2015 ANNUAL REPORT

groundwater on the rebound

Albuquerque Bernalillo County
Water Utility Authority

Composed of sediments deposited five million years ago and yielding up drinking water that's been underground for 22 millennia, Albuquerque's aquifer was long seen as a resource to be exploited. Now we know it's a treasure to be managed – and allowed to replenish.

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FROM THE CHAIR

comeback story of the decade

Two decades ago, prospects for the aquifer beneath Albuquerque looked bleak. Years of unsustainable pumping threatened the metro area with widespread land-surface subsidence and left us with an uncertain water future.

But 2008 saw the implementation of the San Juan-Chama Drinking Water Project, which added surface water to the local supply for the first time. That, combined with a nationally recognized conservation program that started in the mid-1990s, has begun to turn the tide. The U.S. Geological Survey reports that aquifer levels are now on the rise throughout the Albuquerque area, and stored groundwater has increased by about one million acre-feet as compared to the '90s.

It took a tremendous effort and an investment of some $450 million in Drinking Water Project infrastructure to make this happen. But it's been worth it for the community – and the Rio Grande. Because the river and the aquifer are interconnected, the net effect on river flows is actually less when we divert surface water for use instead of pumping groundwater.

The aquifer's comeback is a success story, but it's not over yet. We must continue to manage our water resources proactively and responsibly, with greater emphasis on methods like re-use and aquifer storage and recovery, or ASR. This will ensure that recent gains are permanent and not temporary, and allow us to treat the aquifer as a "savings account" from which we can draw in times of need. Those times will come, of course, but with an aquifer on the rebound, we'll be in a much better position to face them.

Sincerely,

Maggie Hart Stebbins *Chair, Albuquerque Bernalillo County Water Utility Authority*

FROM THE CHIEF EXECUTIVE

planning for future success

The focus of this year's annual report is Albuquerque's rebounding aquifer, a success story that didn't happen by accident. It happened through the execution of a well-conceived plan outlined in a Water Authority document called the 2007 Water Resources Management Strategy.

The utility will be updating the WRMS in 2016 to reflect current science regarding future water availability. The revised strategy will rely on simulation models from Sandia National Laboratories, the U.S. Geological Survey, the Office of the State Engineer, and Water Authority staff and contractors. It will take potential climate change impacts into account and will for the first time look at a 100-year time horizon for the greater Albuquerque area.

As we attempt to project our future needs and our future resources, we have reason to be optimistic. Implementation of earlier strategies from 1997 and 2007 has served us well. Our concerted conservation program and implementation of the San Juan-Chama Drinking Water Project led to the rising aquifer levels celebrated in this report. We must now build on that success through greater reliance on re-use and on ASR, or aquifer storage and recovery (where surface water is stored underground to be drawn out later), as well as on other approaches to be determined over the next year or so. Application of ASR, re-use and other technologies is absolutely necessary to diversify and strengthen our water supply portfolio and allow our aquifer to continue its recovery.

Planning now for the future improves our ability to deal effectively with contingencies such as drought. And it vastly increases the likelihood that, in addition to providing water for ourselves, we'll be able to provide for future generations.

Mark S. Sanchez *Executive Director*

your water authority

The Water Authority discharged about 18 billion gallons of reclaimed water to the Rio Grande in FY 2015.

18
BILLION GALLONS

The Albuquerque Bernalillo County Water Utility Authority, a political subdivision of the State of New Mexico, provides water and wastewater service to the greater Albuquerque/Bernalillo County metropolitan area. It is the largest water and wastewater utility in the state.

627½
employees
(budgeted)

207,952
customer accounts

GOVERNING BOARD

The Water Authority is accountable to its ratepayers through a governing Board consisting of seven elected officials: three Albuquerque City Councilors, three Bernalillo County Commissioners, and the Mayor of Albuquerque or his designate. Also serving is a non-voting member from the Village of Los Ranchos. Board members as of December 2015 *(left to right)*:

MAGGIE HART STEBBINS
County Commission District 3, Chair

TRUDY E. JONES
City Council District 8, Vice-Chair

RICHARD J. BERRY
Mayor, City of Albuquerque

ART DE LA CRUZ
County Commission District 2

REY GARDUÑO
City Council District 6

DEBBIE O'MALLEY
County Commission District 1

KEN SANCHEZ
City Council District 1

PABLO RAEL
Village of Los Ranchos, ex officio

OPERATING BUDGET	CAPITAL BUDGET	SYSTEM ASSET VALUATION *(approximate)*		OUTSTANDING DEBT
$197 MILLION	$51 MILLION	$5 BILLION *(replacement value)*	+ $1.2 BILLION *in water rights*	$665 MILLION

