Fiscal Year 2024 Budget includes nonrecurring funding for an employee incentive program. This program will reward employees for cost savings as a result of a decrease in work-related losses. Funding for this program is contingent on the Water Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Water Authority's Workers Compensation expense in the last five (5) Fiscal Years.

In the preparation of the Fiscal Year 2024 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. Personnel expenses include a 2.0% step increase in wages, a 2.5% increase in health benefit costs and a 0.5% increase in PERA pension costs. The most significant expense continues to be debt service payments, which comprise 31.0% of the total general fund operating expense in Fiscal Year 2024.

For Fiscal Year 2024 revenues are expected to be $0.005 million more than expenses. This is expected to bring the Working Capital or Fund Balance to $32.6 million at June 30, 2024. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenditures as defined by the Rate Ordinance. For Fiscal Year 2024, the Rate Stabilization Fund remains at $9.0 million, the Risk Reserve is $0.5 million, and the Soil Amendment Facility Reserve increases to $2.1 million.

Successes and Benchmarks

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

- Fiscal Year 2024 Government Finance Officers Association ("GFOA") Distinguished Budget Presentation Award;
- 2023 Rocky Mountain Section American Water Works Association Outstanding Water Laboratory award for the Water Quality Lab;
- Fiscal Year 2022 GFOA Certificate of Achievement for Excellence in Financial Reporting (both Comprehensive and Popular);
- 2022 AWWA Partnership for Safe Water Distribution – Five Year Directors Award;
- AQUARIUS award from the EPA for the Water Authority's efforts to bring water service to the Village of Carnuel;
- 2021 American Council of Engineering Companies ("ACEC") Engineering Excellence Award, Power Loop A & B, Phase 1 (Carollo Engineers, designer); and
- 2021-22 AWWA Partnership for Safe Water Treatment-Presidents Award.

Other achievements in the preceding Fiscal Year include achieving 20% reliance on renewable energy sources. Design also progressed on the To'Hajiilee Transmission Line project that will provide high-quality potable water to the To'Hajiilee Navajo community, and the Volcano Cliffs Arsenic Treatment

Facility that will treat water from 5 existing wells, providing approximately 12 MGD of potable water for the users in the westside of the Water Authority's service area. The Water Authority expects that both of these projects will go to construction in Fiscal Year 2024. The Intel Raw Water Transmission Line project will be completed before the end of Fiscal Year 2024. Additionally, the extensive multi-year, $250 million refurbishment of the SWRP continued on schedule.

Other Projects

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

The San Juan-Chama Drinking Water Project provided approximately 50% of all water distributed to Water Authority customers in calendar year 2023. The Water Authority's goal is to have the San Juan-Chama Drinking Water Project supply 70-75% of all customer demand in the future. Flow conditions in the Rio Grande may limit the ability to fully realize this goal on a consistent basis. The Fiscal Year 2024 budget reflects funding for emergency capital improvements to address unanticipated equipment or other asset failures at the facilities, including $28.0 million for basin dredging that will improve plant performance and water quality.

Under the EPA's Lead and Copper Rule Revisions, all water systems in the United States are required to prepare and maintain an inventory of service line materials by October 16, 2024. The Water Authority is conducting the required inventory via visual inspection of service line materials and a review of City, County, and State construction records. The Board is expected to approve a loan agreement with the New Mexico Finance Authority in 2024 in the repayable principal amount of approximately $770,000 to finance professional services related to the required inventory and inspection.

Field Divisions – Distribution and Meter Operations work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (work order and asset management) and Customer Care & Billing in order to create operating procedures for a paperless, real-time work order system, where field activities are dispatched, updated and closed out on a mobile platform. In addition, Clevest is used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives.

The sanitary sewer interceptor system is the backbone of the Water Authority's current wastewater collection system. It is designed to carry large flows from the collection line system for delivery to the plant for treatment. 46% (approximately 111 miles) of the current interceptors within the system are made of concrete and have suffered substantial hydrogen sulfide corrosion damage along the upper portions of the pipe. Such corrosion damage could result in complete pipe failure and cause a sinkhole to form at any time within the public right-of-way. The Fiscal Year 2024 budget reflects a budget of $33.2 million that will be used to continue to evaluate, plan, design, and construct for sanitary sewer interceptor rehabilitation or complete removal and replacement of severely deteriorated sewer interceptor lines that are beyond feasible rehabilitation.

