

PROPOSED BUDGET FY2020

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Albuquerque Bernalillo County
Water Utility Authority



*Proposed
Operating Budget
FY20*



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**Albuquerque Bernalillo Co. Water Utility Authority
New Mexico**

For the Fiscal Year Beginning

July 1, 2017

Christopher P. Morrill

Executive Director


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Albuquerque Bernalillo County Water Utility Authority

April 17, 2019

To: Debbie O'Malley, Chair
From:  Mark S. Sanchez, Executive Director

Subject: Resolution Appropriating Funds for the Operation of the Water Authority for the Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020

Presented to the Board for review and consideration is the proposed budget for the Albuquerque Bernalillo County Water Utility Authority (Water Authority) for Fiscal Year 2020 (FY20). This submittal is the Water Authority's financial plan for FY20. The development of this financial plan has been guided by the Water Authority's Five-year Goals, One-year Objectives, Performance Plan and the Guiding Principles. In the development of this proposed budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources. This proposed budget is based upon the 10-year Financial Plan. It is balanced, fiscally conservative and sound.

The Water Authority has developed the budget according to the utility's projected estimated revenues. General Fund revenue for FY20 is estimated to be \$231.3 million, representing an increase of \$5.5 million from the FY19 revised budget amount. There is no rate increase proposed for FY20.

The proposed General Fund operating expenses for FY20 are \$231.3 million, representing an increase of \$16.2 million from the FY19 revised budget, including interfund transfers. This is comprised of an increase of \$1.6 million for salaries and benefits, an increase of \$2.4 million for operating expenses, and an increase of \$12.2 million for interfund transfers to the capital and debt service funds. In February 2019, the Water Authority amended the budget for \$0.5 million for the increased operating and maintenance expenses for the San Juan-Chama project and for a one-time \$0.6 million increase in the transfer from the General Fund to the Debt Service Fund for the 2018 revenue bond interest payment. Personnel expenses include a 2.0% step increase in wages and a 12.0% increase in health benefit costs. The most significant expense continues to be debt service payments, which comprise 34.3% of the total General Fund operating expense in FY20.

For FY20, General Fund revenues, including an addition of \$4.8 million from fund balance, are expected to be equal to proposed expenses. This amount will bring the Working Capital or Fund Balance to \$38.5 million at June 30, 2020, net of the rate reserve fund balance. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenses as defined by the Water Authority's Rate Ordinance. For FY20, Rate Reserve fund is \$9.0 million.

Also submitted in a separate resolution is the Capital Improvement Program proposed budget for FY20. This budget reflects the Water Authority's commitment to spend \$250.0 million to upgrade its sewage treatment plant and an additional \$36.0 million per year to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in a recent asset management study commissioned by the Water Authority. The proposed CIP appropriation for FY20 is \$68.3 million. \$58.0 million is appropriated for the level one priority basic capital programs, \$4.0 million for growth-related projects, \$6.0 million for special projects, and \$0.3 million for Water 2120 projects. The \$6.0 million for special projects is comprised of \$2.0 million for

Automated Meter Infrastructure (AMI), \$1.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, and \$2.6 million for various identified projects.

This budget proposal represents the Water Authority's coordinative effort to bring to the Board a financial plan that will provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address the Water Authority's priorities for FY20 to improve services and gain operating efficiencies.

FY19 ACCOMPLISHMENTS

As we look forward to FY20, we also reflect on the utility's successes in the preceding year. These included:

- Receipt of a triple-A bond rating from Standard & Poors (S&P), which cited the Water Authority's "strong financial management policies and practices...robust planning efforts...[and] strong levels of pay-as-you-go funding" in its rating decision.
- A Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies (AMWA). AMWA noted the utility's focus on delivering affordable, high-quality water while tackling infrastructure rehabilitation and resource management challenges.
- Earmarking additional funding to continue a project to extend municipal water service to the historic South Valley neighborhood of Los Padillas, a 300-year-old semirural enclave where shallow domestic wells are associated with potential public health problems.
- A cooperative agreement with the federal government to use surface water owned by the utility to maintain flows in the Rio Grande during a persistent drought that threatened to dry the river.
- The Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award.
- GFOA Certificates of Achievement for Excellence in Financial Reporting (both Popular and Comprehensive).
- The Water Authority sent both a men's and women's team to participate in the Rocky Mountain American Water Works Association water line tapping competition. The Water Authority's fastest tapping time was just over 2 minutes, which garnered 3rd place in the competition.

Operations

The Southside Water Reclamation Plant (SWRP) is on track to finish the fiscal year with just 1 NPDES Permit Exceedance (there were none in FY18). The SWRP facility generated approximately 27% of its power requirements using digester gas and another 2% using renewable solar power from an on-site solar array. The plant was able to process

20-25% of the Surface Water Treatment Plant (SWTP)'s iron sludge solids; this provided odor control benefits in the collection system and at SWRP, significant reductions in digester gas, and lower capital expenses for the new SWTP solids handling system. The Soil Amendment Facility is averaging 66% of all bio-solids being composted.

In calendar year 2018, the Surface Water Treatment Plant (SWTP) produced a 53% of all water for the Water Authority; the drought had a huge impact on the volume produced. The treatment plant also met the Partnership for Safe Water turbidity goal over 99.5% of the time during the year and submitted the Phase III Self-Assessment for the program. During the fiscal year, plant staff completed and issued a Facility Operation and Maintenance Plan; a 1-stop document for how the facility works.

Groundwater Operations performed a pilot test of the Powervent system at Pajarito Reservoir. This test, along with active management of system water quality, eliminated 30 million gallons of water that had to be flushed. Groundwater also completed in-house asset renewal/upgrades/maintenance work to pump control valves, chlorine residual measurement, volt/amp test stations, large diameter valve exercising at 7 pump station & reservoir sites and started a pilot program to refurbish 40-year old motor control center pump starter equipment at 3 well sites.

Field Distribution crews installed 12,000 additional Advanced Metering Infrastructure (AMI) meter devices. The division received 30,000 line locate requests from New Mexico 811 for excavations during the fiscal year; of these, 15,000 requests required onsite investigation by a line locator. Remote monitoring of pressure reducing valves was incorporated at select sites throughout the service area. The monitoring has increased response times and supported the preventative maintenance program of the division. The Los Padillas water line extension continued throughout the year. The constructed water lines have been tested for compliance and are available for domestic connection and fire suppression.

FY19 ACCOMPLISHMENTS

Large (3" and larger) meter maintenance is recurrent to ensure accurate consumption tracking for the utility's largest users. 290 meters were tested for accuracy, 35 were repaired, 86 were replaced and 15 complete rehabilitations (complete vault and/or lid) were completed.

Wastewater Collections continued to implement the Capacity Management Operations and Maintenance (CMOM) program. As part of the program, staff inspected unlined large diameter interceptors, developed a prioritized rehabilitation plan based on actual conditions observed and communication with entities potentially impacted by public or private sewage spills continued to be enhanced and documented in the Overflow Emergency Response Plan (OERP), which is a portion of the CMOM.

Combined efforts of Collections and SWRP Plant Maintenance staff, along with contractors, installed carbon filters at Lift Stations 20 and 24, addressing odor concerns, 6 vacuum stations and 1 interceptor. Staff also responded to the simultaneous loss of PNM power to three vacuum stations. By utilizing the Standard Operating Procedures developed, portable generators were brought to the two stations without a standby generator and power was restored without loss of service to the public.

Collections staff developed a WATS model for the study of the wastewater collection system. This model will allow analysis of odor and corrosion rates under various operational and chemical addition approaches.

Planning & Engineering Maps & Records section updated the Water Systems Map and is close to completing the Field Asset Global Positioning System (GPS) Project to map over 50,000 valves into the system. One Stop Shop is progressing with the draft Guide to Development and has created an availability statement transparency site. Central Engineering managed major CIP projects including the Southside Water Reclamation Plant Renewal Program, Interceptor Renewal Program and Small Diameter Sewer Renewal.

Water Resources updated their education activities to align with NextGen Science standards, which were adopted by NM schools in 2018. This allows staff to go to the schools and provide various educational opportunities to the students. Other accomplishments include: 650 acre-feet of water was infiltrated into the Bear Canyon Arroyo; leasing of 20,000 acre-feed of San Juan-Chama water to the Bureau of Reclamation; hiring a new Irrigation Specialist position; planting of 1,287 desert-friendly trees and developing agreements with Bernalillo County and City of Albuquerque parks departments on the planting of desert-friendly trees; and finalizing the Rivers and Aquifers Protection Plan (RAPP).

Compliance

The Compliance division submitted comments on the National Pollutant Discharge Elimination System (NPDES) permit draft. Customer conversations were held to engage ratepayers on water quality issues and to optimize the annual Water Quality Report. This information will be used to make the Water Quality Report easier to read while maintaining the regulatory requirements of a consumer confidence report. Sampling in drinking water began for the fourth Unregulated Contaminant Monitoring Rule (UCMR4). The Water Quality Laboratory completed an audit from the American Association for Laboratory Accreditation (A2LA) and received accreditation from the association. Sampling for Pharmaceuticals and Personal Care Products (PPCPs) was performed. This sampling will be used to create a report that will compare monitoring from this year to the previous PPCP report of 2011.

Administration, Employee Relations and Development

The Risk/Safety program developed emergency action plans and conducted fire drills at various locations. Staff developed a policy for "sharps" (i.e. needles) handling and disposal, provided respirable dust and noise monitoring for various employees, revised the Audiogram policy, and conducted activities for National Safety Month. The Risk Manager developed insurance coverage

FY19 ACCOMPLISHMENTS

for Underground Storage Tank pollution to meet State requirements and conducted a Request for Proposal (RFP) for the insurance Broker of Record.

Human Resources Wellness staff coordinated the annual Employee Safety picnic and offered various wellness/fitness challenges and programs. Human Resources staff rolled out a new applicant online system which was named AuthorityWorks from a contest among employees. The new system will allow the public to create profiles and select categories of jobs to be notified for when they become available. Consequently, AuthorityWorks will allow promotion of our application site through job fairs and other media. In addition, it allows for continuous recruitment and "advertisement until filled". The system will be much simpler for the applicant, will assist HR in qualifying applicants and interface with hiring managers.

The certification training programs continue to develop employees' knowledge and skills in various positions, including water and wastewater operations and maintenance, dispatch, and customer service. Sixty-six employees were promoted throughout the Water Authority training programs; fifty-five employees received Train-the-Trainer certification; twenty-four employees completed the 40-hour New Supervisor class; and fifty-five employees received a total of \$66,552 in tuition assistance.

Budget, Finance and Business Management

The Finance Accounting section submitted the FY18 Comprehensive Annual Financial Report (CAFR) to the Government Financial Officers Association (GFOA) for the Certificate of Achievement for Excellence in Financial Report program and the Popular Annual Financial Report (PAFR) program. With the Maximo Phase II implementation, staff completed a policy related to the disposition of assets, drafted the resolution to assign an Asset Disposition Committee in accordance with State statute, and assisted in the development of written processes and procedures for the addition and deletion of assets in Maximo.

Purchasing implemented the new procurement code that went into effect the beginning of the fiscal year, revised and implemented property disposition procedures, completed a final draft of Warehouse Ordering and Inventory Policies and Procedures, and oversaw the Maximo Phase II implementation for Purchasing and Inventory related functions. Budget staff submitted the FY19 Approved Budget to GFOA for the Distinguished Budget Presentation Award.

Customer Services successfully implemented and upgraded the Customer Care & Billing (CC&B) system. The upgrade provides users with increased functionality and efficiency and streamlined internal processes that ultimately benefit the ratepayers. Another feature of the upgrade is the Water Authority Virtual Education System (WAVES). This feature provides users quick access to business process topics, procedures, work instructions and frequently used forms. In the Customer Care Training Program, 28 staff members received over 1,200 hours of training and 4 employees advanced to the next level in the program.

Information Technology (ITD) continued to support the organization by utilizing a service desk ticketing system, implemented the Asset Onboarding procedures for all IT assets, inventoried and labeled all IT computer-related assets, and implemented email phishing simulations & training program. Infrastructure accomplishments include: implemented security tools, virtualized SCADA hardware infrastructure creating cost savings, automated software pushes and patching and provided necessary infrastructure for the enterprise system upgrades. Network accomplishments include: upgraded the network at the Soil Amendment Facility (SAF), eliminated managed services for network equipment/services, upgraded the call center software and installed infrastructure to migrate from the 800Mhz radios to push-to-talk. The Applications group completed Phase II of the Maximo upgrade, completed the CC&B upgrade, installed Splunk for Water Quality, implemented AuthorityWorks applicant online system, and created a GIS-Fire Hydrant inspection process.

FY19 ACCOMPLISHMENTS

Security continues to be a major concern. To address security concerns, ITD submitted an Information Security Plan (National Institute of Standards & Technology compliant) and related

security policies, installed security tools, and upgraded the credit card readers to be PCI compliant.

FY20 HIGHLIGHTS

The FY20 Executive Director's Proposed Budget establishes the Water Authority's financial plan and uses the Goals, Objectives and the Performance Plan as guides for the appropriation of funds. The Water Authority, with input from the operating divisions, developed the budget by determining those essential costs necessary to successfully run the utility operation.

Helping to guide this effort is *Water 2120*, the Water Authority's 100-year water resources management strategy, adopted in September 2016. *Water 2120* incorporates the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years. A key component going forward will be the shift from acquisition of water rights to the development of reuse facilities to have a more resilient supply.

Operations

The operational cornerstone of *Water 2120* is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After ten years of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey. A video documenting this success is available for viewing at: <https://www.youtube.com/watch?v=Z6stQZw2L1M&feature=youtu.be>

The Water Authority will continue to operate two potable water supply systems, the surface water and the ground water systems. This dual system operation will continue into the future with the primary source of supply being treated surface water from the DWP. The DWP provided 53% of all water distributed to Water Authority customers in calendar year 2018. The Water Authority's goal is to have the DWP supply 70-75% of all customer demand in calendar year 2019. Flow conditions in the Rio Grande may limit the ability to fully realize this goal on a consistent basis.

The Water Authority began a major renovation of the Southside Water Reclamation Plant (SWRP) in FY10 called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Several key improvement projects in this program have been completed, including the Preliminary Treatment Facility (PTF), aeration basin and air piping renovations, final clarifier renovations, and major renovations and improvements to the Solids Dewatering Facility (SDF). Improvements will also be made to the Anaerobic Digesters, Primary Clarifiers, Secondary Sludge Thickening Facilities, plant-wide electrical systems, and other SWRP facilities.

Plans are to continue to increase the amount of wastewater bio-solids that are composted and sold while not "over-saturating" the regional market for bio-solids compost and sell at least 30% of the total quantity of bio-solids. SWRP staff will focus on completing work on the 9 areas selected for focused improvement from the AWWA Partnership for Clean Water Phase III Self-Assessment. Staff will also continue updating plant asset records, preventative maintenance, and preventative maintenance routes in Maximo.

In FY20, the SWTP will focus on construction of a dewatering system for iron sludge and managing the sludge discharges to the collection system. The permanent fluoride addition facility will be completed during the fiscal year. SWTP staff will complete work on the 8 areas selected for focused improvement from the AWWA Partnership for Safe Water-Treatment Phase II Self-Assessment.

FY20 HIGHLIGHTS

For FY20, Groundwater Operations will fine-tune system operations to the State Drinking Water Act (SDWA) standards for arsenic and the prescribed range for fluoride. Staff will be renovating/replacing aging motor control centers and renovate interior piping and valves at several pump stations, replacing older ClorTec disinfection systems with new PSI systems, renovating the Charles Wells Reservoir, and repairing/replacing reservoir hatches in advance of the 2020 Sanitary Survey.

Wastewater Collections continues to implement the CMOM program and prepare the CMOM Program Self-Assessment during FY20. Staff will clean small diameter lines in major intersections that have not been cleaned in the last 10 years, televise and assess the condition of 5% of the small diameter system and develop and implement a process to capture new construction CCTV for inclusion in both Maximo and IT Pipes Repository after GIS unique identifiers are established.

Water Distribution Field will continue the Automated Meter Infrastructure (AMI) Pressure Monitoring project and assess opportunities for operational efficiency within pressure one 4ER and the Paseo Del Norte/Eagle Ranch interconnection. To support the water loss audit and strategic water loss plan, staff will conduct a statistically significant number of small meter tests. Staff will continue implementation of the AMI project by modernizing aging meter infrastructure with smart meters to increase revenue, support conservation efforts and provide better customer service.

Water Resources will expand their conservation program by launching the 505Outside website to all customers, develop a program to assist low-income customers with water efficiency efforts, and end the rebates for pressure reduction valves and add rebates for organic mulch and flow and moisture sensors. Education efforts will continue with the design and implementation of a water project to engage high-risk middle school students, partner with Explora on the new STEAM Science Center water exhibits and create a new puppet show and coloring book for the 2019-20

school year. Water Resources will identify the location and type of the next ASR project and begin well capture zone analysis to identify the areas most in need of protection surrounding well heads. To further environmental goals, Water Resources will fund and collaborate on a study to age larval Rio Grande silvery minnow to tie life history events to hydrologic events, perform maintenance on the La Orilla and Paseo del Norte restoration sites in partnership with CABQ Open Space and fund and participate in the Executive Committee of the Rio Grande Water Fund.