ANNUAL WATER PRODUCTION, FY 2015

29.8
BILLION GALLONS

BOND RATINGS

S&P	MOODY'S	FITCH
AA+	Aa2	AA

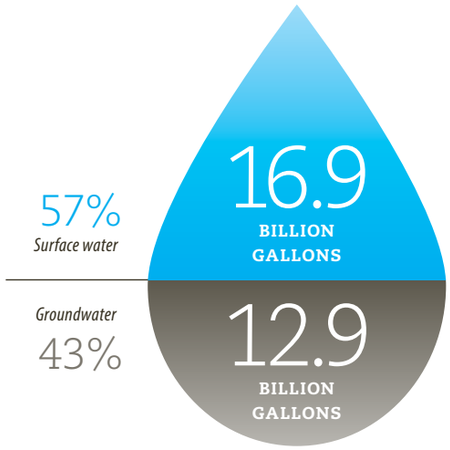
Selected water and sewer system statistics

Source: ABCWUA Operations Division

2005
29.6
BILLION GALLONS

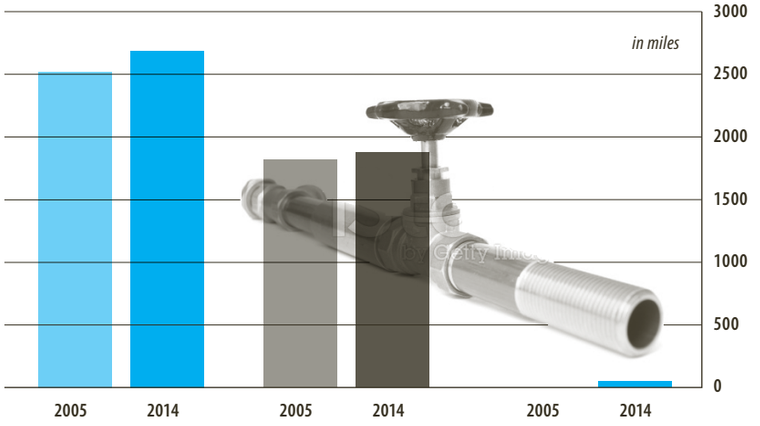
2014
28.1
BILLION GALLONS

annual water billed

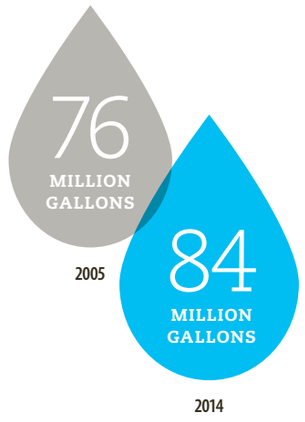


annual water production
FY 2015

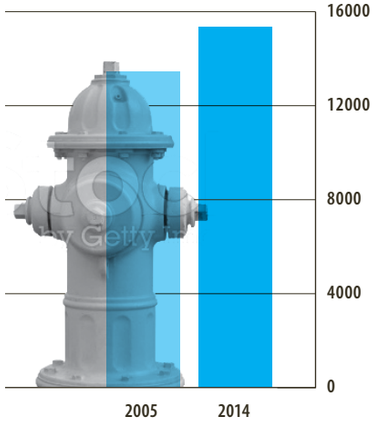
	SERVICE AREA POPULATION *(Estimated)*	NUMBER OF METERS *(Billed)*	PERSONS PER METER *(Estimated)*	DAILY PRODUCTION PER METER *(Average)*
2005	525 THOUSAND	168 THOUSAND	3.13	536 GALLONS
2014	656 THOUSAND	207 THOUSAND	3.17	408 GALLONS



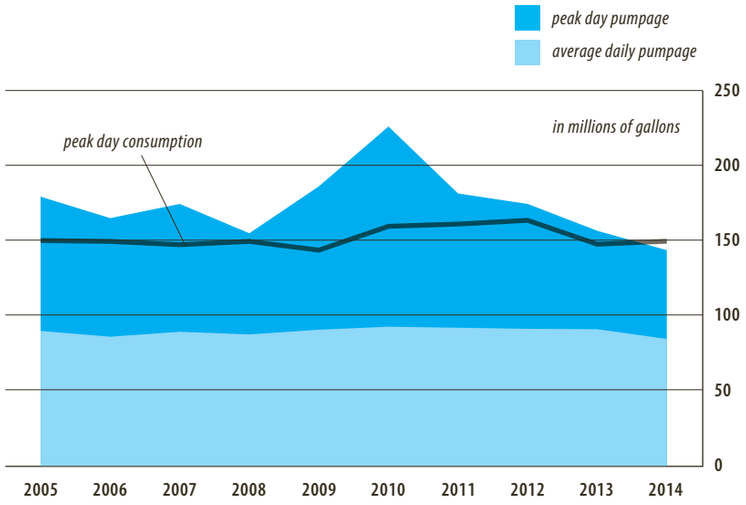
water lines *sewer lines* *San Juan-Chama*