The Vulcan Material's lease of the Water Authority's 50-acre parcel at the southwest corner of Chappell and Singer NE has ended. The Water Authority has developed a plan for the site with near-term and long-term improvements. Prior to constructing improvements, the site will need to be graded to establish developable property. Near-term improvements consist of a relocated dirt processing facility, compost sales, landscape material storage for restoration of customer property, scale/weigh house, and several storage buildings for salt, chemicals, infrastructure repair materials and weather sensitive vehicles. The Fiscal Year 2024 budget reflects a budget of $5.0 million which will be used to plan, design and

construct the site and facilities in multiple phases. The operational impact of developing the site will include an advanced treatment component that aligns with Water 2120 goals.

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

In Fiscal Year 2022, the Water Authority finalized a subrecipient agreement for the purpose of carrying out a portion of County's Rescue Act spending. See "COVID-19." The following projects continued in Fiscal Year 2023 and will continue in Fiscal Year 2024 not to exceed $55,816,573 in Federal assistance and will assist the County in utilizing such funds:

- Carnuel Sewage Collection System ($3,845,000) – Funding will be used for construction of a force main system that will provide sewer service to Carnuel residents and has a direct positive community impact and reduction in groundwater pollution (eliminates septic systems). The Water Authority has received $155,000 in Capital Outlay funding through the State. Rescue Act funding will used for the construction phase.

- Metropolitan Detention Center ("MDC") Water & Sewer Improvements ($4,200,000) – Funding will be used to install a lift station and force main at the MDC facility for improved sewer service. This will eliminate potential compliance violations and costly operations and maintenance for the existing on-site lagoon treatment system.

- Mesa del Sol Non-Potable Reuse Booster Pump & Reservoir ($4,896,536) – Funding will be used to design and construct a re-use reservoir, booster pump and transmission lines to provide adequate pressures for re-use system throughout Mesa del Sol.

- South Valley Drinking Water Project Phases 8 & 9 ($8,000,000) – Funding will be used to design and construct waterlines for residents and businesses in the South Valley of the City that currently rely on private wells.

- Kirtland Air Force Base Tijeras Interceptor Rehabilitation ($15,000,000) – Funding will be used to design and rehabilitate the existing interceptor line through KAFB as well as support the Max Q development project.

- Volcano Cliffs & Corrales Trunk Reservoir & Transmission Line ($15,000,000) – Funding will be used to design and construct a reservoir and transmission line for increased water capacity and transfer within Volcano Cliffs trunk and Corrales trunk.

- Bosque Non-Potable Water Reclamation Plant and Reuse System ($2,875,037) – Consistent with Water 2120, this project extends the Water Authority's water resources through conservation and direct and indirect potable reuse. This project would provide non-potable water for industrial purposes and irrigation needs to parks, schools, and golf courses. Rescue Act funding will complete the 1st phase, which is underway, that includes finalizing the layouts for the facility (conceptual design) and submission of a NPDES permit to discharge to the Rio Grande south of Montano Road. This funding will also begin the 2nd phase that consists of preliminary and final design.

- Carnuel Water System Expansion ($1,000,000) – Funding will be used for additional waterline extension design and construction for the Village of Carnuel Water System Expansion project. The Water Authority has received $3,000,000 in Capital Outlay funding through the State.

- To'Hajiilee Water Line Extension ($1,000,000) – Funding will be used for construction of a 7.8 mile, 10-inch gravity transmission line from the 7W Reservoir located on the westside of Bernalillo County to the Well 5 site.

OTHER POST-EMPLOYMENT BENEFITS

Public Employees Retirement Association

The Water Authority participates in a pension plan organized on a statewide basis and operated by the State. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full-time employees. The majority of State and municipal employees in the State participate in the Plan. The Water Authority's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The Water Authority has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan. However, on June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved Statement No. 68, as subsequently amended by GASB Statement No. 71, which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the Water Authority, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. As of June 30, 2023, the Water Authority reported a net pension liability of $64,975,550 for its proportionate share of the net pension liability. See "Notes to the Financial Statements – Defined Benefit Pension Plan – Public Employees Retirement Association" in APPENDIX A hereto.