Planning & Engineering will complete the Guide to Development, complete the Field Asset GPS Coordinates Program, and prepare a list of recommended modifications to the Expansion Ordinance in coordination with the Guide to Development. Staff will be developing a proposed fee schedule for Utility Development deliverables and begin work on a Construction Inspection Manual. Maps/Records staff will develop GIS layers for SAD Interceptor Flows and tapping permits.

Compliance

Water and Wastewater Operations are regulated by a myriad of federal, state, and local environmental permits, regulations, and rules. The Compliance Division continues to maintain a matrix that is updated quarterly of regulatory requirements to monitor regulatory initiatives to define operational impacts and develop compliance strategies.

In FY20, the NPDES program will work with the EPA on obtaining a final NPDES permit. The new permit may require changes to the sampling plan. The report on Pharmaceuticals and Personal Care Products will be issued. UCMR4 sampling will continue on drinking water. The Water Quality Lab will continue optimizing LabVantage and move towards updated laboratory standards required by accreditation.

FY20 HIGHLIGHTS

Administration, Employee Relations and Development

The Water Authority will continue to conduct periodic activities to engage, educate, and provide updates to customers, legislators and neighborhood associations regarding Water Authority activities and initiatives, and offer opportunities for dialogue and feedback.

In FY20, Risk/Safety will research defensive & over-the-road driving programs, develop safety posters for various Water Authority locations including hazard/exposure information, chemicals in buildings and safety gear required posters and develop the use of Informacast for safety use.

Human Resources wellness staff will continue offering wellness challenges for individuals and departments. At least two fitness challenges per quarter will be offered in conjunction with nutrition, physical activity and weight loss tips as well as disease and injury prevention topics to employees.

Human Resources staff will be distributing an Employee Satisfaction and Engagement Survey in the fall of 2019. Staff will then prepare a report on the results and distribute by the spring of 2020. With the new AuthorityWorks online application system, staff will create new recruitment brochures and a new benefits flyer for interviewees. Other areas of focus for FY20 include: new and improved employee incentives, improve the intern programs, continue with succession planning and knowledge transfer efforts and continue to update procedures and administrative instructions.

The proposed budget also includes nonrecurring funding for an employee safety incentive program. This program will reward employees for cost savings that result from 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.

Budget, Finance and Business Management

Finance will submit to GFOA the FY20 Approved Budget for the Distinguished Budget Presentation Award, the FY19 Comprehensive Annual Financial Report (CAFR) for the Certificate of Achievement for Excellence in Financial Reporting and the FY19 Popular Annual Financial Report (PAFR) for the Popular Annual Financial Reporting Award. The division believes that all three financial documents meet or exceed the recommended requirements to successfully receive each award and to also be nationally recognized by GFOA for these accomplishments.

In FY20, Accounting Services will continue the Maximo implementation with the inventory of all assets, updating the data for each asset, updating install dates, purchase price and replacement cost, updating depreciation schedules and developing risk/insurance management reports of the assets.

Purchasing will fully implement the new Warehouse Ordering and Inventory Management Policy, complete the implementation and go-live of the new online bidding/proposal evaluation tool, prepare for moving all inventory and staff from the Pino Warehouse location to the new warehouse at Surface Water and solicit and award new on-call construction/engineering agreements and implement new administrative procedures to improve the effectiveness of those contracts.

Budget will continue to provide budget and ERP system training to utility staff and schedule monthly budget update meetings with staff.

In FY20, Treasury will complete the transition of banking services per the RFP issued in FY19, partner with CSD, ITD and Public Affairs to update bill presentment and payment navigation on the Authority's website and maintain a diversified investment portfolio.

In FY20, dispatching functions will transfer from WA Field Operations to Customer Services. CSD staff will utilize the increased functionality of the upgraded CC&B system to expand the use of templates, known as campaigns, to convert

FY20 HIGHLIGHTS

existing business processes and to convert current rates to the new rate engine and to implement the Water Resources Charge. CSD will issue an RFP and award a contract with a vendor to implement a meter data management (MDM) system to store and manage data from AMI and non-AMI meters. CSD staff will participate in the AWWA Rate Study.

ITD Quality Assurance staff will upgrade utility desktop operating systems to Windows 10, identify and document all IT assets into Maximo, support the buildout of the new administration building and develop enterprise training initiatives.

ITD Infrastructure objectives for FY20 include upgrading the card key and video surveillance system to build in redundancy, implement backup and recovery solutions for SCADA and enterprise and support the buildout of the new administration building.

ITD Network staff will upgrade the SCADA fiber and network equipment at the Surface Water Treatment Plant, upgrade core network

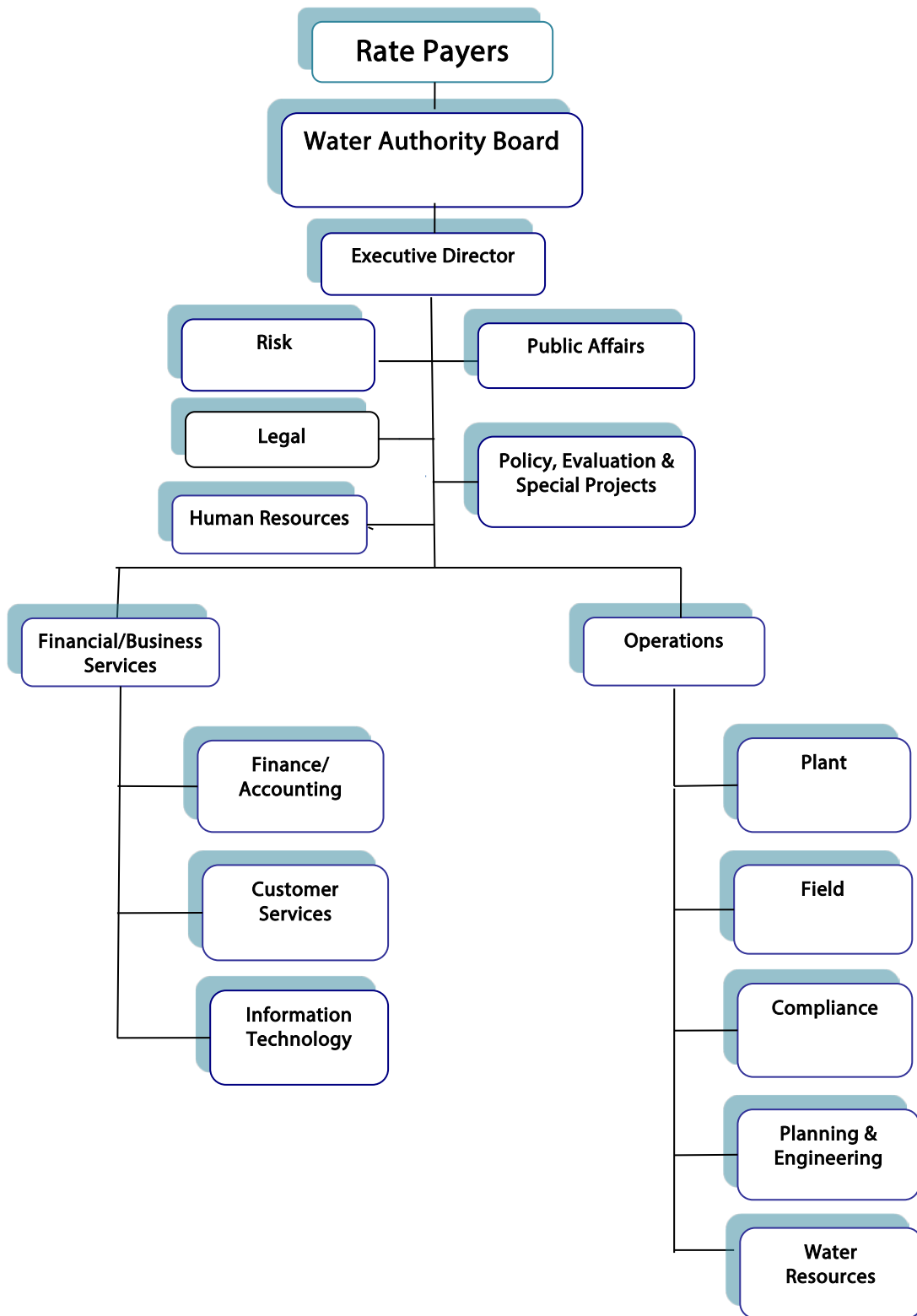
equipment for the new administration building and upgrade end-of-life network equipment from previously leased equipment.

ITD Application staff will continue the Maximo upgrade, including: training, life cycle accounting, asset onboarding, storeroom, barcoding and mobile assessment. Staff will also perform a CC&B archive and purge, report standardization for Splunk-AVL and MeterSense applications, and lead upgrades to various enterprise applications: OneSolution, Kronos, Cognos and GIS.

IT Security will be a major focus in FY20. Staff will be: completing security awareness training videos for all Water Authority staff including a New Employee Orientation/Supervisor training security video, completing security policies and procedures, and reducing the overall risk assessment scores.

The rate reserve fund is \$9.0 million. The Water Authority will also provide deferred UEC collections on up to 50 affordable housing units developed by non-profit housing developers.

ORGANIZATION CHART



PREFACE

NMSA 1978 Section 72-1-20, which created the Water Authority, along with Water Authority Ordinance O-04-6 requires the Executive Director to formulate the operating budget for the Water Authority. The Executive Director shall propose the budget to the Board at the April regularly scheduled meeting each year. The Water Authority Board then will approve or amend and approve the Executive Director's proposed budget, after the Board has received the budget and has deliberated on it, provided public notice and allowed for public input at or before the May regularly scheduled meeting.

Budget instructions are issued in January. A salary forecast is completed for review by staff. Expense data is accumulated at the current level and totals are reviewed to determine if other actions or changes in budget instructions must be made to achieve a balanced budget. Budget meetings are held with the Executive Director and Water Authority staff, where divisions may request program expansions, offer plans for reducing costs, or revenue enhancements.

Appropriations are at the fund level, the level at which expenses may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. Appropriations may be made or modified during the year by a legally adopted resolution. Appropriations revert to fund/working capital balance to the extent they have not been expended or encumbered at fiscal year-end.

Budget data is prepared consistent with the Water Authority's basis of accounting. The Water Authority's Enterprise Funds are on an accrual basis. Revenues are recorded in the accounting period in which earned, and expenses are recorded at the time liabilities are incurred. Transactions are recorded in individual funds. However, depreciation, amortization and bad debt expense, although expensed in the accounting system, are not budget items in the Water Authority budget.

The Water Authority's Goals and Objectives focus on improving the utility's operations and improving customer conditions. The goals are based on the American Water Works Association's (AWWA) business model using fifteen successful quality achievement programs. The FY20 Goals and Objectives have been submitted for approval to the Water Authority Board.

The Proposed Budget has 6 major sections. The [Budget Proposal & Financial Consolidations](#) section is designed as an overview. This section contains the Water Authority's Goals and Objectives, Strategic Planning process, Appropriations, and Proposed Issue Papers. The funds are presented with estimated ending balances for the current year. This section also includes the Financial Plan.

The [Revenue Outlook](#) section contains detailed information on the projected revenues and the Economic Outlook to be addressed in the coming year. This section also looks at the Albuquerque Economy as it relates to the budget.

The [Capital Budget](#) section explains the Water Authority's capital process, which is prepared on an annual basis. Anticipated capital projects and the expected operating impacts are discussed as well.

[Debt Obligations](#) and the [Appendix](#) complete the supporting documentation. The [Appendix](#) contains information that is useful to prepare or understand the budget, including definitions.

The [Appropriations Legislation](#) section contains a copy of the legislation that is submitted to the Water Authority Board along with this document. It must be passed as submitted or amended and passed by the Water Authority Board before the budget becomes law.



*BUDGET PROPOSAL
&
FINANCIAL CONSOLIDATIONS*

*Proposed
Operating Budget
FY20*

MISSION AND OVERVIEW OF GOAL DEVELOPMENT

The Albuquerque Bernalillo County Water Utility Authority (Water Authority) identifies resources to provide quality water in sufficient quantity, collect and treat wastewater to acceptable standards, provide professional utility engineering services, and provide utility customer services. The Water Authority operates and maintains water pump stations, reservoirs, wells, water lines, the Southside Water Reclamation Plant, the Soil Amendment Facility, sewage lift stations, odor control facilities, and sanitary sewer lines. The Water Authority also works to secure the region with a safe, adequate, and sustainable water supply.

Mission

The mission of the Albuquerque Bernalillo County Water Utility Authority is to:

Assure responsive Customer Service.

Provide reliable, high quality, affordable and sustainable water supply, wastewater collection treatment, and reuse systems.

Support healthy, environmentally-sustainable, and economically-viable community.

Overview of Goal Development

The Water Authority established Five-Year Goals and One-Year Objectives in 2005 to help guide its budget process and address priority issues. In addition, the Water Authority's Budget Ordinance specifies that the Water Authority shall annually review and adopt one-year objectives related to the five-year goals. The Ordinance also states that the Water Authority's operating budget shall be formulated by the Water Authority's Executive Director and be consistent with the goals and objectives, and that they be major factors in determining funding for Water Authority programs and improvements in both the operating and capital improvement budgets.

FY20 GOALS AND OBJECTIVES

The Five-Year Goals adopted by the Water Authority are based on the American Water Works Association’s (AWWA) business model using fifteen successful quality achievement programs, including the Malcolm Baldrige National Quality Award Program, the Deming Award, and the International Standards Organization series of quality standards. The model characterizes the work of the typical water and wastewater utility around five business systems: 1) Water Supply and Operations, 2) Wastewater Collections and Operations, 3) Customer Relations, 4) Business Planning and Management, and 5) Organization Development.

The Water Authority has participated in several continuous performance programs through AWWA including Benchmarking, Self-Assessment, and Peer Review. Since 2012, the Water Authority has incorporated the EPA’s *Effective Utility Management (EUM)* into its strategic planning process which is designed to help utilities to make practical, systematic changes to achieve excellence in performance. The Water Authority has been using the EUM’s Ten Attributes framework to identify areas for improvement.

Water Authority’s Five-Year Goals & Guiding Goal Statements



FY20 GOALS AND OBJECTIVES

The One-Year Objectives are categorized by the Water Authority's Five-Year Goal areas. The Water Authority has developed guiding goal statements for each goal area which explains the long-term desired result for that goal. The continuous performance programs mentioned above help the Water Authority to identify gaps in service delivery or performance. The Water Authority's performance measures are used to help monitor the Water Authority's performance and to develop performance targets. With the performance measures being used to identify gaps, the One-Year Objectives are used to close performance or service delivery gaps and improve performance levels.

In addition to identifying areas of improvement, some of the Objectives are related to completing projects or improving programs. A few of the objectives are carried over from FY19 either because they require more time to complete or are ongoing issues.

The diagram below shows the Water Authority's strategic planning process. It starts with long-range goals and short-term objectives which are linked to performance measures in the Performance Plan which help guide the budget process. This process is periodically evaluated by utility customers every two years through opinion surveys and customer focus group meetings four times per year. Customer Conversations are roundtable discussions with customers focusing on important issues facing the utility. The facilitated meetings are innovative and interactive, engaging customers with hands-on activities so that they can think through the decisions and discuss issues with fellow customers. The Water Authority measures its progress in the goals and objectives through the AWWA Benchmarking program. The benchmarking program allows the utility to benchmark its performance among 25 key performance indicators. The goals and objectives are integrated into the employee's performance evaluations biannually through the Employee Performance Expectations. The Technical Customer Advisory Committee provides input on the utility's policies, plans, and programs. The Water Authority has incorporated the EPA's Effective Utility Management (EUM) program into its strategic planning process which is designed to help utilities to make practical, systematic changes to achieve excellence in performance. The Water Authority has been using the EUM's Ten Attributes and Five Keys to Management Success to select priorities for improvement, based on each organization's strategic objectives and the needs of the community it serves. All the strategic planning process components help fulfil the Water Authority's MISSION.



FY20 GOALS AND OBJECTIVES

The Five-Year Goals and One-Year Objectives are a component of the Strategic Planning, Budgeting and Improvement Process. The Goals and Objectives and performance measures from the Performance Plan help guide the operating and capital budgets in allocating the Water Authority's financial resources. The Performance Plan illustrates how the Five-Year Goals, One-Year Objectives, and performance measures are integrated using the logic model to achieve service delivery and performance improvement. The Performance Plan discusses in detail how the Water Authority assesses its performance year to year, and how it compares its performance with that of other utilities. The integration of the performance measures and objectives are used to achieve the long-term desired results of the Water Authority's Five-Year Goals.

Below is a summary of the Goals and Objectives for FY20, as introduced to the Water Authority Board on March 20, 2019.

Goal 1: Water Supply and Operations

Provide a reliable, safe, affordable, and sustainable water supply by transitioning to renewable supplies and minimizing long term environmental impacts on the community and natural resources while ensuring the ability of the community to grow in a responsible manner.