water reclamation
daily treatment capacity

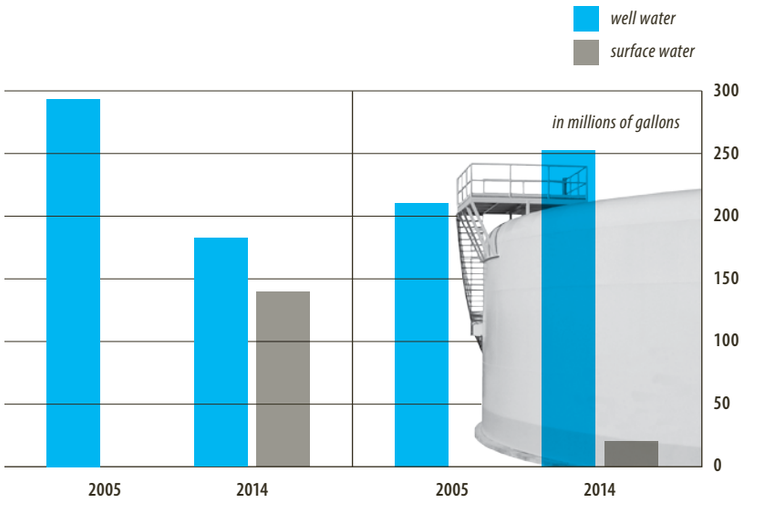


fire hydrants



*daily pumpage vs. consumption**

** water consumed and returned to the river via the sewage treatment process.*



pumping capacity
per 24 hour period

storage capacity

FEATURE STORY

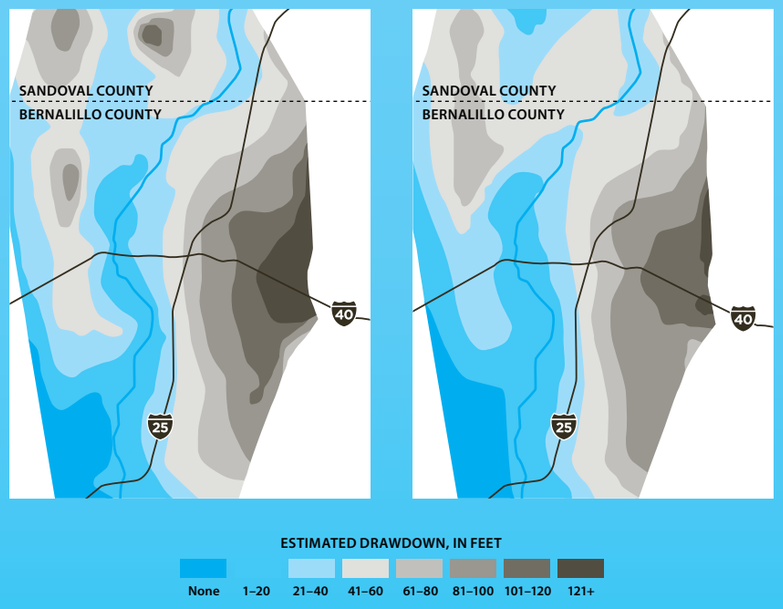
on the rebound

Multi-faceted strategy puts aquifer into comeback mode

After years of decline, it's making a comeback: aquifer levels are on the rise throughout the Albuquerque metro area. And it's all thanks to a Water Resources Management Strategy that made groundwater renewal a top priority.