As required by State law, eligible employees are required to contribute between 13.15% and 15.15% of their gross salary, depending on the specific plan type. The Water Authority is required to contribute 10.30% of the gross covered salary. The Water Authority has elected to pay a percentage of the employee's contributions. The contribution requirements of plan members and the Water Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the State Legislature. The Water Authority's employer contribution to PERA for the Fiscal Years ended June 30, 2023, 2022, and 2021 were $4,078,313, $3,478,865, and $3,492,946, respectively, which equal the amount of the required contributions for each Fiscal Year. The Water Authority's total paid contributions for Fiscal Year ended June 30, 2023 were $8,286,679.

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

Actuarial information is shown below:

State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2023

Membership[(1)]	131,701
Actuarial Information	
Accrued Liability[(2)]	$25.2 Billion
Actuarial Value of Assets[(3)]	$17.1 Billion
Unfunded Actuarial Accrued Liability ("UAAL")	$8.1 Billion

(1) Includes both state and municipal divisions.
(2) Includes accrued liability of both the retired and active members.
(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25% annual return.

As of June 30, 2023, PERA has an amortization or funding period of infinite years, based on the employer and member contribution rates in effect as of July 1, 2023. Member and employer rates are

established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 67.26% as of June 30, 2023. The State's portion of the UAAL of the PERA Fund is approximately 57.60%, or $4.4 billion. On a market value basis, PERA's funded ratio is approximately 67.70% as of June 30, 2023.

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

Defined Contribution Retirement Plan

The Water Authority approved a Declaration of Trust for a 401(a) qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees in 2004. Under this defined contribution plan, an employee's eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory and only a small number of Water Authority employees participate in the plan. Under the plan the employer contributes 19.01% of earnings for full-time employees and 7% for part-time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute a specified percentage of the employee's salary. Total Water Authority contributions to the plan were $439,383 in Fiscal Year 2023.

New Mexico Retiree Health Care Authority Plan

Water Authority employees are provided, through the New Mexico Retiree Health Care Fund (the Fund), a cost-sharing multiple-employer defined benefit plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, to administer the Fund. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. The Fund provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority were $793,373 for the year ended June 30, 2023 equal to its required contributions for the year.

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

Retiree Life Insurance Plan

The Water Authority, as of the Fiscal Year ended June 30, 2023, participated in the City's Life Insurance Benefit Plan (the "City Plan"). The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Water Authority. Upon retirement, an eligible Water Authority employee will continue to be covered by the City Plan at no cost to the employee. Employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of $5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to $25,000. New employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount. The number of Water Authority retired employees covered under the City Plan at June 30, 2023 was 275. The number of active employees at June 30, 2023 was 284.

In Fiscal Year 2014, the City and the Water Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution ("ADC") each year in accordance with GASB 75. The ADC consists of two (2) basic components, which have been adjusted with interest to the Water Authority's Fiscal Year end: 1) the amounts attributed to service performed in the current Fiscal Year (the normal cost), and 2) amortization of the unfunded actuarial accrued liability ("UAAL"). Therefore, the discount rate used is 5.0%, the long term expected return on trust assets. In addition, the discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-years. The Water Authority's contributions to the trust for the Fiscal Year ended June 30, 2023 were $39,952.

INVESTMENT POLICIES AND PROCEDURES

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

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

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

The Investment Policy permits the Water Authority to invest in (a) U.S. Treasury obligations; (b) U.S. Government agency and instrumentality obligations; (c) bonds or negotiable securities of the State or of any county, municipality, or school district within the State which has a taxable valuation of real property for the last preceding year of at least $1,000,000 and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five (5) years last preceding; (d) time deposits in banks and savings and loan associations; (e) interest bearing checking accounts in banks and savings and loan associations; (f) passbook savings accounts; (g) banker's

acceptances; (h) SEC Rule 2a-7 money market funds whose portfolios consist of the foregoing securities; and (i) the Local Government Investment Pool pursuant to Section 6-10-10.1, NMSA 1978.

FORWARD-LOOKING STATEMENTS

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE WATER AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

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

APPROVAL OF ANNUAL INFORMATION STATEMENT

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

Approved by:

/s/ Mark Sanchez
Executive Director

APPENDIX A

Albuquerque Bernalillo County Water Utility Authority
Annual Comprehensive Financial Report
For the Fiscal Years ended June 30, 2023 and 2022