- Complete Ground Water Plant Preventive Maintenance to Corrective Maintenance ratio to at least 60% of all completed maintenance labor hours by the end of the 4th Quarter of FY20.
- Complete Surface Water Plant Preventive Maintenance to Corrective Maintenance ratio to at least 60% of all completed maintenance labor hours by the end of the 4th Quarter of FY20.
- Submit annual distribution and treatment data to the Partnership for Safe Water program for inclusion in the program's annual report of aggregated system water quality data; continue work on items identified from the Phase 3 Self-Assessment that are not yet considered optimized and submit a progress report to AWWA by the end of the 4th Quarter of FY20
- To improve energy efficiency and reduce operation and maintenance costs, continue the Automated Meter Infrastructure Pressure Monitoring project and assess opportunities for operational efficiency within pressure zone 4ER and the Paseo Del Norte/Eagle Ranch interconnection by the end of the 4th Quarter of FY20.
- To ensure the accessibility of valves and reduce interrupted service, create a systemic approach to preventative and corrective valve maintenance by the end of the 4th Quarter of FY20.
- To improve the validated water audit inputs for apparent water loss, conduct a statistically significant number of small meter tests to support the water audit and strategic water loss plan by the end of the 4th Quarter of FY20.
- Implement water loss control strategies by targeting real and apparent water losses by conducting an apparent loss forensic analysis and evaluating leak detection survey reports; by the end of the 2nd Quarter of FY20, identify areas of improvement and provide recommendations for reducing water loss.
- Continue distribution water loss program by locating water leaks from surveying 650 miles of small diameter water lines through conventional leak detection methods and 2,200 miles of small diameter water lines through acoustic leak detection by the end of the 4th Quarter of FY20; track, evaluate, and report on pilot-scale Echologics acoustic leak detection system on a quarterly basis in FY20.
- Maintain water use at or below 127 gallons per capita per day thru the end of the 4th Quarter of FY20.

FY20 GOALS AND OBJECTIVES

- Introduce rebates for organic mulch and flow and moisture sensors by the end of the 2nd Quarter of FY20.
- Develop a program to assist low-income customers with water efficiency efforts by the end of the 2nd Quarter of FY20.
- Utilizing the NM Bureau of Geology and Minerals study, select the next Aquifer Storage and Recovery project and begin permitting studies by the 4th Quarter of FY20.
- Create a new puppet show and coloring book for use in the elementary school education program by the end of the 3rd Quarter of FY20.
- Track and report conservation education outreach to service area customers and meet the following targets: 1) 100 Irrigation Audits; 2) 45 Meetings with Landscapers; 3) 30 Meetings with Property Managers; and 4) 2 Water Conservation Open House Meetings by the end of the 4th Quarter of FY20.
- To better educate children on the importance of water and resource planning, collaborate with ¡Explora! To design interactive water exhibits for the new STEM center which is planned to open in FY21.
- Continue work with the Water Protection Advisory Board through administrative, policy, and technical support through the end of the 4th Quarter of FY20.
- Complete a capture zone analysis for Water Authority wells to identify the area most in need of protection surrounding well heads by the end of the 4th Quarter of FY20.

Goal 2: Wastewater Collection and Operations

Provide reliable, safe and affordable wastewater collection, treatment and reuse systems to protect the health of the Middle Rio Grande Valley by safeguarding the regional watershed, minimizing environmental impacts, and returning quality water to the Rio Grande for downstream users.

- Limit overall permit excursions to no more than 5 operating discharge permit violations through the end of the 4th Quarter of FY20.
- Beneficially reuse biosolids by diverting 30% to compost thru the end of the 4th Quarter of FY20.
- Complete Waste Water Plant Preventive Maintenance to Corrective Maintenance ratio to at least 45% of all completed maintenance labor hours by the end of the 4th Quarter of FY20.
- Continue work on the Partnership for Clean Water program for the water reclamation treatment to optimize system operations and performance; continue work on outstanding items from the Phase 3 Self-Assessment that are not yet considered optimized and submit a progress report to AWWA by the end of the 4th Quarter of FY20.
- Televisé and assess the condition of approximately five percent of the small diameter sanitary sewer system by the end of the 4th Quarter of FY20.
- Complete the Capacity Management Operations Maintenance (CMOM) Program Self-Assessment by the end of the 2nd Quarter of FY20.
- Develop and implement a process to capture new construction for inclusion in Maximo and ITpipes Repository after GIS unique identifiers are established; complete process by end of 4th Quarter FY20.
- Monitor compliance with the Water Authority's Cross Connection Prevention and Control Ordinance. Obtain a compliance rate goal of 75%.
- Monitor compliance with the Water Authority's Sewer Use and Wastewater Control Ordinance by continuing to inspect, monitor, and take enforcement action for permitted industrial users, septage waste haulers, food service establishments, and dental offices. Compliance rate goal is 87% for each category.
- Implement the Fats, Oils, and Grease (FOG) Policy to reduce impacts on the sewer system by inspecting each Food Service

FY20 GOALS AND OBJECTIVES

Establishment (FSE) once every three years, working with the Collections section with Sanitary Sewer Overflow (SSOs) investigations, and convene FOG Task Force of other

governmental entities to coordinate efforts to reduce FOG discharges. Track and report the number of SSOs due to FOG compared with previous years.

Goal 3: Customer Services

Provide quality customer services by communicating effectively, billing accurately, and delivering water and wastewater services efficiently based on understanding the needs and perceptions of our customers and the community at large.

- Improve customer satisfaction and operational efficiency in achieving the four call-center targets through the 4th Quarter of FY20: 1) Average Wait Time of less than 1:00 minute; 2) Average Contact Time of less than 4:00 minutes; 3) Abandoned Call Ratio of less than 3; and 4) First Call Resolution of greater than 95%.
- Improve customer satisfaction by achieving a billing accuracy ratio of less than 8 through the 4th Quarter of FY20.
- Continue implementation of the Automated Meter Infrastructure (AMI) project by modernizing aging meter infrastructure with smart meters to increase revenue, support conservation efforts, and provide better customer service by the end of the 4th Quarter of FY20.
- Provide communications support for high-priority Water Authority programs and initiatives and conduct public outreach regarding Water Authority services, policies and projects through the end of the 4th Quarter of FY20.
- Complete Customer Conversation meetings to engage customers and obtain input from customers on the Water Authority's activities through the end of the 4th Quarter of FY20.
- Conduct a customer opinion survey in order to assess the Water Authority's performance from the customer's viewpoint from previous surveys by the end of the 4th Quarter of FY20.

Goal 4: Business Planning and Management

Maintain a well-planned, managed, coordinated, and financially stable utility by continuously evaluating and improving the means, methods, and models used to deliver services.

- Expend \$58 million in water and wastewater capital rehabilitation and replacement programs to replace aging, high risk assets that are past their useful life by the end of the 4th Quarter of FY20. \$1 million shall be dedicated and used for identifying steel water pipes in critical or poor condition by the end of the 4th Quarter of FY20.
- Continue implementation of the Reclamation Rehabilitation Asset Management Plan by planning, designing and constructing reclamation facility improvements through the end of the 4th Quarter of FY20.
- Implement one planned Interceptor Rehabilitation project in FY20, and complete three interceptor design packages by the 4th Quarter of FY20; implement one planned Small Diameter Sanitary Sewer Rehabilitation project in FY20; complete design of Grit Collection Station near 12th Street/Interstate 40 by end of the 2nd Quarter of FY20.
- Complete an update to the 2011 Comprehensive/Utility Wide Asset Management Plan to provide a detailed gap analysis of the Water Authority's asset registry by the end of the 4th Quarter of FY20.

FY20 GOALS AND OBJECTIVES

- In order to provide a central location for processes and procedures, finalize a complete draft of the Utility Development Guide by the end of the 2nd Quarter of FY20; update System Expansion Ordinance to align to the Guide; review fee structure for Utility Development deliverables.
- Continue construction of the Los Padillas water system through the end of the 4th Quarter of FY20
- Begin implementing Phase 1 of the Water Authority's Final Security Plan based on vulnerability assessments that were performed to reduce physical security and cyber security risks with a goal of completing hardware countermeasures selected for adoption by the end of the 4th Quarter of FY20. Update the Water Authority's Emergency Response Plan by the end of the 4th Quarter of FY20. Complete the AWWA risk and resilience certificate program to demonstrate compliance with America's Water Infrastructure Act of 2018.
- Update the Comprehensive Information Technology Security Plan and related policies that are aligned with the standards, guidelines, and best practices of the National Institute of Standards and Technology Cybersecurity Framework to protect the utility's critical infrastructure from cyber-attacks by the end of the 2nd Quarter of FY20.
- Complete a needs assessment of the Supervisory Control and Data Acquisition (SCADA) system; implement recommendations of the assessment for the updated platform to align with the asset management program by the end of the 1st Quarter of FY20.
- Complete the Maximo upgrade to provide better service, better decision making, and stewardship of its resources by the end of the 4th Quarter of FY20; upgrade utility Enterprise Applications and expand usage of Splunk data analytics tool to implement functions for cyber security, water quality and telemetry/vehicle location solutions; and replace all 800 MHz radios with push to talk technology.
- Apply artificial intelligence and machine learning to assess current water quality management strategies using predictive early warning intelligence to see occurrences in real-time; develop and implement a pilot program that combines live data from water delivery operations with a hydraulic model to provide real-time water quality indicators by the end of the 4th Quarter of FY20.
- Maintain the Compliance Division Regulatory Compliance Permit Matrix and the Regulatory Matrix Status Report to respectively maintain schedules for permit submittals and monitor and report emerging Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) regulations, New Mexico Water Quality Control Commission and Environmental Improvement Board regulations, and local laws ordinances, etc. to identify and assess potential impacts on the Water Authority. Provide quarterly reports through the end of the 4th Quarter of FY20.
- Collect, monitor, and report weekly, monthly and quarterly key laboratory performance metrics to include: WQL results approved and reported for each laboratory section (chemistry, microbiology, metals, and external labs), laboratory productivity (results reported per productive hour), and the percentage of results reported late (turnaround time (TAT)). Compare to industry benchmarks.
- Continue to develop LabVantage application system throughout FY20 to increase the automation of data entry to reduce data entry errors and reduce the amount of paper used at the laboratory. Develop dashboards to help analysts and management manage samples and reagents. Expand the collection of electronic data to field analytics, balances, probes, and spectrophotometry instruments stored in the Database of Compliance.
- Continue to develop the Environmental Monitoring Program to improve the reliability of results from field instrumentation and sample collection techniques. Develop a program plan based on designated International Organization for Standardization (ISO) standard to address accreditation requirements to include standard operating

FY20 GOALS AND OBJECTIVES

procedures, document control and records management plans, and a process for demonstration of staff capability. Develop a program-wide audit plan to monitor compliance with standard operating procedures in the field and the laboratories. Implement program plan by the end of the 4th Quarter of FY20.

- Transition to ISO and the International Electrotechnical Commission (IEC) ISO/IEC 17025:2017. Prepare for the American Association for Laboratory Accreditation (A2LA) biennial on-site assessment of the Water Quality Laboratory including completing required internal audits and

annual review and revision of Standard Operating Procedures.

- Track external subcontract laboratory costs that are processed by the Water Quality Laboratory. Improve how the laboratory manages sample submissions to external laboratories and make available the cost of external subcontract laboratory analysis for reporting.
- Monitor for Pharmaceuticals and Personal Care Products (PPCPs) in the source water, drinking water and wastewater. Report the findings of voluntary monitoring by the end of the 2nd Quarter of FY20. Compare the results to historical monitoring performed in 2009-2010.

Goal 5: Organizational Development

Sustain a well-informed, trained, motivated, safe, organized, and competitive work force to effectively meet the expectations of the customers, community, and Board in accordance with adopted policies and mandates.

- Continue to emphasize Employee Recognition through several initiatives including supervisor training, employee incentive awards, on-the-spot awards, and years of service awards.
- Conduct Employee Engagement and Satisfaction Survey by the end of the 2nd Quarter of FY20; assess and communicate the survey results to employees by the end of the 4th Quarter of FY20.
- Consistent with the EPA's Utility of the Future (UOTF), develop a program that focuses on employee and leadership development to achieve sustainability, including actions such as hiring and retaining motivated, participative employees, creating a collaborative organization and positive workplace environment, and providing a positive environmental and community impact; the program may examine potential sources of purpose and meaning for employees and encourage projects and communication efforts that enhance a sense of meaning and purpose.
- Complete two employee wellness challenges per fiscal quarter focusing on nutrition,

physical activity and weight loss, and disease and injury prevention to employees by the end of the 4th Quarter of FY20.

- Maintain an average utility-wide vacancy rate of no greater than 5% through the end of FY20.
- Reduce injury hours to 2,625 hours or less to improve productivity and reliability of services provided by employees by the end of the 4th Quarter of FY20.

APPROPRIATIONS BY PROGRAM

The Albuquerque Bernalillo County Water Utility Authority can be examined by program. Comparing the revised budget for FY19 with the proposed FY20 budget shows changes in the Water Authority programs, excluding the interfund transfers.

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
Administration	3,140	2,684	2,718	2,829	2,224	(494)
Risk	3,616	4,534	4,411	4,412	4,397	(14)
Legal	863	760	760	763	790	30
Human Resources	1,473	1,588	1,588	1,517	1,799	211
Finance	3,867	4,184	4,020	3,890	4,124	104
Customer Services	8,682	9,050	9,050	9,052	5,192	(3,858)
Information Technology	6,998	7,096	7,213	7,203	7,370	157
Wastewater Plant	10,978	11,426	11,351	11,426	11,786	435
San Juan-Chama WA Treat Plant	3,479	3,971	4,142	4,049	4,285	143
Groundwater Operations	6,288	6,629	6,539	6,464	6,614	75
Wastewater Collection	6,824	6,701	6,701	6,913	7,077	376
Water Field Operations	18,154	19,595	19,651	19,128	23,824	4,173
Compliance	4,242	5,261	5,261	5,063	5,424	163
Planning & Engineering	2,960	3,899	3,899	3,807	4,008	109
Water Resources	3,631	3,861	3,936	4,179	4,675	739
Power & Chemicals	20,566	20,236	19,987	20,322	21,487	1,500
Taxes	262	656	656	483	656	-
Overhead	2,247	1,410	1,660	1,733	1,839	179
San Juan-Chama	2,109	2,247	2,747	2,716	2,747	-
Total Enterprise Appropriations	110,381	115,789	116,289	115,949	120,318	4,029

The proposed FY20 operating expenses budget, excluding the interfund transfers, contains an increase of \$4.0 million from the FY19 revised budget. Total personnel costs have increased by \$1.6 million. General operating costs increased \$2.4 million.

Personnel expenses for FY20 include a 2.0% step increase in wages and a 12.0% increase in health benefits costs. There is one additional full-time equivalent position for FY20.

Interfund transfers in FY20 increased a net \$12.2 million from the FY19 revised budget. In February 2019, the Water Authority Board approved a one-time additional transfer to the Debt Service Fund of \$0.6 million.

The Water Authority's target is to maintain its Fund Balance at 1/12th of the annual budgeted operating expenses as defined by the Water Authority's Rate Ordinance. Per the FY19-28 Financial Plan, the General Fund Working Capital balance at June 30, 2020 is projected to be \$38.5 million, net of the rate reserve fund balance.

The rate reserve fund balance is at \$9.0 million. The Water Authority will also provide deferred UEC collections on up to 50 affordable housing units developed by non-profit housing developers.

FY20 PROPOSED ISSUE PAPERS

Proposed issue papers were submitted by Water Authority divisions. The list below identifies the issues and divisions affected.

Water Authority Proposed Issue Papers - FY20	
Fund 21 - General Fund	2,886,000
Administration	
Executive Director - Communications Officer/Public Affairs	-
COO's Office - Re-assign Planner/Schedulers to Operating	-
Legal - Contract Mediation Services	25,000
HR - M-Series Certification Programs	180,000
Financial Services	
Finance - Finance Reorganization	-
CSD - Re-assign staff to WA Field	-
Field	
WW Collections - Lift Stations Repairs & Maintenance	150,000
WW Collections - Lift Stations Fuels & Lubrication	16,000
WW Collections - Lift Stations Vehicle Maintenance	8,000
WA Distribution Lines - Convert Utility Tech to GIS Specialist	-
WA Field Administration - Re-assign Dispatch staff to CSD	-
Planning & Engineering	
One Stop Shop - Contract Staff	72,000
Water Resources	
WR Planning - Explora STEM Exhibit	355,000
WA Conservation - Water Loss Control Strategies	25,000
GW Protection - Environmental Monitoring Services	150,000
GW Protection - Silver Minnow Refugium-COA MOU	165,000
General Government	
Chemicals	1,500,000
WAF Funding	150,000
Tuition Reimbursement & Incentive Programs	90,000
TOTAL	2,886,000

CHANGES IN EMPLOYMENT

The proposed budget for FY20 adds one full-time equivalent position; Communications Officer/Public Affairs. All other changes are to do staff re-assignments and program re-alignments.