aquifer level
2008

aquifer level
2012

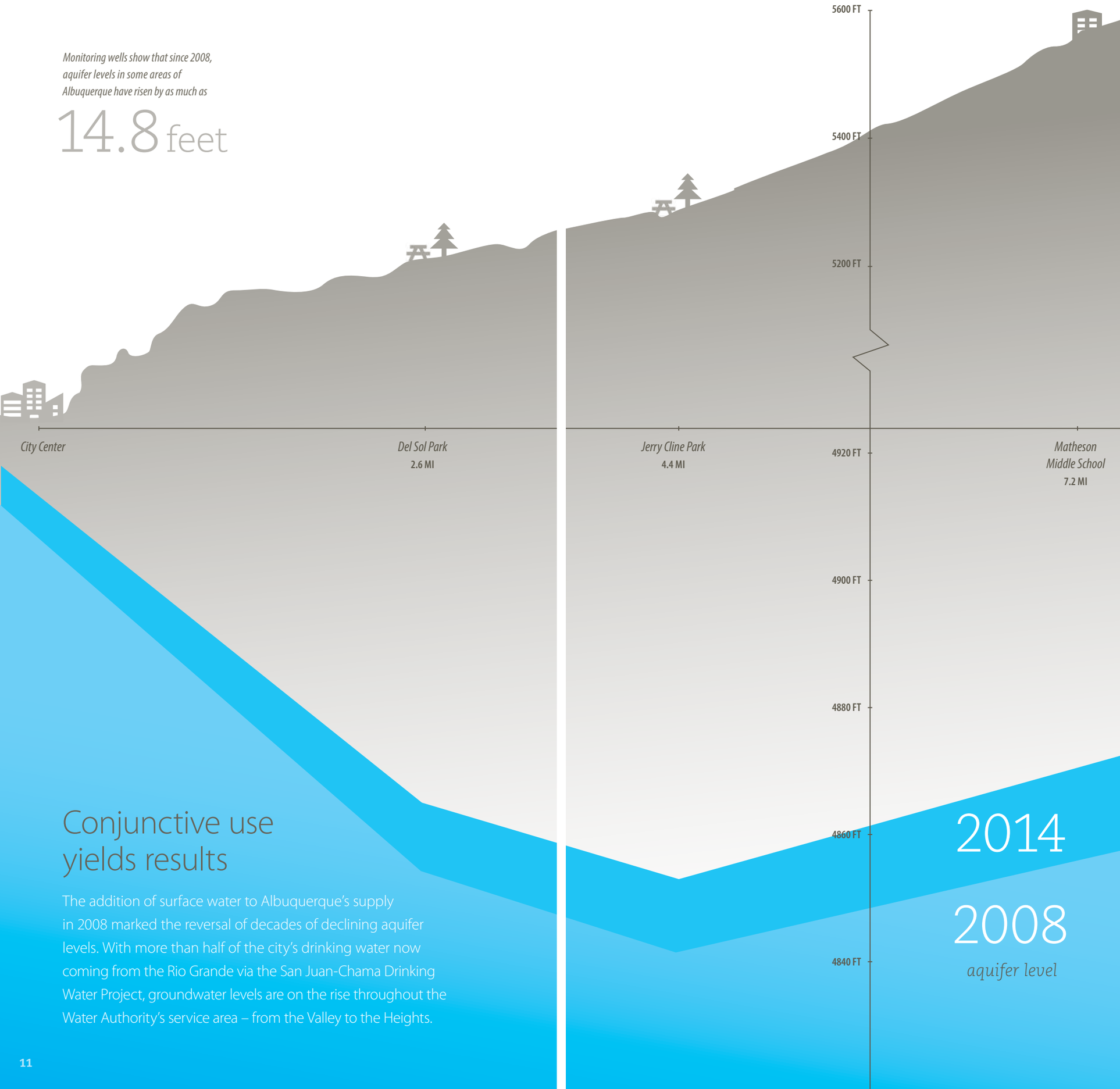


"It's a complete reversal from the steady declines reported in the prior two decades," said Maggie Hart Stebbins, Chair of the Albuquerque Bernalillo County Water Utility Authority. "In terms of restoring our aquifer, the Water Authority's strategy is a great success that's working just as we'd hoped."

Groundwater storage in the Water Authority's service area has increased by about one million acre-feet as compared to the mid-1990s, according to expert analyses. Monitoring wells show aquifer levels in places have risen by as much as 14.8 feet since 2008; rising levels are projected to continue for another decade or so.

Monitoring wells show that since 2008, aquifer levels in some areas of Albuquerque have risen by as much as

14.8 feet



Conjunctive use yields results

The addition of surface water to Albuquerque's supply in 2008 marked the reversal of decades of declining aquifer levels. With more than half of the city's drinking water now coming from the Rio Grande via the San Juan-Chama Drinking Water Project, groundwater levels are on the rise throughout the Water Authority's service area – from the Valley to the Heights.