	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
POSITIONS:						
Administration	14	14	14	14	10	(4)
Risk	6	6	5	5	5	-
Legal	1	1	1	1	1	-
Human Resources	15	15	15	15	15	-
Finance	30.5	31.5	29.5	29.5	30.5	1
Customer Services	91	91	91	91	54	(37)
Information Technology	26	26	27	27	27	-
Wastewater Plant	92	92	91	91	92	1
San Juan-Chama WA Treat Plant	30	31	33	33	34	1
Groundwater Operations	54	54	53	53	54	1
Wastewater Collection	62	62	62	62	62	-
Water Field Operations	123	123	124	124	162	38
Compliance	44.5	44.5	44.5	44.5	44.5	-
Planning & Engineering	26	31	31	31	31	-
Water Resources	11	11	12	12	12	-
General Government	7	0	0	0	-	-
TOTAL FULL TIME POSITIONS	633.0	633.0	633.0	633.0	634.0	1.0

APPROPRIATIONS BY FUND

Details of the expense appropriations for Fund 21 (General Fund), Funds 27, 28 & 29 (Water 2120 Projects, Basic Rehab & Growth CIP Funds) and Fund 31 (Debt Service Fund) can be found in the table below.

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
<u>GENERAL FUND - 21</u>						
Administration	3,140	2,684	2,718	2,829	2,224	(494)
Risk	3,616	4,534	4,411	4,412	4,397	(14)
Legal	863	760	760	763	790	30
Human Resources	1,473	1,588	1,588	1,517	1,799	211
Finance	3,867	4,184	4,020	3,890	4,124	104
Customer Services	8,682	9,050	9,050	9,052	5,192	(3,858)
Information Technology	6,998	7,096	7,213	7,203	7,370	157
Wastewater Plant	10,978	11,426	11,351	11,426	11,786	435
San Juan-Chama Water Treatment Plant	3,479	3,971	4,142	4,049	4,285	143
Groundwater Operations	6,288	6,629	6,539	6,464	6,614	75
Wastewater Collection	6,824	6,701	6,701	6,913	7,077	376
Water Field Operations	18,154	19,595	19,651	19,128	23,824	4,173
Compliance	4,242	5,261	5,261	5,063	5,424	163
Planning & Engineering	2,960	3,899	3,899	3,807	4,008	109
Water Resources	3,631	3,861	3,936	4,179	4,675	739
Power & Chemicals	20,566	20,236	19,987	20,322	21,487	1,500
Taxes	262	656	656	483	656	-
Overhead	2,247	1,410	1,660	1,733	1,839	179
San Juan-Chama	2,109	2,247	2,747	2,716	2,747	-
Trf from General Fund 21 to Rehab Fund 28	30,250	26,589	26,589	26,589	31,618	5,029
Trf from General Fund 21 to Debt Service Fund 31	70,908	71,631	72,267	72,267	79,411	7,144
Subtotal General Fund - 21	<u>211,539</u>	<u>214,009</u>	<u>215,145</u>	<u>214,805</u>	<u>231,347</u>	<u>16,202</u>
<u>CAPITAL FUNDS - 27, 28 & 29</u>						
Water 2120 Projects	24	300	2,300	2,300	300	(2,000)
CIP Basic Rehab	76,089	78,968	104,569	104,569	64,041	(40,528)
CIP Growth	7,487	5,000	12,839	12,839	4,000	(8,839)
Transfer to General Fund - 21	943	-	-	-	-	-
Subtotal Capital Funds - 27, 28 & 29	<u>84,543</u>	<u>84,268</u>	<u>119,709</u>	<u>119,709</u>	<u>68,341</u>	<u>(51,368)</u>
<u>DEBT SERVICE FUND - 31</u>						
Debt Service	70,189	80,730	81,366	81,366	84,496	3,130
Transfer to Growth Fund 29	6,000	5,000	5,000	5,000	4,000	(1,000)
Subtotal Debt Service Fund - 31	<u>76,189</u>	<u>85,730</u>	<u>86,366</u>	<u>86,366</u>	<u>88,496</u>	<u>2,130</u>
TOTAL	372,271	384,007	421,220	420,880	388,184	(33,036)
TOTAL WATER AUTHORITY APPROPRIATIONS	<u>372,271</u>	<u>384,007</u>	<u>421,220</u>	<u>420,880</u>	<u>388,184</u>	<u>(33,036)</u>
Interfund Adjustment	<u>(108,101)</u>	<u>(103,220)</u>	<u>(103,856)</u>	<u>(103,856)</u>	<u>(115,029)</u>	<u>(11,173)</u>
NET WATER AUTHORITY APPROPRIATIONS	<u>264,170</u>	<u>280,787</u>	<u>317,364</u>	<u>317,024</u>	<u>273,155</u>	<u>(44,209)</u>

APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
GENERAL FUND - 21						
100 WATER AUTHORITY:						
005 Executive Director	1,665	1,424	1,424	1,565	1,447	23
006 COO's Office	1,475	1,260	1,294	1,264	777	(517)
PROGRAM APPROPRIATION	3,140	2,684	2,718	2,829	2,224	(494)
105 RISK:						
010 Risk	3,616	4,534	4,411	4,412	4,397	(14)
PROGRAM APPROPRIATION	3,616	4,534	4,411	4,412	4,397	(14)
106 LEGAL:						
011 Legal	863	760	760	763	790	30
PROGRAM APPROPRIATION	863	760	760	763	790	30
110 HUMAN RESOURCES:						
015 Human Resources	1,473	1,588	1,588	1,517	1,799	211
PROGRAM APPROPRIATION	1,473	1,588	1,588	1,517	1,799	211
120 FINANCE:						
020 Finance	3,867	4,184	4,020	3,890	4,124	104
PROGRAM APPROPRIATION	3,867	4,184	4,020	3,890	4,124	104
130 CUSTOMER SERVICES:						
025 Customer Services & Billing	4,348	4,657	4,657	4,473	4,434	(223)
026 Dispatch Operations	-	-	-	-	758	758
031 Customer Service Field	4,334	4,393	4,393	4,579	-	(4,393)
PROGRAM APPROPRIATION	8,682	9,050	9,050	9,052	5,192	(3,858)
140 INFORMATION TECHNOLOGY:						
035 Information Technology	6,998	7,096	7,213	7,203	7,370	157
PROGRAM APPROPRIATION	6,998	7,096	7,213	7,203	7,370	157

APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
150 WASTEWATER PLANT:						
040 WW Plant Administration	291	269	296	297	321	25
045 WW Cogen	512	1,045	1,045	1,061	1,069	24
050 WW Mechanical	3,956	4,207	4,055	3,911	4,247	192
055 WW Plant Operations	4,480	4,233	4,283	4,363	4,439	156
060 WW MDC	85	63	63	63	63	-
061 WW 2nd Chance Facility	-	-	15	11	15	-
065 WW SAF	1,625	1,522	1,507	1,639	1,545	38
070 WW Warehouse	9	11	11	11	11	-
115 South Reuse	20	76	76	71	76	-
PROGRAM APPROPRIATION	<u>10,978</u>	<u>11,426</u>	<u>11,351</u>	<u>11,426</u>	<u>11,786</u>	<u>435</u>
160 SJC WATER TREATMENT PLANT:						
075 San Juan-Chama Water Treatment Plant	3,406	3,901	4,072	3,989	4,215	143
100 College Arsenic Treatment	72	70	70	60	70	-
PROGRAM APPROPRIATION	<u>3,479</u>	<u>3,971</u>	<u>4,142</u>	<u>4,049</u>	<u>4,285</u>	<u>143</u>
170 GROUNDWATER SYSTEM:						
085 WA Wells, PS, Boosters, Reservoirs	3,503	3,842	3,852	4,214	4,386	534
090 GW Treatment	1,408	1,405	1,305	1,018	977	(328)
095 WA Control System Operators	750	800	800	706	785	(15)
096 SCADA	603	561	561	497	445	(116)
110 North Reuse	23	21	21	29	21	-
PROGRAM APPROPRIATION	<u>6,288</u>	<u>6,629</u>	<u>6,539</u>	<u>6,464</u>	<u>6,614</u>	<u>75</u>
180 WASTEWATER COLLECTIONS:						
120 WW Gravity	4,782	4,790	4,790	4,779	4,948	158
125 WW Lift Station Operations	2,042	1,911	1,911	2,133	2,129	218
PROGRAM APPROPRIATION	<u>6,824</u>	<u>6,701</u>	<u>6,701</u>	<u>6,913</u>	<u>7,077</u>	<u>376</u>
190 WATER FIELD OPERATIONS:						
126 Fleet Maintenance	3,448	3,376	3,376	2,974	3,281	(95)
130 WA Customer Requests	561	604	604	572	1,052	448
135 WA Distribution Lines	12,655	13,905	13,905	13,935	15,710	1,805
136 WA Meters	-	-	-	-	2,222	2,222
145 WA Field Administration	1,490	1,710	1,766	1,647	1,559	(207)
PROGRAM APPROPRIATION	<u>18,154</u>	<u>19,595</u>	<u>19,651</u>	<u>19,128</u>	<u>23,824</u>	<u>4,173</u>

APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
200 COMPLIANCE:						
150 Laboratory	1,889	2,283	2,317	2,133	2,409	92
155 NPDES	1,101	1,598	1,564	1,515	1,595	31
160 Water Quality	1,252	1,380	1,380	1,416	1,420	40
PROGRAM APPROPRIATION	<u>4,242</u>	<u>5,261</u>	<u>5,261</u>	<u>5,063</u>	<u>5,424</u>	<u>163</u>
211 PLANNING & ENGINEERING:						
165 Central Engineering	2,078	2,912	2,912	2,782	2,938	26
170 One Stop Shop Enterprise	403	442	442	495	496	54
175 Maps & Records	479	545	545	529	574	29
PROGRAM APPROPRIATION	<u>2,960</u>	<u>3,899</u>	<u>3,899</u>	<u>3,807</u>	<u>4,008</u>	<u>109</u>
212 WATER RESOURCES:						
180 Water Resources Planning	1,677	1,832	1,550	1,543	1,877	327
185 Water Conservation	1,790	1,753	2,105	2,412	2,156	51
190 Groundwater Protection	165	228	249	203	610	361
195 Arsenic Removal	-	48	32	21	32	-
PROGRAM APPROPRIATION	<u>3,631</u>	<u>3,861</u>	<u>3,936</u>	<u>4,179</u>	<u>4,675</u>	<u>739</u>
220 GENERAL GOVERNMENT:						
200/201 Power	11,643	11,545	11,296	11,358	11,296	-
206 SJCWTP Chemicals	4,970	4,746	4,746	4,936	6,246	1,500
207 GW Chemicals	93	262	262	173	262	-
208 WW Treatment Chemicals	372	875	875	667	875	-
209 Collections Chemicals	3,488	2,808	2,808	3,188	2,808	-
PROGRAM APPROPRIATION	<u>20,566</u>	<u>20,236</u>	<u>19,987</u>	<u>20,322</u>	<u>21,487</u>	<u>1,500</u>
200 Taxes	262	656	656	483	656	0
PROGRAM APPROPRIATION	<u>262</u>	<u>656</u>	<u>656</u>	<u>483</u>	<u>656</u>	<u>0</u>
200 Overhead	934	1,010	1,260	1,177	1,439	179
205 Early Retirement	375	400	400	556	400	-
210 CIP Funded Employees	938	-	-	-	-	-
PROGRAM APPROPRIATION	<u>2,247</u>	<u>1,410</u>	<u>1,660</u>	<u>1,733</u>	<u>1,839</u>	<u>179</u>

APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
230 SAN JUAN-CHAMA:						
215 San Juan-Chama	2,109	2,247	2,747	2,716	2,747	-
PROGRAM APPROPRIATION	2,109	2,247	2,747	2,716	2,747	-
TRANSFER FROM FUND 21 TO 28						
200 General Government	30,250	26,589	26,589	26,589	31,618	5,029
PROGRAM APPROPRIATION	30,250	26,589	26,589	26,589	31,618	5,029
TRANSFER FROM FUND 21 TO 31						
200 General Government	70,908	71,631	72,267	72,267	79,411	7,144
PROGRAM APPROPRIATION	70,908	71,631	72,267	72,267	79,411	7,144
CIP FUNDS						
27 WATER 2120 PROJECTS FUND						
Water 2120 Projects	24	300	2,300	2,300	300	(2,000)
PROGRAM APPROPRIATION	24	300	2,300	2,300	300	(2,000)
28 REHAB FUND						
Basic Rehab	69,093	70,618	75,341	75,341	58,000	(17,341)
Special Projects	6,996	8,350	29,228	29,228	6,041	(23,187)
PROGRAM APPROPRIATION	76,089	78,968	104,569	104,569	64,041	(40,528)
29 GROWTH FUND						
Growth	7,487	5,000	12,839	12,839	4,000	(8,839)
PROGRAM APPROPRIATION	7,487	5,000	12,839	12,839	4,000	(8,839)
TRANSFER FROM FUND 28 TO 21						
Transfer	943	-	-	-	-	-
PROGRAM APPROPRIATION	943	-	-	-	-	-

APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
DEBT SERVICE FUND - 31						
250 DEBT SERVICE						
230 DS - NM Loans	6,834	6,693	6,693	6,693	6,993	300
240 DS - Revenue Bonds	<u>63,354</u>	<u>74,037</u>	<u>74,673</u>	<u>74,673</u>	<u>77,503</u>	<u>2,830</u>
PROGRAM APPROPRIATION	<u>70,189</u>	<u>80,730</u>	<u>81,366</u>	<u>81,366</u>	<u>84,496</u>	<u>3,130</u>
260 UEC TRANSFER						
245 DS - UEC Transfer	<u>6,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>4,000</u>	<u>(1,000)</u>
PROGRAM APPROPRIATION	<u>6,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>4,000</u>	<u>(1,000)</u>

FINANCIAL PLAN

The following table is the financial plan for Fund 21 (General Fund). The plan displays financial projections from FY19 thru FY28. This plan considers the Water Authority's Capital needs, Debt Service needs, revenue sources and expenses. The Financial Plan helps the Water Authority plan for future potential expense levels in both operating and capital and compare them to the estimated revenue resources for each projected fiscal year. The plan shows the effects of the budget on the Water Authority's future Working Capital and provides a tool to project future budget needs for the utility.

FINANCIAL PLAN

Operating Fund

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Capital Funds										
Needs: Basic (Min 50% cash Trans)	37000	37000	37000	37000	37000	37000	37000	37000	37000	37000
Increase for Rehab/Asset Mgt Plan	12000	15000	18000	21000	24000	27000	30000	30000	30000	30000
Water Reclamation	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Advanced Rehab	15000		20000		5000					
Steel Line	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
AMI	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
CC&B	1500	0	0							
Resources:										
Beginning Bal.	45688	16406	44124	14842	39560	10278	35997	7715	33434	5153
Trf. from Operating	27618	31618	33618	36618	39618	43619	46618	46619	46619	46619
Trf. from Debt Service	5500	4000	4000	4000	4000	4000	4000	4000	4000	4000
Bond Proceeds	15000	56000		54000		54000		54000		
Bond Proceeds Yucca/Central Adjustments										
First Year is 6mos. (y/n)	n	n	n	n	n	n	n	n	n	n
Subtotal	93806	108024	81742	109460	83178	111897	86615	112334	84053	55772
Interest on Above	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100
Total	94906	109124	82842	110560	84278	112997	87715	113434	85153	56872
Balance June 30	16406	44124	14842	39560	10278	35997	7715	33434	5153	-23128
Debt Service Fund										
Future Bond Interest=										
Resources:										
Interest Income	100	100	100	100	100	100	100	100	100	100
UECs	9500	8000	8000	8000	8000	8000	8000	8000	8000	8000
Transfer from 621	73781	79411	78967	85656	79247	80448	79386	79356	65437	55131
Adjustments/Misc										
Bg. Fund Balance	7188	4188	3188	3188	3188	3188	3188	3188	3188	3188
Total	90569	91699	90255	96944	90535	91736	90674	90644	76725	66419
Expenditures:										
Agent Fees	15	15	15	15	15	15	15	15	15	15
Trf to Capital	5000	4000	4000	4000	4000	4000	4000	4000	4000	4000
Debt Service	81366	84496	83052	82941	76532	72033	70971	65441	51522	41216
Advanced Rehab										
FY/26 Bond Proceeds								5500	5500	5500
FY/24 Bond Proceeds						5700	5700	5700	5700	5700
FY/20 Bond Proceeds										
FY/22 Bond Proceeds			6800	6800	6800	6800	6800	6800	6800	6800
Total	86381	88511	87067	93756	87347	88548	87486	87456	73537	63231
Fund Balance	4188	3188	3188	3188	3188	3188	3188	3188	3188	3188
Operating Fund										
Resources										
Rate Revenue	220326	220326	221428	221428	231392	231392	242961	244176	245397	246624
adj due to re-estimate										
Nonrate Revenue	5517	6242	5832	5832	5832	5832	6000	6000	6000	6000
Rate Stabilization Fund										
Franchise Fee										
Rate reserve										
Bg. Res over Comm	41203	52242	52506	50226	36163	33039	22538	19626	15705	24631
Total	267046	278810	279766	277486	273387	270263	271500	269802	267102	277255
Rate Stabilization Fund										
Expenditures										
Labor	57488	58638	59811	61007	62227	63471	64741	66036	67356	68703
Operations Exp	55617	56451	59844	60742	61957	62886	63829	64787	65758	66745
Savings										
Salary Savings 1%		2886								
Issue Paper		300	300	300	300	300	300	300	300	300
Incentive										
Transf. to DS	73781	79411	78967	85656	79247	80448	79386	79356	65437	55131
Transf. to Cap.	27618	31618	33618	36618	39618	43619	46618	46619	46619	46619
Total	216804	231304	234540	246322	245348	252724	256874	259097	247471	239498
Rate Reserve	9000	9000	9000	9000	9000	9000	9000	9000	9000	9000
Resources over Comm.	41242	38506	36226	22163	19039	8538	5626	1705	10631	28757
Res over Comm with Rate Res	52242	52506	50226	36163	33039	22538	19626	15705	24631	42757
Rate Increases	0.00%	0.00%	0.00%	0.00%	4.00%	0.00%	4.50%	0.00%	0.00%	0.00%
Accum. Inc. from 2004	26.0%	26.0%	26.0%	26.0%	30.0%	30.0%	34.5%	34.5%	34.5%	34.5%
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028

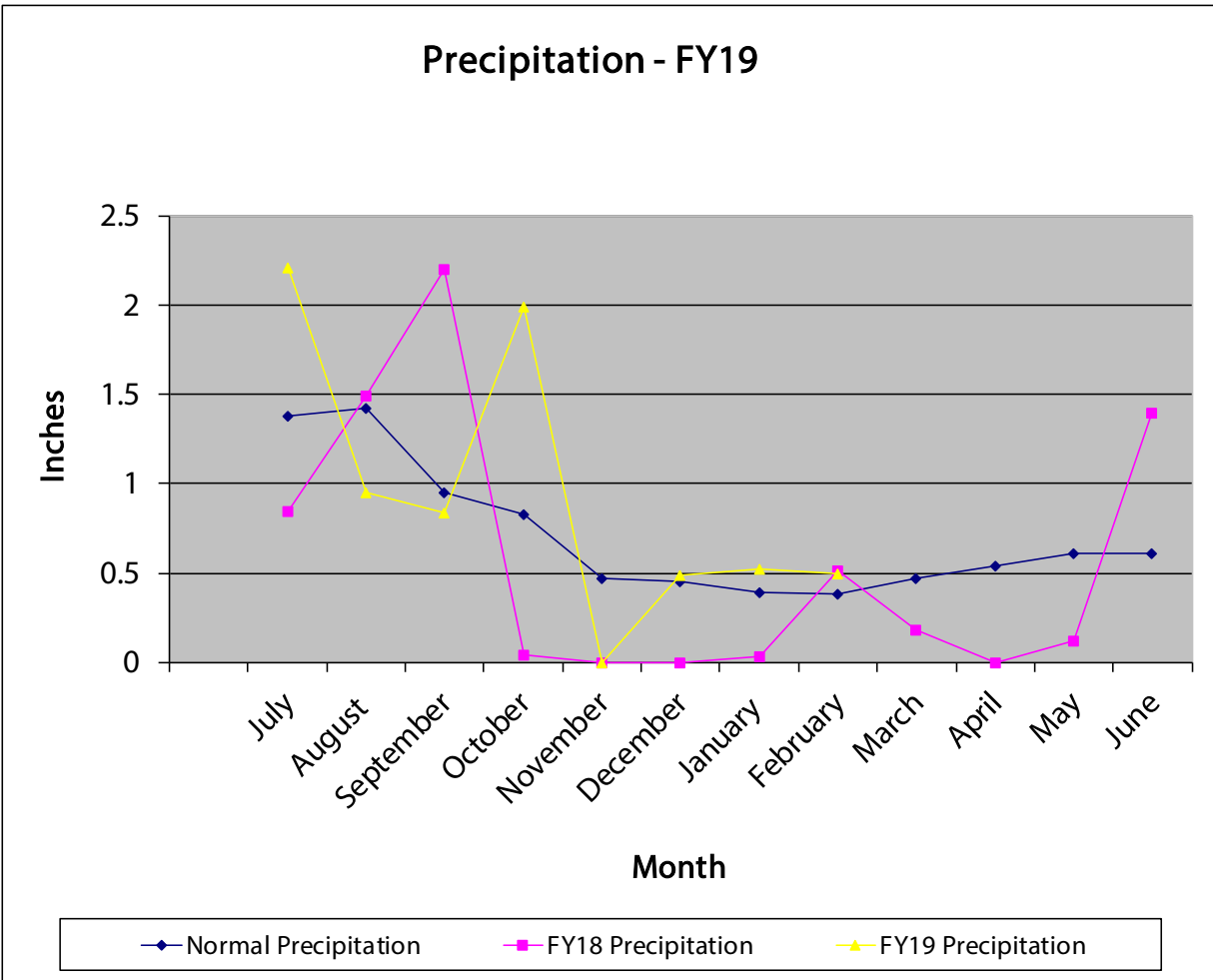


REVENUE OUTLOOK

*Proposed
Operating Budget
FY20*

PRECIPITATION HISTORY

A history of the precipitation for FY18 and FY19 as compared to the average moisture that the service area has received since the beginning of the fiscal year is seen in the chart below.



REVENUE OUTLOOK

The Water Authority's revenue projections are summarized in the two tables included in this section. Table 1, General Fund 21, presents the operating budgeted revenue for FY20 as compared to budget FY19. Table 2, Debt Service Fund 31, provides for the same comparison as Table 1. For FY18, the actual audited results are reported, and for FY19, budgeted revenues and estimated actuals are reported as well.

Total Water Authority General Fund revenues for FY19 are anticipated to be \$225.8 million. The system has seen minimal growth in the service area.

Budgeted General Fund revenues for FY20 are \$226.6 million, representing an increase of \$0.7 million over the FY19 Revised Budget amount, due to increases in interest income and administrative fees. There is no rate increase for FY20.

GENERAL FUND 21

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
RESOURCES:						
Rate Revenue						
Water Service	105,696	90,578	90,578	90,578	90,578	-
Water Facilities Rehab	37,326	32,402	32,402	32,402	32,402	-
Wastewater Service	42,622	64,869	64,869	64,869	64,869	-
Wastewater Facilities Rehab	33,456	27,602	27,602	27,602	27,602	-
Contr/Aid/Hookups	450	375	375	375	375	-
Water Resources Management	4,418	4,500	4,500	4,500	4,500	-
Total Rate Revenue	223,968	220,326	220,326	220,326	220,326	-
Other Revenue						
Solid Waste Admin Fee	1,480	1,509	1,509	1,509	1,637	128
DMD Admin Fee	348	359	359	359	496	137
Interest on Investments	322	540	540	540	1,000	460
PNM Pass Thru	(0)	-	-	-	-	-
Miscellaneous Revenue	2,826	3,109	3,109	3,109	3,109	-
Total Other Revenue	4,976	5,517	5,517	5,517	6,242	725
Transfers from Other Funds						
CIP Funded Employees	943	-	-	-	-	-
Total Transfers	943	-	-	-	-	-
Total Current Resources	229,887	225,843	225,843	225,843	226,568	725
Beginning Working Capital Balance	13,667	34,204	34,204	34,204	43,242	9,038
TOTAL RESOURCES	243,553	260,047	260,047	260,047	269,810	9,763

Note: The beginning working capital balance does not include GASB 45 or the rate reserve.

REVENUE OUTLOOK

The revenue increase for FY20 in the Debt Service Fund is projected to be \$5.6 million representing a decrease of \$1.5 million in Utility Expansion Charges (UEC) collected and a \$7.1 million increase in the transfer from the General Fund for debt service payments.

DEBT SERVICE FUND 31

(\$000's)	AUDITED FY18	ORIGINAL BUDGET FY19	REVISED BUDGET FY19	ESTIMATED ACTUAL FY19	PROPOSED BUDGET FY20	PROP 20/ REV 19 CHG
RESOURCES:						
Miscellaneous Revenues:						
Expansion Charges (UEC)	10,398	9,500	9,500	9,500	8,000	(1,500)
Total Miscellaneous Revenues	10,398	9,500	9,500	9,500	8,000	(1,500)
Transfer from Other Funds:						
General Fund - 21	70,908	71,631	72,267	72,267	79,411	7,144
Total Transfers	70,908	71,631	72,267	72,267	79,411	7,144
Total Current Resources	81,306	81,131	81,767	81,767	87,411	5,644
Beginning Fund Balance	52,819	56,420	56,420	56,420	51,824	(4,597)
TOTAL RESOURCES	134,125	137,551	138,187	138,187	139,235	1,047

ECONOMIC OUTLOOK

The following is based on the January 2019 forecasts from IHS Global Insight (IHS). Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios.

NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK

The national economy influences the Albuquerque and New Mexico economy in a variety of ways. Interest rates affect purchasing and construction. Federal government spending affects the local economy through spending and employment at the federal agencies, the national labs and military bases. Inflation affects prices of local purchases and wages and salaries of employees.

Baseline Scenario

This scenario reflects a probability of 60%. The key assumptions include:

- Gross Domestic Product (GDP) robust growth, at 3.1% in 2018 and 2.1% in 2019
- Consumer Spending, a key driver of growth, is up 2.8% in 2018 and 2.2% in 2019
- Business Fixed Investment growth peak at 6.9% in 2018 and slows to 3.3% in 2019
- Housing shows gradual improvement, with 1.4 million starts by late 2020
- Exports rise 2.7% in 2018 and 6.0% in 2019
- Fiscal Policy forecast incorporates the impacts of personal tax cuts extended, while entitlement spending will follow current program guidelines
- Monetary Policy Federal Reserve hikes the federal funds rate twice in 2019, once in 2020, bringing the upper end of the target range to 3.25%
- Credit Conditions are gradually easing
- Productivity Growth averages 1.3% from 2019 through 2022
- Consumer Confidence peaks in 4th Qtr. 2018 and trends modestly downward thru forecast period
- Oil Prices have Brent crude oil averages at \$65/barrel in 2019 and \$68 in 2020
- Stock Markets have the S&P 500 recoups, rising 15.3% in 2019 and 0.6% in 2020
- Inflation Consumer Price Index (CPI) is 1.8% in 2018, 2.0% in 2019, and 2.2% in 2020
- Foreign Growth Eurozone growth cools to 1.5%, while China's growth eases to 6.3%
- US Dollar real dollar peaks in 1st Qtr. 2019 and then depreciates

Pessimistic Scenario

This scenario reflects a probability of 25%. The key assumptions include:

- Gross Domestic Product (GDP) moderate growth, at 3.1% in 2018; below baseline in 2019; 1.7% in 2020 with a recession running from the first quarter of 2020 to the third quarter of 2020
- Consumer Spending, a key driver of growth, rises 2.8% in 2018 and 1.7% in 2019 before declining 0.3% in 2020 amid broad-based loss of confidence
- Business Fixed Investment growth expands 6.9% in 2018, slows to 2.7% growth in 2019, then drops 5.8% in 2020 as businesses trim capex in the face of falling demand
- Housing starts drop below baseline levels in 2019 and never surpass 1.3 million units thereafter
- Exports increase 2.7% in 2018, then 5.8% in 2019, before slowing to 2.0% growth in 2020
- Fiscal Policy forecast incorporates the impacts of personal tax cuts extended, while entitlement spending will follow current program guidelines
- Monetary Policy Federal Reserve lowers rate from 3rd quarter 2019 to the end of 2020
- Credit Conditions have lending standards remaining high
- Productivity Growth averages 1.1% during 2019-22, 0.2% below baseline
- Consumer Confidence drops from 2nd quarter 2019; remains below baseline
- Oil Prices are modestly lower than the baseline for the forecast interval

ECONOMIC OUTLOOK

- Stock Markets have the S&P 500 increasing by 14.0% in 2019, before declining 6.2% in 2020
- Inflation Consumer Price Index (CPI) falls below baseline levels until early 2025
- Foreign Growth slows during US recession period
- US Dollar depreciates quickly over recession period due to falling US rates

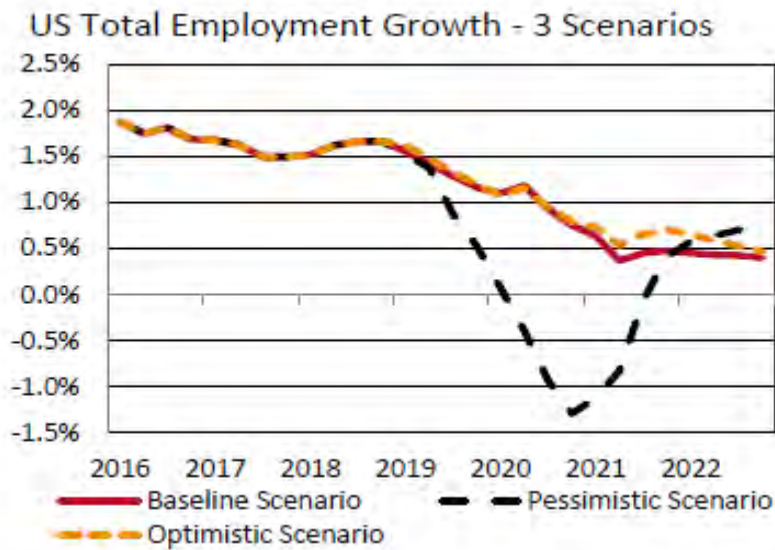
Optimistic Scenario

This scenario reflects a probability of 15%. The key assumptions include:

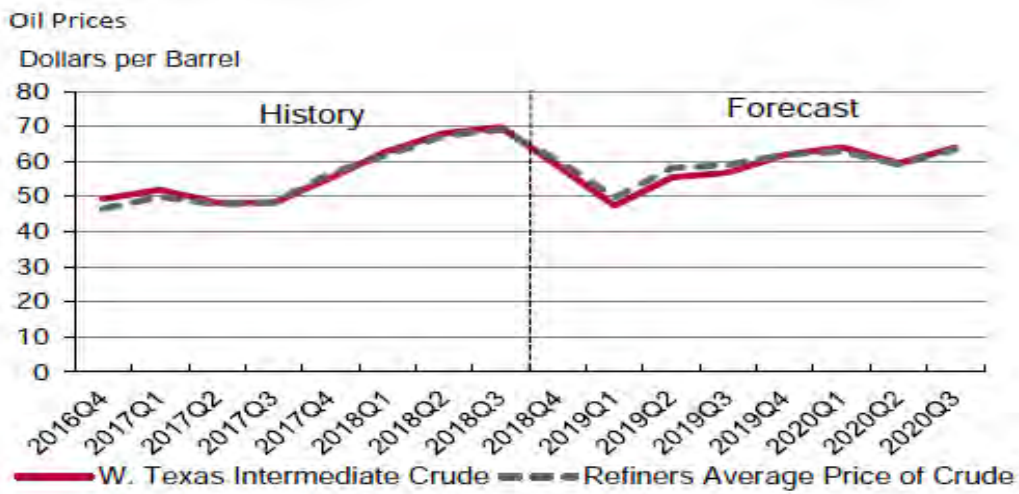
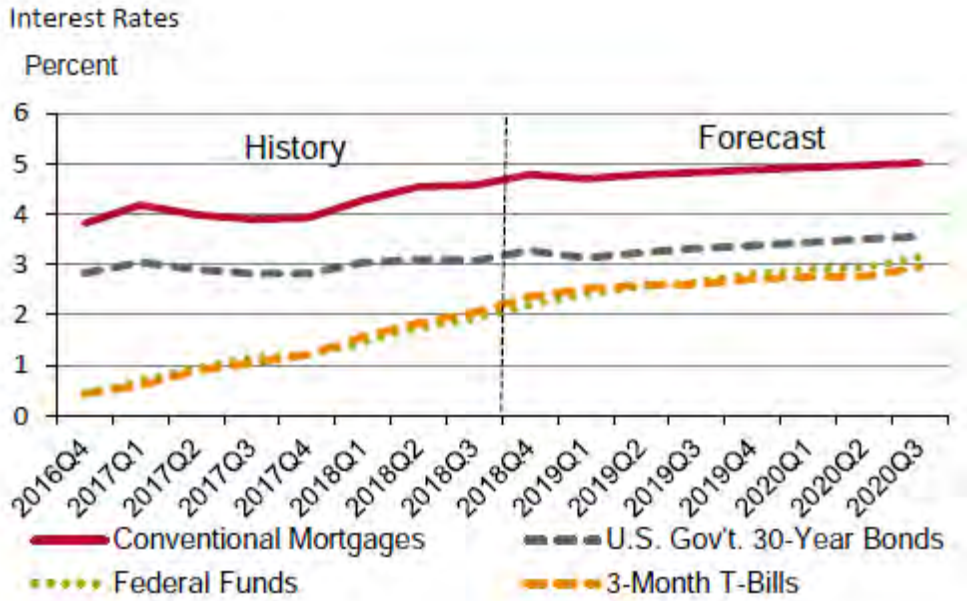
- Gross Domestic Product (GDP) growth hits 3.1% in 2018 and 2.9% in 2019 as productivity picks up; growth remains 0.9% higher than baseline over forecast interval
- Consumer Spending, a key driver of growth, is up 2.8% in 2018 and rises to 3.3% in 2019 due to faster real income growth
- Business Fixed Investment growth climbs 6.9% in 2018, before cooling to 4.7% growth in 2019
- Housing has young adults forming households in greater numbers due to strengthening economy, resulting in 1.5 million starts by mid-2021
- Exports increase 2.7% in 2018 and 6.1% in 2019
- Fiscal Policy forecast incorporates the impacts of personal tax cuts extended, while entitlement spending will follow current program guidelines
- Monetary Policy Federal Reserve rate settles at 3.25-3.50%, 0.50-0.75% higher than baseline
- Credit Conditions are rapidly easing
- Productivity Growth averages 2.1% during 2019-22, 0.8% above the baseline
- Consumer Confidence outperforms baseline for nearly the entire forecast interval
- Oil Prices have Brent crude oil averages at \$65/barrel in 2019 and \$68 in 2020
- Stock Markets have the S&P 500 climbs 17.8% in 2019 and 1.1% in 2020
- Inflation Consumer Price Index (CPI) is lower than the baseline from early 2019 to 2023 due to the lower natural rate of unemployment
- Foreign Growth improves thanks to a rebound in productivity growth
- US Dollar eventually depreciates more rapidly than baseline due to wider current-account deficit

ECONOMIC OUTLOOK

The following charts provide information on some of the key measures in the forecast.