Why it's happening

The aquifer's rebound is the result of a multifaceted Water Resources Management Strategy that made groundwater renewal, and long-term water supply sustainability, its primary goals. The four main pillars of the strategy are:

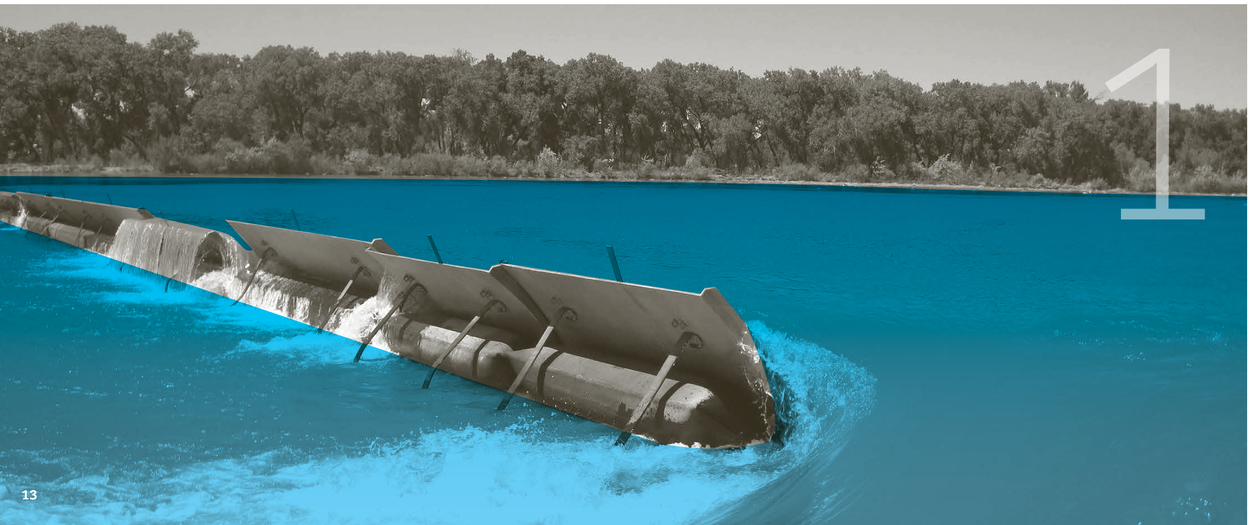
1 The Drinking Water Project

At the end of 2015, the San Juan-Chama Drinking Water Project celebrated its seventh full year of operation. Prior to its inception, Albuquerque relied solely on the underground aquifer for its drinking water needs. Since 2008, the San Juan-Chama project has delivered some 94 billion gallons of surface water for the community's use.

This water, purchased in perpetuity from the Federal government and imported from southern Colorado under terms laid out in the 1960s, has been imported into the Rio Grande Basin from the Colorado River Basin since the early 1970s. It wasn't until late in 2008 that the Drinking Water Project enabled Albuquerque residents to start drinking it – after years of environmental reviews, community meetings and rulings from the State Engineer. And then, construction of some $450 million in infrastructure, including a state-of-the art treatment plant and about 38 miles of underground pipeline.

"It was a tremendous amount of effort, but it has been worth it for the community," said Trudy Jones, the Water Authority's Vice Chair. "The Project works in combination with other elements of our Water Resources Management Strategy to reduce aquifer pumping, and the 94 billion gallons it has produced since 2008 represents more than three years' worth of supply left in the aquifer."

San Juan-Chama water is diverted from the Rio Grande at an adjustable-height dam near the Alameda Bridge in Albuquerque. The Water Authority holds rights to 48,200 acre-feet of surface water from the San Juan-Chama project, use of which is partially responsible for rising aquifer levels in the Albuquerque area.



2 Conservation

As a condition of using San Juan-Chama water, Water Authority customers were required to achieve a per capita daily usage of 155 gallons by 2024 – a conservation requirement placed on no other municipality in the state of New Mexico. That goal has been surpassed years in advance, with per capita usage now at 135 gallons per day.

The Water Authority's conservation rebate program provides incentives for the installation of water-smart appliances and xeric landscapes, like the one shown here. Conservation efforts have seen per capita water usage drop to 135 gpcd.

To put these numbers in perspective, the Albuquerque area's daily per capita usage in the mid-1990s was 252 gallons per person per day.

The Water Authority's conservation rebate program provides incentives for the installation of water-smart appliances and xeric landscapes, like the one shown here. Conservation efforts have seen per capita water usage drop to 135 gpcd.

3 Re-use

Conservation is one way of using water more efficiently. Another way is to use water more than once by "polishing" wastewater and industrial effluent and using it to irrigate large turf areas such as parks and golf courses. Water Authority re-use projects are now operational in the Northeast Heights, where industrial effluent is being used on parks and golf courses; and in Southeast Albuquerque, where reclaimed wastewater from the Water Authority's sewage treatment plant is being delivered to irrigation customers. A planned facility near the Bosque School will one day serve Mariposa Recreational Complex, Ladera Golf Course and many other large turf areas on the West Side.