ECONOMIC OUTLOOK



ALBUQUERQUE ECONOMIC OUTLOOK

The outlook for the Albuquerque economy is developed by the Bureau of Business and Economic Research (BBER) at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts of the state and local economy. The BBER FOR-UNM forecasting model for January 2019 provides the forecast of the Albuquerque economy that is presented in the following section.

Albuquerque MSA Employment

According to the most recent data from the Current Employment Statistics (CES), the Albuquerque MSA economy forecast points to growth of 1.4% for the remainder of the year.

Moving forward in 2019, the total employment in the Albuquerque MSA is forecasted to advance 1.4%. The private sector is forecasted to add 1.6% for the year; the government sector will also add 0.7%. Leading the gains will be the healthcare & social assistance sector (2.2%).

The construction sector is forecasted to add 4.3% in 2019 for that sector's seventh consecutive year of expansion.

Professional & technical services will gain 1.9%. Likely job expansion at Sandia National Laboratories will help to keep growth robust.

Accommodation and food services has been one of the consistent sectors since the start of the current recovery. This sector should expand for the ninth consecutive year by 1.5%.

Administrative and waste services is projected to strengthen by 1.1% in 2019 due to call-center expansion and gains in temporary employment in the MSA.

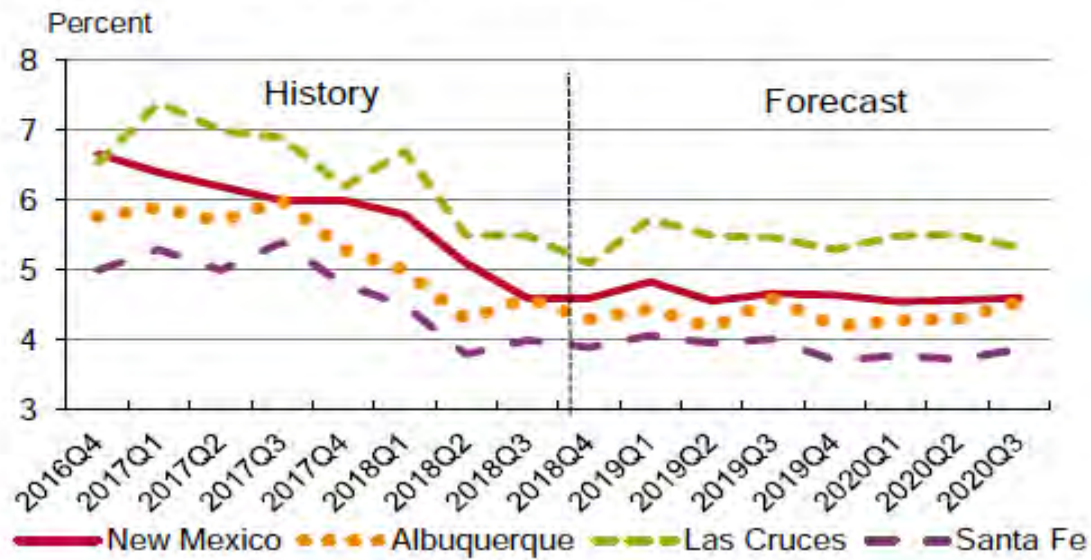
Other sectors expected to add job in 2019 include: finance & insurance 1.8%; educational services 3.3%; transportation, warehousing & utilities 1.3%; real estate, rental & leasing 2.2%; and wholesale trade 1.4%.

In the public sector, two of the three levels of government are expected to add jobs. While the federal government will decrease 1.1%, local government will increase 1.1% and state government will increase 1.3%.

In the longer term, through 2024, the Albuquerque MSA economy is forecasted to add 24,308 jobs for 1.3% average annual growth (AAG). Most of the growth over the period will be concentrated in the private sector (1.4%), however, the government sector will also contribute (0.9%).

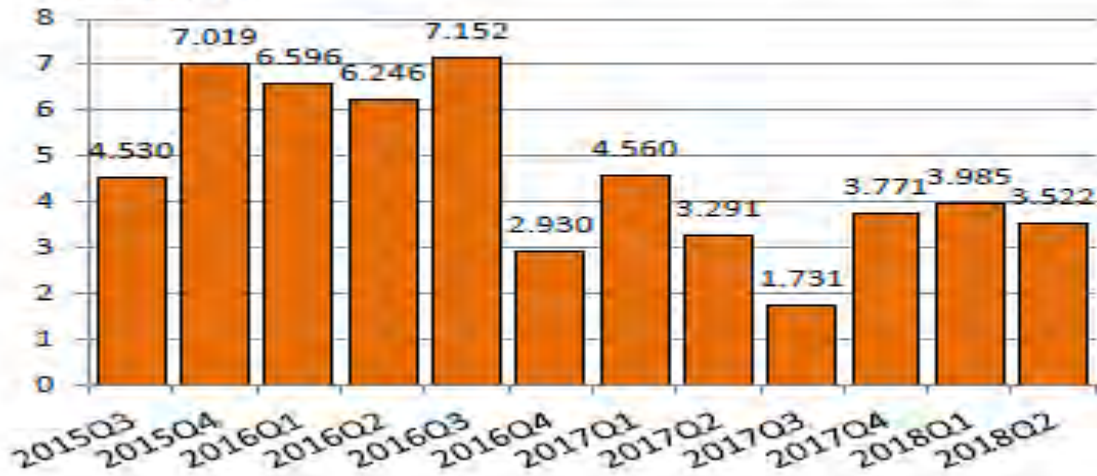
ALBUQUERQUE ECONOMIC OUTLOOK

Unemployment Rates - New Mexico & Metros



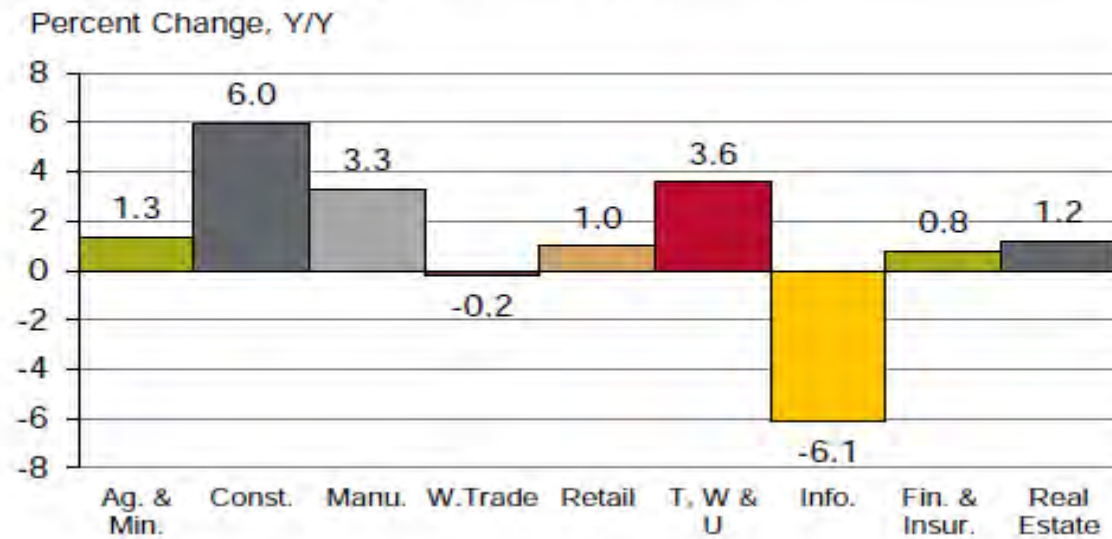
Albuquerque MSA Total Job Addition by Quarter

Thousands, Y/Y

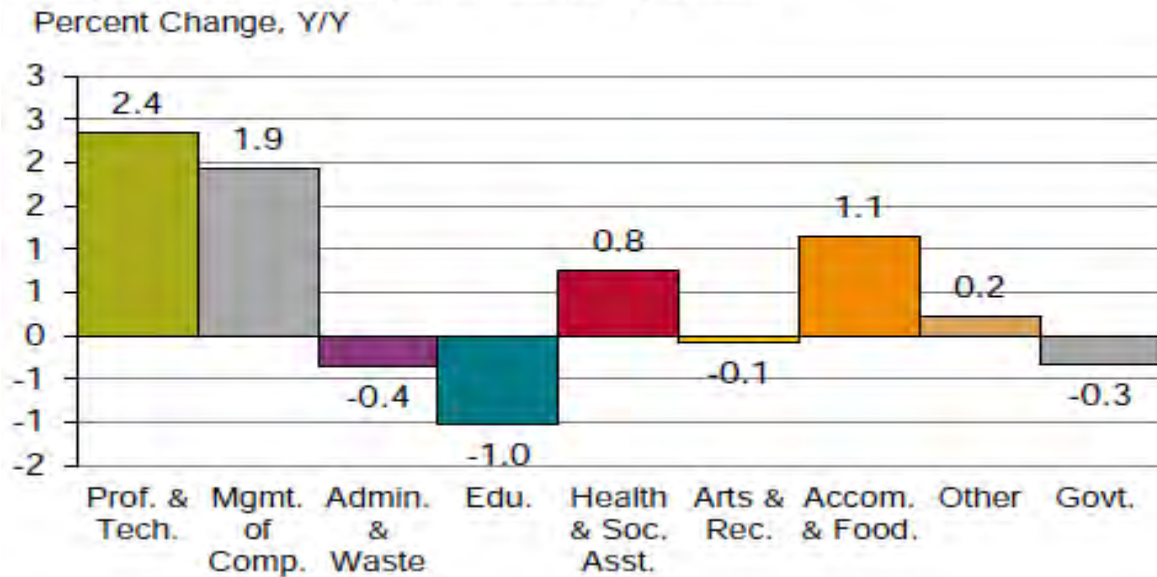


ALBUQUERQUE ECONOMIC OUTLOOK

Albuquerque MSA Employment Growth by Sector



Albuquerque MSA Employment Growth by Sector





CAPITAL BUDGET

*Proposed
Operating Budget
FY20*

CAPITAL BUDGET

What are Capital Improvements?

Capital Improvements include the purchase, construction, replacement, addition or major repair of public facilities, infrastructure, and equipment. The selection and evaluation of capital projects involves analysis of Water Authority requirements, speculation on growth, the ability to make estimates, and the consideration of historical perspectives. A "Capital Project" has a monetary value of at least \$5,000, has a useful life of more than two years, and results in the creation or revitalization of a fixed asset. A capital project is usually relatively large compared to other "capital outlay" items in the annual operating budget.

How are Capital Improvements Funded?

The Water Authority's Capital program is comprised of distinct categories of projects, each with its own funding rules. The Basic Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Program but are

funded from the same revenue stream that funds the Basic Program.

The current Rate Ordinance states that, on average, 50 percent of the cost of capital projects which constitute the normal (Basic) capital program of the water and sewer system shall be paid with cash rather than from borrowed funds. The balance of capital funding is obtained through revenue bond or loan financing.

The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Program.

System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Water Authority capital projects. UEC revenue is considered cash for purposes of meeting the cash test.

The Water Authority has increased in recent years its utilization of state and federal grants to fund some Capital Improvement Projects in part or in whole.



CAPITAL BUDGET

What is the Capital Improvement Plan (CIP)?

The CIP is a multiyear plan used to identify and coordinate capital needs in a way that maximizes the return to the ratepayers. Advanced planning of all Water Authority projects helps the Board, staff, and public make choices based on rational decision-making, rather than reacting to events as they occur. The CIP represents improvements that are viewed as urgent and can be funded from available revenue and/or reserve sources. The system of CIP management is important because: (1) the consequences of investments and capital improvements extend far into the future; (2) decisions to invest are often irreversible; (3) such decisions significantly influence a community's ability to grow and prosper.

The CIP Process

The development and update of the CIP is an ongoing activity. It is part of the overall budgeting process since current year capital improvements are implemented through adoption of the annual budget. Specific activities in the process are:

- **Establishing Timetables, Goals, and Objectives:**

At the onset of the budgeting process, the CIP update begins with formal budget planning decisions between management and department heads. Timetables are set that extend through development and final adoption of the budget. Water Authority goals and objectives are reviewed to ensure that they are being met through the budget cycle.

- **Taking Inventory and Developing Proposals:**

Staff gathers information about the Water Authority's capital facilities and equipment to assess the condition of each. Staff carefully considers construction, repair, replacement, and additions. From there, a list of proposed projects and equipment is developed.

- **Conducting Financial Analysis:** Finance staff conducts financial analysis of historic and projected revenues and expenses to estimate the Water Authority's cash flow and long-term financial condition. Capital financing alternatives are identified and recommendations are prepared to match the type of funding most appropriate for specific capital improvements.

The CIP Ten-Year (Decade) Plan

The blueprint for the Water Authority's Basic Program is its Decade Plan, a ten-year capital plan required to be updated biennially in even numbered fiscal years with two, four, six, eight and ten-year planning elements. The Decade Plan includes detailed requirements for program development and project scope, schedule, budget, justification and alternatives. The Decade Plan requires approval by the Water Authority Board with at least one public hearing and due deliberation. In those fiscal years where the Decade Plan must be updated, the new Decade Plan must be approved by the Water Authority's Board before that year's Capital Program budget can be approved. This policy ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2020 is the first year of the two-year planning element included in the FY20 – FY29 Decade Plan to be approved by the board in April 2019.

FY20 Water Authority Capital Improvement Program Budget

The FY20 capital program appropriation totals \$68.3 million. \$58.0 million is appropriated for the level one priority basic capital programs, \$4.0 million for growth related projects, \$6.0 million for special projects, and \$0.3 million from the Water Supply Charge revenue. There are no appropriations in the proposed FY20 CIP budget for projects that will be funded with revenues from FY21 or later.

CAPITAL BUDGET

Demonstrated in the table below is a detailed listing of all the Level 1 priority renewal projects, special projects, and growth-related projects.

Project Description	FY17 Actual (000's)	FY18 Actual (000's)	FY19 Budget (000's)	FY20 Budget (000's)
Basic Program Appropriations:				
Sanitary Sewer Pipeline Renewal	\$ 10,726	\$ 10,782	\$ 7,995	\$ 9,525
Drinking Water Pipeline Renewal	9,915	7,432	7,550	6,150
Southside Water Reclamation Plant Renewal	33,227	34,197	34,370	23,220
Soil Amendment Facility (SAF) Renewal	11	501	100	50
Lift Station and Vacuum Station Renewal	1,735	2,419	3,150	2,950
Odor Control Facilities Renewal	241	567	750	250
Drinking Water Plant Groundwater System Renewal	4,744	4,036	4,695	4,775
Drinking Water Plant Treatment Systems Renewal	1,717	1,079	4,910	1,750
Reuse Line and Plant Rehab	163	169	70	150
Compliance	188	514	195	390
Shared Renewal	899	1,003	15	390
Franchise Agreement Compliance	3,126	3,996	2,000	3,950
Vehicles and Heavy Equipment	921	3,341	4,818	4,450
Level 1 Priority Renewal Projects Total	\$ 67,613	\$ 70,036	\$ 70,618	\$ 58,000
Special Projects:				
Steel Waterline Rehab	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
Automated Meter Infrastructure (AMI)	2,026	1,079	2,000	2,000
Renewable Energy Projects	199	114	350	350
Fluoride Equipment	-	32	-	-
San Juan-Chama Drinking Water Project	4	-	-	-
San Juan-Chama Mitigation	278	328	-	-
SunGard ERP Project	106	1	-	-
Issuance Costs	710	-	-	-
NMED Grand SAP 14 1600 STB	92	18	-	-
Magnesium Hydro Project	38	27	-	-
Yucca and Central Odor Control	4,465	1,059	-	-
State of NM Capital Outlay Grants	-	-	-	2,691
Miscellaneous	783	3,338	5,000	-
Special Projects Total	\$ 8,701	\$ 6,996	\$ 8,350	\$ 6,041
Combined Level 1 Priority Renewal and Special Proj	76,314	77,032	78,968	64,041
Growth Projects:				
Drinking Water Plant Facilities Growth	\$ 234	\$ 3,521	\$ -	\$ -
Land & Easment Acquisition	-	30	-	500
Water Rights and Storage	22	19	-	-
Development Agreements	214	331	1,250	940
Management Information Systems/Geographical Information Systems (MIS/GIS)	2,738	3,378	3,500	2,000
Master Plans	118	205	-	500
Miscellaneous Growth	60	3	250	60
Level 1 Priority Growth Projects Total	\$ 3,386	\$ 7,487	\$ 5,000	\$ 4,000
Water 2120 Project Fund	389	24	300	300
Grand Total	\$ 80,089	\$ 84,543	\$ 84,268	\$ 68,341

CAPITAL BUDGET

FY19 Capital Program Highlights

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

Various projects include:

The sanitary sewer interceptor system is the backbone of the Water Authority's current sewer collection system. It is designed to carry large flows from the collection line system for delivery to the plant for treatment. 46-percent (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. This ultimately results in complete pipe failure which could cause a sinkhole to form at any time within the public right-of-way. Funding will be used 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.

Replacing whole segments of aged pipe will reduce ongoing operation and maintenance costs. If aging pipeline is not replaced, the impact of emergency response will increase for these repairs and multiple leaks will occur in the same segment of pipe. This program will provide funding for evaluation, planning, design, construction, and related activity necessary for the rehabilitation or replacement of water lines that have deteriorated and are past the useful life.

Funding will also be used for the completion of a Southside Water Reclamation Plant Screening Facility upstream of Lift Station 11A to provide removal of rags and large debris. This will assist in preventing clogging and rapid wear of the pumps at the lift station. These improvements will allow it to serve as a backup facility to Lift Station 11A. Other improvements include equipment hoists and HVAC/Odor Control systems.

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 CC&B, Maximo, OneSolution, 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.

The remainder of the Basic rehabilitation program is primarily focused on line contingency work and normal repair and maintenance work in the groundwater plant system with minimal planned projects.



DEBT OBLIGATIONS

*Proposed
Operating Budget
FY20*

DEBT OBLIGATIONS

The joint water and sewer system (the “Water/Sewer System”) was owned by the City of Albuquerque, New Mexico (the “City”) and operated by its Public Works Department until December 17, 2003. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque Bernalillo County Water Utility Authority (Water Authority) and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System would be transferred to the Water Authority. The legislation also provided that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of the Water Authority and that the Water Authority shall not impair the rights of holders of outstanding debts of the Water/Sewer System. The legislation also required that the New Mexico Public Regulation Commission audit the Water/Sewer System prior to the transfer of money, assets and debts of the Water/Sewer System; the audit was completed December 2003. The policy-making functions of the Water/Sewer System have been transferred to the Water Authority. The Water Authority and the City entered into a Memorandum of Understanding (MOU) dated January 21, 2004, as amended April 7, 2004, under which the City continues to operate the Water/Sewer System until June 30, 2007. In 2005, the New Mexico Legislature amended Section 7-1-10, NMSA 1978, to provide the Water Authority the statutory powers provided to all public water and wastewater utilities in the state and to recognize the Water Authority as a political subdivision of the state. On March 21, 2007 the Water Authority and City entered into a new MOU, effective July 1, 2007. At that time, the Utility employees transitioned from the City and became employees of the Water Authority.

The outstanding Water Authority parity obligations are currently rated “Aa2” by Moody’s, “AAA” by S&P and “AA” by Fitch.

The total outstanding obligation indebtedness of the Water Authority as of April 1, 2019 is \$620.9 million, shown in the table on the next page.

DEBT OBLIGATIONS

SCHEDULE OF BONDS & OTHER DEBT OBLIGATIONS

April 1, 2019

RATINGS: Aa2/AAA/AA

	<u>FINAL</u> <u>MATURITY</u>	<u>ORIGINAL</u> <u>AMT ISSUED</u>	<u>AMOUNT</u> <u>RETIRED</u>	<u>AMOUNT</u> <u>OUTSTANDING</u>	<u>INTEREST</u> <u>RATES</u>
SENIOR DEBT OBLIGATIONS					
Bonds Series 2009A-1	7/1/2019	135,990,000	127,595,000	8,395,000	3.00-5.50%
Bonds Series 2013A	7/1/2038	62,950,000	16,740,000	46,210,000	3.00-5.00%
Bonds Series 2013B	7/1/2024	55,265,000	26,790,000	28,475,000	3.00-5.00%
Bonds Series 2014A	7/1/2026	97,270,000	17,275,000	79,995,000	3.00-5.00%
Bonds Series 2015	7/1/2033	211,940,000	15,230,000	196,710,000	3.00-5.00%
Bonds Series 2017	7/1/2034	87,970,000	3,880,000	84,090,000	3.375-5.00%
Bonds Series 2018	7/1/2030	75,085,000	-	75,085,000	5.00%
NMFA Loan No. 07 2316-ADW	7/1/2031	1,000,000	327,603	672,397	3.00-5.00%
NMFA Loan No. 15	6/1/2036	53,400,000	21,280,000	32,120,000	3.00-5.00%
NMFA Loan DW4200	5/1/2040	505,000	-	505,000	0.25%
NMFA Loan DW4202	5/1/2040	250,000	-	250,000	0.25%
NMFA Loan DW4877	5/10/2040	<u>2,724,282</u>	-	<u>2,724,282</u>	0.25-2.00%
SUBTOTAL - SENIOR DEBT OBLIGATIONS		\$ 784,349,282	\$ 229,117,603	\$ 555,231,679	
SUBORDINATE & SUPER SUBORDINATE DEBT OBLIGATIONS					
Bonds Series 2014B	7/1/2025	\$ 87,005,000	\$ 28,140,000	\$ 58,865,000	3.00-5.00%
NMFA Loan No. 04 1727-AD	5/1/2030	<u>10,426,232</u>	<u>3,540,215</u>	<u>6,886,017</u>	1.00-5.00%
SUBTOTAL - SUBORDINATE & SUPER SUBORDINATE DEBT OBLIGATIONS		\$ 97,431,232	\$ 31,680,215	\$ 65,751,017	
TOTAL DEBT OBLIGATIONS		<u>\$ 881,780,514</u>	<u>\$ 260,797,818</u>	<u>\$ 620,982,696</u>	



APPENDIX

*Proposed
Operating Budget
FY20*

FY20 BUDGET METHODOLOGY AND ASSUMPTIONS

Numerical Rounding

Budgets were developed using whole numbers. When program strategies were summarized, each was rounded to the nearest one thousand. Rounding makes for ease of reading when reviewing the document.

Salaries

- The wage and salary base was established for each filled or authorized-to-be-filled position.
- This base is increased or decreased for all wage adjustments for FY20 to incorporate current contractual increases.
- Employee benefits are calculated on wage and salary costs at the following rates: FICA - 7.65% regular, RHCA-2.0%, PERA remains at 20.16% for blue and white collar and management/professional, this amount does include the additional 1.5% required by the PERA Legislation, and 7.00% for temporary employees and some seasonal employees. Other employee benefits (health, dental, vision, retiree health insurance, group life) – budgeted at FY19 amounts plus a 12% contracted rate increase.
- A vacancy savings rate of 0.5% for the Water Authority is calculated into employee salaries.

Operating Expenses

Division managers were required to provide detailed information supporting FY20 budget requests for supplies, repairs and maintenance, and contract services. Other FY20 operating expenses were equal to FY19 appropriated amounts. One-time appropriations for FY19 were deleted.

- Inflationary adjustments were not granted as automatic across-the-board adjustments.
- For FY20, utilities (gas, electricity, and water/wastewater) were budgeted based on historical expenses and anticipated needs.
- Power, chemicals and fuel will not exceed the CPI index and the cost of operating two water distribution systems will not exceed the consultant estimate.
- Beyond those stated above, line item increases needing special justifications include extraordinary price increases, increases in workload, or a special need not previously funded.
- Workers' Compensation and other insurance, tort and risk expenses are treated as expenses in the Risk department for FY20. These amounts are identified based on the historical experience and exposure factors relative to the Water Authority.
- Vehicle maintenance charges are estimated for FY20 according to the class of vehicle and historical cost of maintaining that class. These charges are designed to recover the costs of normal maintenance including a preventive maintenance program which schedules vehicles for periodic checks and needed repairs as determined by those checks.
- Fuel costs have been appropriated for FY20 per the US Energy Information Administration forecast of oil prices. The forecast for gasoline prices is \$2.55/gallon and for diesel is \$3.04/gallon.

Capital Expenses

New and replacement property items are included in the appropriate program appropriations within each of the funds.

ACRONYMS

A2LA – American Association for Laboratory Accreditation

ABCWUA – Albuquerque Bernalillo County Water Utility Authority

AMI – Automated Meter Infrastructure

AMP – Asset Management Plan

AMR – Automated Meter Reader

ASR – Aquifer Storage and Recovery

AWWA – American Water Works Association

BBER – University of New Mexico, Bureau of Business and Economic Research

CAFR – Comprehensive Annual Financial Report

CC&B – Customer Care and Billing

CCTV – Closed Circuit Television

CIP - Capital Implementation or Improvements Program

CIS – Customer Information System

CMMS – Computerized Maintenance Management System

CMOM – Capacity Management Operations & Maintenance Program

COLA - Cost-of-Living Adjustment

CPI-U - Consumer Price Index for all Urban Consumers

CSD – Customer Services program

CWA – Clean Water Act

DS - Debt Service

DWL – Drinking Water Loan

DWP – San Juan–Chama Drinking Water Project

EID – Environmental Improvement Division

EPA – Environmental Protection Agency

ERP – Enterprise Resource Planning

EUM – Effective Utility Management

FOG – Fats, Oils, & Grease

FTE - Full-time Equivalent Position

FY - Fiscal Year

GASB - General Accounting Standards Board

GDP - Gross Domestic Product

GFOA - Government Finance Officers Association

GI – Global Insight economic forecasting, formerly Data Resources Wharton Econometric Forecasting Associates International

GIS – Geographic Information System

GPCD – Gallons per capita per day

GPS – Global Positioning System

GRT – Gross Receipts Tax

HR – Human Resources

IDOH - Indirect Overhead

ITD – Information Technology Program

KAFB – Kirtland Air Force Base

LIMS – Laboratory Information Management System

LT2 – Long Term Enhanced Surface Water Treatment Rule 2

MDC – Metropolitan Detention Center

MGD – Million Gallons per Day

ACRONYMS

MIS – Management Information System	SAF – Soil Amendment Facility
MOU – Memorandum of Understanding	SCADA – Supervisory Control and Data Acquisition
MRGCOG – Middle Rio Grande Council of Governments	SDF – Solids Dewatering Facility
MSA – Metropolitan Statistical Area	SDWA – State Drinking Water Act
NBER – National Bureau of Economic Research	SJC – San Juan-Chama
NM – New Mexico	SJCWTP - San Juan–Chama Water Treatment Plant
NMDOT – New Mexico Department of Transportation	SNL – Sandia National Laboratory
NMED – New Mexico Environment Department	SOP – Standard Operating Procedures
NMFA – New Mexico Finance Authority	SRF – State Revolving Loan Fund
NMUI – New Mexico Utilities Group Inc.	SSO's – Sanitary Sewer Overflows
NPDES – National Pollution Discharge Elimination System	SWR - Sewer
NWSA – Northwest Service Area	SWRP - Southside Water Reclamation Plant
O/M – Operations and Maintenance	SWTP – Surface Water Treatment Plant
OERP – Overflow Emergency Response Plan	UCMR3 –Unregulated Contaminant Monitoring Rule 3 UEC – Utility Expansion Charge
OSHA – Occupational Safety and Health Administration	UEC – Utility Expansion Charges
P&I – Principal and Interest	UNM – University of New Mexico
PAFR – Popular Annual Financial Report	UV – Ultra-Violet
PERA - Public Employees Retirement Association	WPAB – Water Quality Advisory Board
PNM – Public Service Company of New Mexico	WPPAP – Water Quality Protection Policy & Action Plan
PTF – Preliminary Treatment Facility	WQL – Water Quality Laboratory
REC – Renewable Energy Credit	WRAC – Water Resources Advisory Committee
RRAMP – Reclamation Rehabilitation and Asset Management Plan	WTP – Water Treatment Plant
SAD - Special Assessment District	

GLOSSARY

ACCRUED EXPENSES: Expenses incurred but not due until a later date

ADJUSTMENTS FOR POLICY DIRECTION CHANGES: Approved adjustment to the maintenance-of-effort budget both positive and negative which are considered major policy issues

AMERICAN WATER WORKS ASSOCIATION: An international nonprofit scientific and educational society dedicated to the improvement of water quality and supply and is the authoritative resource for knowledge, information, and advocacy to improve the quality and supply of water in North America

ANNUALIZED COSTS: Costs to provide full year funding for services initiated and partially funded in the prior year

APPROPRIATION: Legal authorization granted by the Water Authority Board to incur expenses and to incur obligations for specific purposes within specified time and amount limits

APPROPRIATIONS RESOLUTION: Legal means to enact an appropriation request, e.g., annual operating budget

AUDIT: Official examination of financial transactions and records to determine results of operations and establish the Water Authority's financial condition

BASE BUDGET: Portion of an annual budget providing for financing of existing personnel, replacement of existing equipment, and other continuing expenses without regard for price changes

BONDED INDEBTEDNESS/BONDED DEBT: That portion of indebtedness represented by outstanding general obligation or revenue bonds

CAPITAL BUDGET: Plan of approved capital outlays and the means of financing them

CAPITAL EXPENSES: Expenses to acquire or construct capital assets

DEBT SERVICE FUND: Fund for the accumulation of resources to pay principal, interest, and fiscal agent fees on long-term debt

DEPARTMENT: A set of related functions that are managed below the Program Strategy level, and are the smallest unit of budgetary accountability and control

ENCUMBRANCES: Commitments of appropriated monies for goods and services to be delivered in the future

ENTERPRISE FUND: Fund established to account for services financed and operated similar to private businesses and with costs recovered entirely through user charges

FINANCIAL PLAN: See Operating Budget

FISCAL YEAR: For the Water Authority, a period from July 1 to June 30 where the financial plan (budget) begins the period and an audit ends the period

FRANCHISE FEE: A fee based upon gross revenue that results from an authorization granted to rent and use the rights-of-way and public places to construct, operate and maintain Water Authority facilities in the City of Albuquerque, Bernalillo County, Rio Rancho and the Village of Los Ranchos

FUND: Fiscal and accounting entity with self-balancing set of books to accommodate all assets and liabilities while conforming to designated parameters

FUND BALANCE: Fund equity of governmental funds

GOALS: General ends toward which the Water Authority directs its efforts in terms of meeting desired community conditions. The Executive Director and Water Authority Board with input from the community, establish Goals for the Water Authority

INDIRECT OVERHEAD: Cost of central services allocated back to a department through a cost allocation plan

GLOSSARY

INTERFUND TRANSFER: Legally authorized transfers from one fund to another fund

INTERGOVERNMENTAL REVENUES: Revenues from other governments in the form of grants, entitlements, shared revenues, etc.