This reservoir at the Puerto Del Sol Golf Course provides re-use water for irrigation in Southeast Albuquerque.

Imported San Juan-Chama water flows down the Bear Canyon Arroyo, from which it will infiltrate into the underground aquifer for storage and later recovery.

4 Aquifer storage and recovery

Using the aquifer for storage of water through a systematic aquifer storage and recovery (ASR) program is another way to ensure long-term water security for the Albuquerque area. ASR allows injection or infiltration of excess San Juan-Chama water into the aquifer where it can be stored, free from losses to evaporation, until it's needed.

The Water Authority dedicated its first permitted ASR project in November of 2014 at the Bear Canyon Arroyo in Northeast Albuquerque and made its first withdrawal of stored ASR water in 2015. The Bear Canyon ASR project will allow potential recharge of some 3,000 acre-feet per year via infiltration through 500 feet of soil. The recharge project was piloted in 2008-2009, and deemed a success when it was demonstrated that water could flow successfully from the arroyo and underground to the aquifer below. ■

2015

the year in review

Water Authority Chair Maggie Hart Stebbins at the Kirtland "milestone event."

"Milestone event" celebrates first Kirtland extraction well

Maggie Hart Stebbins, chair of the Water Authority board, told attendees at an Air Force "milestone event" on Aug. 13 that she is very encouraged by the progress now being made on cleanup of the jet fuel spill at Kirtland Air Force Base.

Other dignitaries in attendance included Gov. Susana Martinez, Sen. Martin Heinrich, Rep. Michelle Lujan Grisham, Environment Secretary Ryan Flynn, and Secretary of the Air Force Deborah Lee James.

They were at Kirtland to commemorate completion of an extraction well that has begun drawing fuel-contaminated water from the aquifer for the first time since the spill was detected in 1999.

Stebbins commended the Air Force for its progress and thanked utility board members and staff for making the spill a priority. "The Water Authority has devoted time, resources, employees and dollars to this issue from day one," Hart Stebbins said.

No drinking water wells have yet been affected by the fuel spill. The closest Water Authority well is about a mile from the known edge of the fuel plume. ■

Infrastructure ad campaign unveiled

The Water Authority in May began running a series of ads to inform its customers of the importance of re-investing in the utility's aging infrastructure. The campaign came in advance of a July 1 rate adjustment aimed at increased capital spending.

Bill inserts like this one reminded customers of the need to re-invest in critical utility infrastructure.

"With rate increases needed to boost our investment in infrastructure renewal, it's important to let our customers know why we require the additional resources," said John Stomp, chief operating officer. "The message behind this campaign is that we must address these issues now, or we'll have bigger and more expensive issues to address later."

The ads, which included the tagline "If we don't pay for it now, we'll pay for it later," juxtaposed images of new equipment against pictures of decay and damage. The campaign featured radio, outdoor and newspaper ads, as well as bill inserts. ■

Visitors from Isleta Pueblo tour the Water Authority's Southside Water Reclamation Plant on April 7.

Isleta delegation visits reclamation plant

Representatives of Isleta Pueblo, including the Pueblo's First and Second Lieutenant Governors, visited the Southside Water Reclamation Plant on April 7 for a tour and briefing in the wake of an electrical malfunction that resulted in an overflow and spill into the Rio Grande.

The spill, in which partially treated wastewater flowed into the river south of Albuquerque, occurred when power failed to a critical pump.

Because of the cultural importance of the river to the pueblo, Isleta representatives sought and received assurances from Water Authority staff regarding the steps being taken to prevent another such mishap. These include an electrical system audit and overhaul as well as improvements to the plant's drainage. ■

Water Authority Environmental Scientist Rick Billings speaks to a news crew about habitat restoration work being performed by the Water Authority in Albuquerque's Bosque.

Habitat restoration work continues

The Water Authority's $1.2 million project to improve habitat along Albuquerque's riparian Bosque continued in 2015 with tree plantings and excavation work to provide calm-water areas for fish spawning and maturation.

Volunteers and contract laborers have already planted more than 2,000 trees and shrubs as part of the project, which is slated for completion sometime in 2016. The project aims to restore about 100 acres of Bosque habitat. ■

Rainwater harvesting pilot program kicks off

After soliciting program applicants in the spring of 2015, the Water Authority and The New Mexico Water Collaborative in September unveiled the first of several rainwater harvesting systems being installed throughout Albuquerque as part of a new pilot project.

The 1,000-gallon collection system at Urban Fresh Cosmetics on Broadway is one of nine being constructed to assess the effectiveness of intensive rainwater harvesting as a conservation measure.

"This is more than just putting a couple of rain barrels in the back yard," said Water Authority chair Maggie Hart Stebbins. "This is about installing a wide range of rainwater harvesting systems and determining whether it makes sense to do that at the scale of a residence or small business."

Two businesses and seven residences were selected to participate in the program, out of more than 300 applicants. ■

The 1,000-gallon rainwater collection system at Albuquerque's Urban Fresh Cosmetics.

Water Authority gets gold medal approval from NACWA

The National Association of Clean Water Agencies (NACWA), a nationally recognized leader in environmental policy and ecosystem protection issues, announced this summer that the Albuquerque Bernalillo County Water Utility Authority had been selected to receive its Excellence in Management Gold Recognition award.

The award, which celebrates the Water Authority's "commitment to sustainable, successful programs that exemplify the attributes of an effectively managed utility," was formally presented at an awards ceremony at NACWA's annual meeting in Providence, R.I., in July.

The Water Authority's environmental efforts in recent years have included installation of an ultraviolet disinfection system at the Southside Water Reclamation Plant; installation of a solar array to help power the same plant; expansion of the water re-use system to include southeast Albuquerque; and habitat restoration on the Rio Grande. ■

The solar array at the Southside Water Reclamation Plant is one of several environmental initiatives that have garnered attention for the Water Authority.

Our water ties for third in nation

Reprinted from the June 11 Albuquerque Journal

ALBUQUERQUE, N.M. — Next time you take a drink of Albuquerque water, you might want to swirl it around in your mouth a bit, roll its texture over your tongue, savor its bouquet, appreciate it.

Albuquerque's drinking water tied for third with Boston's water in the American Water Works Association's 11th annual taste test Tuesday in Anaheim, Calif.

"It's a testament to the hard work of water utility employees to make sure we have safe, reliable and good-tasting water every day," said David Morris, public affairs officer for the Albuquerque Bernalillo County Water Utility Authority.

Morris commented by phone … from Anaheim, where he was attending the American Water Works Association Annual Conference and Exposition, the site of the taste test.

The Big Sky water system in Billings, Mont., won first place, and Universal City, Texas, took second in the competition, which featured entries by 29 municipalities from around the country.

This marks the first time Albuquerque's water has made it to the finals. ■

Water Authority Chief Engineer Scott Salvas, left, and Public Affairs Manager David Morris accept the third-place trophy for the "Best of the Best" Taste Test from "Eddy," the AWWA mascot.

2015

financials

Saving money on debt service means more resources available in the long run for infrastructure renewal.

Debt moves yield big savings

Fiscal year 2015 saw the Water Authority take advantage of opportunities to refinance and restructure its debt. The restructuring, which involved the creation of subordinate liens with credit ratings as high as or one notch below the already excellent ratings for senior liens, resulted in net-present-value savings to the Water Authority of some $20.6 million. Refunding/refinancing of previously issued bonds resulted in a further net-present-value savings of about $11.9 million, according to Water Authority Chief Financial Officer Stan Allred.

"By working closely with our financing team, we've been able to save our ratepayers about $32 million while better aligning our debt portfolio with our policy goals and objectives," Allred said. "That's an accomplishment the entire community can be proud of."

Statement of net position *June 30, 2015*

ASSETS	
Current assets	
Cash	$ 68,886,433
Accounts receivable, net of allowance for uncollectible accounts	14,678,230
Notes receivable, current portion	790,870
Due from other governments	932,227
Total current assets	85,287,760
Noncurrent assets	
Long-term notes receivable	3,754,006
Restricted assets:	
Cash	77,114,772
Post-employment life insurance benefit trust	798,900
Total other noncurrent assets	81,667,678
Capital assets, net of accumulated depreciation:	
Buildings and improvements	323,612
Improvements other than buildings	1,094,473,803
Machinery and equipment	9,050,760
Net depreciable capital assets	1,103,848,175
Capital assets, not being depreciated:	
Land	25,724,125
Purchased water rights	48,240,385
Construction work in progress	42,578,965
Total capital assets	1,220,391,650
Total noncurrent assets	1,302,059,328
Total assets	**$ 1,387,347,088**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	$ 6,425,778
Deferred amounts on refunding	25,878,691
Total deferred outflows of resources	$ 32,304,469
LIABILITIES	
Current liabilities	
Accounts payable	$ 10,500,449
Accrued payroll	2,129,109
Claims payable, current portion	563,865
Accrued compensated absences, current portion	2,663,822
Deposits	727,676
Debt obligations, current portion:	
Revenue bonds	35,530,000
Loan agreements	8,508,529
Water rights contract	1,102,203
Accrued interest for debt obligations	12,568,850
Total current liabilities	74,294,503
Noncurrent liabilities	
Debt obligations, net of current portion:	
Revenue bonds	634,147,215
Loan agreements	58,704,590
Water rights contract	8,714,965
Total long-term debt obligations	701,566,770
Other non-current liabilities:	
Claims payable, net of current portion	1,188,165
Net pension liability	29,351,538
Post-employment life insurance benefit obligation	415,763
Accrued compensated absences, net of current portion	889,528
Total other noncurrent liabilities	31,844,994
Total noncurrent liabilities	733,411,764
Total liabilities	**$ 807,706,267**
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	$ 11,502,989
Total deferred inflows of resources	$ 11,502,989
NET POSITION	
Net investment in capital assets	$ 576,677,611
Unrestricted	23,764,690
Total net position	**$ 600,442,301**