ISSUE PAPERS: Forms used in the budget process to track and request budget changes

MAINTENANCE OF EFFORT: Base budget plus allowances for cost-of-living wage adjustments and inflationary price increases, or within a limited time frame

MAXIMO: Maximo Enterprise's asset and service management software capabilities maximize the lifetime value of complex assets and closely align them with the Water Authority's overall business strategy

NON-RECURRING EXPENSES: Expenses occurring only once, or within a limited time frame, usually associated with capital purchases and pilot projects

NON-RECURRING REVENUES: Revenues generated only once

NORTHWEST SERVICE AREA: Water and waste water service to approximately 17,000 accounts on Albuquerque's West Side. The 34-square-mile service area includes Paradise Hills and the Ventana Ranch subdivision

OPERATING BUDGET: Financial plan for future operations based on estimated revenues and expenses for a specific period

OPERATING EXPENSES: Term that applies to all outlays other than capital outlays

OPERATING REVENUES: Proprietary (enterprise service) fund revenues directly related to the fund's primary service activities and derived from user charges for services

PROGRAM STRATEGY: The unit of appropriations and expense that ties related service activities together to address a desired community condition(s) that pertains to one of the Water Authority's Goals

QUALSERVE: A voluntary, continuous improvement program offered jointly by the American Water Works Association and the Water Environment Federation to help water/wastewater utilities improve their performance and increase customer satisfaction on a continuing basis. The program evaluates all facets of the utility business including organization development, business operations, customer relations, and core water/wastewater operations. QualServe comprises of three components: Benchmarking, Self-Assessment, and Peer Review

RECURRING EXPENSES: Expenses generally arising from the continued operations of the Water Authority in a manner and at a level of service that prevailed in the last budget, or new and/or increased services expected to be provided throughout the foreseeable future

RECURRING REVENUES: Revenues generated each and every year

RATE RESERVE: A reserve set aside as restricted cash to be used as revenue in years when revenue is down to offset potential rate increases

RESERVE: Portion of fund balance earmarked to indicate its unavailability or to indicate portion of fund equity as legally segregated for a specific future use

REVENUES: Amounts received from taxes and other sources during the fiscal year

REVENUE BONDS: Bonds whose principal and interest are payable exclusively from earnings of the Water Authority, and are thereby not backed by the full faith and credit of the issuer

STATE ENGINEER PERMIT 4830: The permit allows the Water Authority to divert 97,000 acre-feet annually from the Rio Grande consisting of an equal amount of Water Authority San Juan-Chama water and native Rio Grande water. The native Rio Grande water is required to be simultaneously released from the Southside Water Reclamation Plant. The State Engineer's permit is the foundation of the Drinking Water Project from a water rights perspective

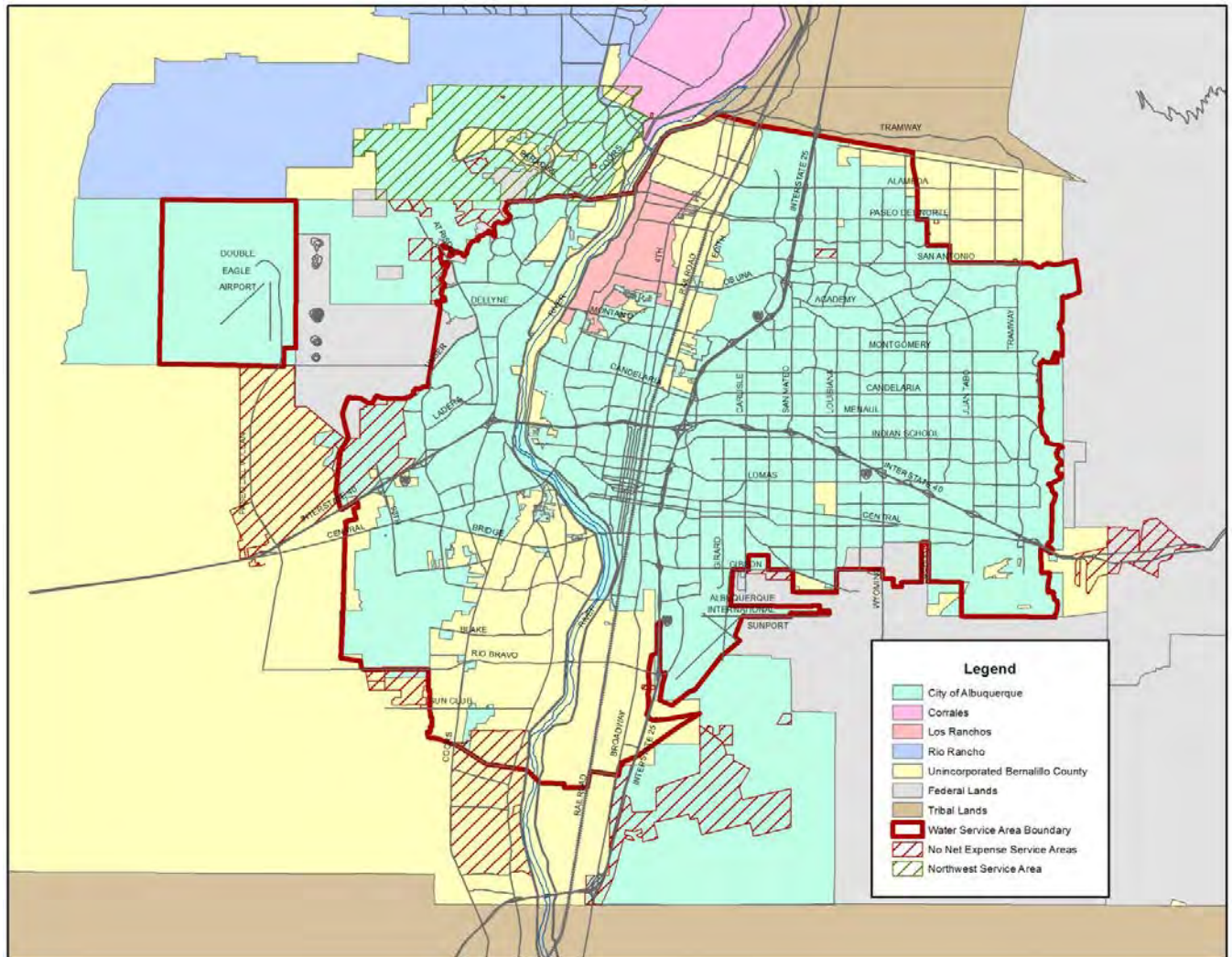
GLOSSARY

UNACCOUNTATED FOR WATER: The difference between the quantity of water supplied to the Water Authority's network and the metered quantity of water used by the customers. UFW has two components: (a) physical losses due to leakage from pipes, and (b) administrative losses due to illegal connections and under registration of water meters

UTILITY EXPANSION CHARGES: assessed by the Water Authority to compensate for additional costs associated with the type and location of new development

WORKING CAPITAL BALANCE: Remaining current assets in a fund if all current liabilities are paid with current assets

WATER SERVICE AREA MAP



Major Assets:

- 92 MGD San Juan-Chama Surface Water Treatment Plant
- Adjustable diversion dam, intake structure and raw water pump station on the Rio Grande
- 60 ground water supply wells (184 MGD)
- 62 water supply reservoirs providing both mixed surface and groundwater including non-potable reservoirs
- 46 pump stations including non-potable facilities
- 3,130 miles of water supply pipeline
- 4 arsenic removal treatment facilities (15 MGD)

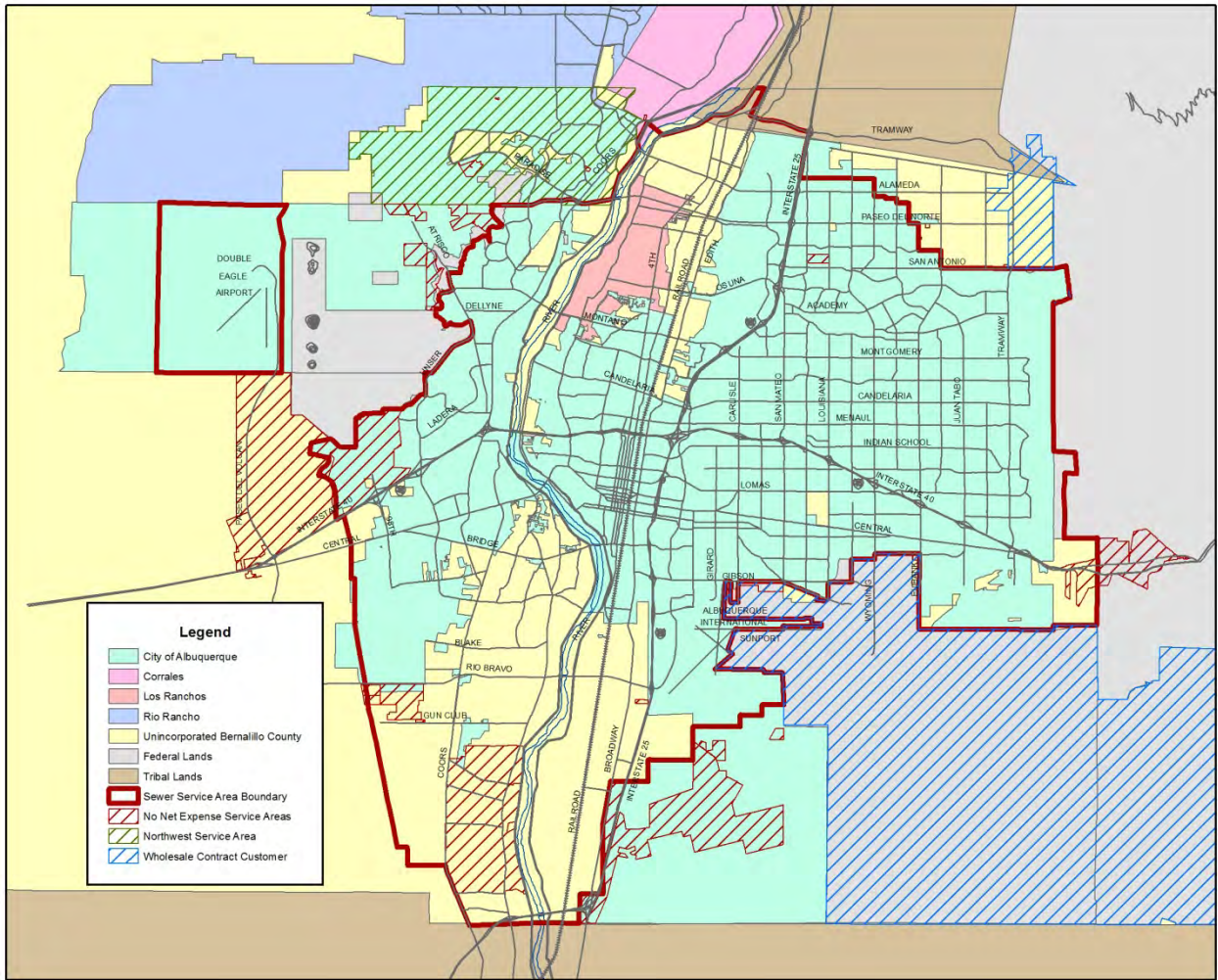
WATER SERVICE AREA MAP

The Water System provides water services to approximately 676,298 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the Water System. As of January 1, 2018, service is provided to approximately 211,899 customer accounts, including 183,018 residential and 28,881 multi-family, commercial, institutional and industrial accounts. Approximately 50% of the water sales are for residential uses.

Surface water from the San Juan-Chama project that is utilized through the San Juan-Chama Drinking Water Project is the primary source of potable water supply for the Water Authority. Groundwater is used to supplement surface water supplies to meet peak demands and to provide supply during drought periods or other times when surface water is not available. The Water Authority also owns and operates two non-potable water systems to provide irrigation and industrial water in the service area. In fiscal year 2018, the Water Authority's water resources use consisted of 29.9% from groundwater, 68.6% from San Juan-Chama surface water, and 1.5% from reuse of treated effluent for irrigation. The groundwater supply is produced from 60 wells grouped in 17 well fields located throughout the metropolitan area and the San Juan-Chama surface water is diverted from the Rio Grande River. Total well production capacity is approximately 294 million gallons per day (MGD). Eliminating high arsenic wells (those greater than 10 parts per billion arsenic) results in available production capacity of 184 MGD. Maximum historical peak day demand is 214 MGD. Peak day demand for 2017 was 147 MGD. The Water Authority also has four arsenic treatment facilities that remove naturally occurring arsenic from groundwater. Each well field includes chlorination for disinfection as required by the Safe Water Drinking Act.

Water storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 pounds per square inch (psi) for consumers. Sixty-two (62) reservoirs are located throughout the service area, with a total reservoir storage capacity of 245 million gallons. If demand requires, reservoir water can also be transferred to a higher zone or across zones through an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 129 boosters, with a total capacity of 775 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,130 miles of pipelines and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Water Authority's service area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the Water System for control from a central control facility.

WASTEWATER SERVICE AREA MAP



Major Assets:

- Southside Water Reclamation Plant
- 45 Lift Stations
- 2,400 miles of collection pipeline

WASTEWATER SERVICE AREA MAP

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

Treatment plant capacity is based upon 76 MGD hydraulic capacity. Existing flows at the plant have averaged 52 MGD over the past five years. The Authority has an operational industrial pretreatment program approved by the United States Environmental Protection Agency (EPA). The EPA recognized that the Water Authority's pollution prevention efforts have been largely responsible for the Water Authority maintaining compliance with strict standards contained in National Pollution Discharge Elimination System (NPDES) Permit #NM0022250. The Water Authority's wastewater effluent discharge consistently meets all NPDES permit requirements. In February 2017, the Water Authority submitted a NPDES permit renewal application. In March 2018, the EPA issued a Proposed NPDES Permit.

Since January 2003, the treatment plant has had a 6.6 mega-watt cogeneration facility to provide most of its power needs. The cogeneration facilities are complemented by a one mega-watt solar energy plant that began service in December 2012. These on-site power generating facilities normally supply 100% of the treatment plant's present electrical needs, along with providing heating of various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. The Southside Water Reclamation Plant currently generates electricity from the bio-gas produced in the digesters. This is no cost gas that qualifies the electricity generated for Renewable Energy Certificates (REC). These certificates have a value to other electrical energy producers and the Water Authority continues to research how to sell its RECs to increase revenue.

The Water Authority currently manages wastewater sludge using two methods: surface disposal and production of compost. The Water Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated surface disposal site is used when seasonal market conditions are not favorable for sale of compost product. During FY18, 59% 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 by the American Association for Laboratory Accreditation (A2LA). The Water Authority reduces expenses by analyzing most of the bacteriological samples at the Water Authority's internal water quality lab.



LEGISLATION

*Proposed
Operating Budget
FY20*

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-19-8

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RESOLUTION

APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY 1, 2019 AND ENDING JUNE 30, 2020

WHEREAS, the Albuquerque Bernalillo County Water Utility Authority (Water Authority) as a political subdivision of the State of New Mexico is required to budget and account for all money received or spent in accordance with New Mexico laws; and

WHEREAS, the Board, by Ordinance, has established a budget process for the Water Authority; and

WHEREAS, the Budget Ordinance requires the Executive Director to formulate the operating budget for the Water Authority; and

WHEREAS, the Budget Ordinance requires the Water Authority Board to approve or amend and approve the Executive Director’s proposed budget; and

WHEREAS, the Board has received the budget formulated by the Executive Director and has deliberated on it and provided public notice and input; and

WHEREAS, appropriations for the operation of the Water Authority must be approved by the Board.

BE IT RESOLVED BY THE WATER AUTHORITY:

Section 1. That the following amounts are hereby appropriated to the following funds for operating The Albuquerque Bernalillo County Water Utility Authority during Fiscal Year 2020:

<u>GENERAL FUND – 21</u>	231,347,000
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This appropriation is allocated to the following programs:

Administration	2,224,000
Risk	4,397,000
Legal	790,000
Human Resources	1,799,000
Finance	4,124,000

1	Customer Services	5,192,000
2	Information Technology	7,370,000
3	Wastewater Plant	11,786,000
4	San Juan-Chama Water Treatment Plant	4,285,000
5	Groundwater Operations	6,614,000
6	Wastewater Collections	7,077,000
7	Water Field Operations	23,824,000
8	Compliance	5,424,000
9	Planning & Engineering	4,008,000
10	Water Resources	4,675,000
11	Power & Chemicals	21,487,000
12	Taxes	656,000
13	Authority Overhead	1,839,000
14	San Juan-Chama	2,747,000
15	Transfers to Other Funds:	
16	Rehab Fund (28)	31,618,000
17	Debt Service Fund (31)	79,411,000
18	<u>DEBT SERVICE FUND – 31</u>	88,496,000

19 This appropriation is allocated to the following programs:

20	Debt Service	84,496,000
21	Transfer to Other Funds:	
22	Growth Fund (29)	4,000,000

23 Section 2. The Executive Director is authorized to develop and establish a
24 nonrecurring safety/performance incentive program. This program will provide
25 employees with an incentive based on cost reductions or performance enhancements
26 resulting in operating efficiencies and/or a reduction in work related losses. Funding for
27 this program is contingent on savings in the same or a greater amount.

28 Section 3. The Water Authority shall continue its partnership with non-profit
29 affordable housing developers under contract with local government whereby the first-
30 time homebuyer will not be required to pay the Utility Expansion Charge until the
31 property is sold. No more than 50 units per year will be authorized under this program.
32 The Water Authority will secure its position with a second mortgage.

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1 Section 4. If working capital balance exceeds 1/12 of operating expenses, and
2 debt service payments and debt service coverage are met, the remaining working
3 capital balance shall be reserved for capital projects.

4 Section 5. The Executive Director is authorized to carry out all appropriations
5 contained in this budget in accordance with established policies and procedures.

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[+Bracketed Material+] - New
[-Bracketed Material-] - Deletion

1	Lift Station and Vacuum Station Renewal	2,950,000
2	Odor Control Facilities Renewal	250,000
3	Drinking Water Plant Groundwater System Renewal	4,775,000
4	Drinking Water Plant Treatment Systems Renewal	1,750,000
5	Reuse Line and Plant Rehab	150,000
6	Compliance	390,000
7	Shared Renewal	390,000
8	Franchise Agreement Compliance	
9	3,950,000	
10	Vehicles and Heavy Equipment	4,450,000
11	<u>Special Projects:</u>	
12	Steel Waterline Rehab	1,000,000
13	Automated Meter Infrastructure (AMI)	2,000,000
14	Renewable Energy Projects	350,000
15	Miscellaneous (State of NM Capital Outlay Projects)	2,691,000
16	<u>Growth:</u>	
17	Land & Easement Acquisition	500,000
18	Development Agreements	940,000
19	MIS/GIS	2,000,000
20	Master Plans	500,000
21	Miscellaneous	60,000
22	<u>Other:</u>	
23	Water 2120 Project Fund	300,000
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