Statement of revenues, expenses, and change in net position *Year ended June 30, 2015*

OPERATING REVENUES	
Charges for services:	
Water system	$ 126,817,517
Wastewater system	64,171,110
Miscellaneous	1,323,000
Total operating revenues	192,311,627
OPERATING EXPENSES	
General and administrative	61,106,551
Source of supply, pumping, treatment and distribution	46,524,899
Non-capitalized major repair	6,428,665
Depreciation	83,094,979
Total operating expenses	197,155,094
Operating loss	**$ (4,843,467)**
NONOPERATING REVENUES (EXPENSES)	
Investment income	$ 44,453
Interest expense	(19,856,948)
Utility expansion charges	7,541,201
Debt issuances costs	(2,272,566)
Lease of stored water income	99,627
Other revenues	2,057,745
Total nonoperating revenues (expenses), net	(12,386,488)
Loss before capital contributions	**$ (17,229,955)**
Developer contributions	5,565,223
Other contributions	1,782,346
Total capital contributions	7,347,569
Change in net position	**$ (9,882,386)**
NET POSITION:	
Net position, beginning of year, as restated (note III.E.)	$ 610,324,687
Net position, end of year	$ 600,442,301

Statement of cash flows *Year ended June 30, 2015*

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 192,146,746
Cash payments to employees for services	(48,584,321)
Cash payments to suppliers for goods and services	(67,242,706)
Other operating income	2,157,372
Net cash provided by operating activities	**78,477,091**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets, net	(52,359,208)
Principal payments of long-term debt obligations	(44,680,132)
Proceeds from revenue bonds	-
Proceeds from refunding revenue bonds	457,560,968
Proceeds from loan agreements	640,000
Defeasance of revenue bonds	(314,601,391)
Defeasance of loan agreements	(59,805,713)
Interest paid on debt obligations	(20,914,409)
Capital grants, net	3,466,475
Utility expansion charges	7,760,966
Net cash used for capital and related financing activities	**(25,205,010)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	44,453
Net cash provided by investing activities	**44,453**
Net increase in cash	**53,316,534**
Cash, beginning of year	**92,684,671**
Cash, end of year	**$ 146,001,205**
FINANCIAL STATEMENT PRESENTATION	
Cash	$ 68,886,433
Cash held for debt service	-
Restricted cash	77,114,772
	$ 146,001,205
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (4,843,467)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	83,094,979
Other nonoperating income (expenses), net	2,157,372
Changes in assets and liabilities:	
Increase (decrease) in accounts receivable	(164,881)
Increase (decrease) in deposits	(38,743)
Increase (decrease) in accounts payable	(360,258)
Increase (decrease) in accrued payroll and employee benefits	(348,503)
Increase (decrease) in compensated absences payable	(1,019,408)
Total adjustments	**83,320,558**
Net cash provided by operating activities	**$ 78,477,091**
DISCLOSURE ON NON-CASH TRANSACTIONS	
Change in unrealized gains in market value of investment	$ -
Capital contributions received from private developers	5,565,223

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505-842-WATR (9287)

ABCWUA.ORG

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Water Utility Authority

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STAN ALLRED
Chief Financial Officer

CHARLES W. KOLBERG
General Counsel

FRANK ROTH
Senior Policy Manager

DAVID PRICE, P.E.
Water Resource Engineering & Planning Manager

CHARLES LEDER
Plant Operations Manager

JAMES H. OLSEN JR., P.E.
Field Operations Manager

MARK KELLY
Regulatory Compliance Manager

HOBERT "H" WARREN
Customer Service Manager

JUDY BENTLEY
Human Resources Manager

CODY STINSON
Information Technology Manager

DAVID MORRIS
Public Affairs Manager

Albuquerque Bernalillo County
Water Utility Authority