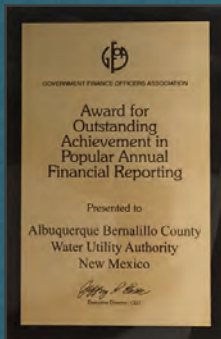




PLANNING FOR THE NEXT 100 YEARS

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The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Albuquerque Bernalillo County

Water Utility Authority (Water Authority) for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

A Certificate of Achievement is valid for a period of one year only. This was the Water Authority's first year receiving this award. Staff believes the report continues to conform to the Certificate of Achievement program requirements and will submit it to the GFOA to determine its eligibility for another certificate.

A plan for the future – built on past success.

That's the Water Authority's new water resources management strategy in a nutshell. The 100-year plan, entitled WATER 2120, incorporates and expands upon the time-tested strategies that have made Albuquerque and Bernalillo County a model of water management in the West. It's the focus of this year's annual report; read on to find out more!





TRUDY E.
JONES

FACING THE FUTURE HEAD-ON

This year's annual report focuses on the Water Authority's efforts to ensure a stable water future for our community. Specifically, it shines a spotlight on the new 100-year water plan approved by the utility's governing board in 2016.

That plan, entitled *WATER 2120: Securing Our Water Future*, builds on the community's past successes to chart a path forward. Those successes are reflected in the rebound of the aquifer beneath Albuquerque. Thanks to conservation and the addition of renewable surface water to our supply, groundwater reserves have increased by about one million acre-feet as compared to the 1990s. Monitoring wells show aquifer levels in some places have risen by more than 20 feet since 2008. This represents a complete reversal from the steady declines reported in the prior two decades.

We must keep up this good work. As *WATER 2120* emphasizes, our current efforts with respect to water reuse and aquifer storage and recovery (i.e., storing surface water underground) must be expanded. And our world-renowned conservation program must be updated, in the light of past gains, to ensure that we are using every drop as efficiently as possible while maintaining an acceptable quality of life for our citizens.

As we have already proven in Albuquerque, water scarcity solutions do exist. But they require wise investments, and the participation of the community. Not to mention years of hard work and planning – the kind exemplified in *WATER 2120*.

Trudy E. Jones

TRUDY E. JONES Chair

“WATER 2120 builds on the community's past successes to chart a path forward.”

Surface water, shown here at the diversion site for the San Juan-Chama Drinking Water Project, made up some 65 percent of the community's supply in calendar year 2016. Consistent use of surface water has contributed to the rebound of the underground aquifer beneath Albuquerque.



Creation of additional storage capacity, like the reservoir shown under construction here, is a key part of the *WATER 2120* strategy, which focuses on optimal use of existing resources.



MARK S. SANCHEZ

TAKING THE LONG VIEW

It's easy for people in the water utility business to get caught up in the considerable day-to-day challenges of delivering safe, clean drinking water to a thirsty community. But we lose sight of the big picture at our peril, because the future – with all its uncertainties surrounding climate, population growth, and water availability – will be here before we know it.

That's why the development and adoption of our new water resources management strategy – *WATER 2120* – was such an important accomplishment for the Water Authority in 2016.

WATER 2120, by focusing on the responsible and optimal use of existing supplies, builds upon the success of earlier strategies. It continues to emphasize conservation and the wise management of the regional underground aquifer while exploring innovative (and cost-effective) supply alternatives. And while it will require investment in new infrastructure

(for expanded storage capacity, for example), it does not require new or additional rate increases for implementation.

The plan takes the needs of agricultural users into account and has the blessing of such environmental champions as the Nature Conservancy. At the same time, it sends a strong signal to the business community that water resources, responsibly managed, are secure enough in Albuquerque to support investment and sustainable growth over the next century.

We're understandably proud of *WATER 2120* and the hard work that went into its creation. I hope you'll take a few moments to look through this annual report and learn how the plan works – and how we involved the community in its development.

MARK S. SANCHEZ Executive Director

"We're proud of WATER 2120 and the hard work that went into its creation."

YOUR WATER AUTHORITY

OPERATING BUDGET

\$202
MILLION

CAPITAL BUDGET

\$59
MILLION

SYSTEM ASSET VALUATION

\$5 + \$1.2
BILLION
(Replacement value) *in water rights*

OUTSTANDING DEBT

\$630
MILLION

BOND RATINGS

AA+ **Aa2** **AA**
S&P MOODY'S FITCH

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

ANNUAL WATER PRODUCTION
FY 2016

29.7
BILLION GALLONS

65% SURFACE WATER

35% GROUNDWATER
(projected, calendar year 2016)



632

EMPLOYEES *(budgeted)*

AVERAGE ANNUAL DISCHARGE TO THE RIO GRANDE
FY 2016

18.2
BILLION GALLONS

~50 MILLION GALLONS PER DAY



209,363

CUSTOMER ACCOUNTS

GOVERNING BOARD

The Water Authority is accountable to its ratepayers through a governing Board consisting of seven elected officials: three Albuquerque City Councilors, three Bernalillo County Commissioners, and the Mayor of Albuquerque or his designee. Also serving is a non-voting member from the Village of Los Ranchos. Board members as of December 2016:



Trudy E. Jones
City Council
District 8, Chair

Art De La Cruz
County Commission
District 2, Vice-Chair

Richard J. Berry
Mayor,
City of Albuquerque

Pat Davis
City Council
District 6



Maggie Hart Stebbins
County Commission
District 3

Debbie O'Malley
County Commission
District 1

Ken Sanchez
City Council
District 1

Pablo Rael
Village of Los Ranchos, ex officio

SENIOR STAFF

Mark S. Sanchez
Executive Director

John M. Stomp III, P.E.
Chief Operating Officer

Stan Allred
Chief Financial Officer

Charles W. Kolberg
General Counsel

Frank Roth
Senior Policy Manager

David Price, P.E.
Engineering &
Planning Manager

Katherine Yuhas
Water Resources Manager

Charles Leder
Plant Operations Manager

James H. Olsen Jr., P.E.
Field Operations Manager

Mark Kelly
Regulatory Compliance
Manager

HoBERT "H" Warren
Customer Service Manager

Judy Bentley
Human Resources Manager

Cody Stinson
Information Technology
Manager

David Morris
Public Affairs Manager



What will Albuquerque's water situation look like in 100 years?

The outlook is positive, thanks to a new management strategy that gives us a better idea what may lie in store – and how to plan for it.

Entitled *WATER 2120: Securing Our Water Future, the Water Authority's new water resources management strategy*

takes climate variability into account while recommending multiple options to ensure a long-term supply for the community. And, unlike earlier strategies that only projected 40 years into the future, *WATER 2120* looks at a 100-year planning horizon.

"We know of no other community in the West that is taking this kind of long-term view of water planning," said City Councilor Trudy Jones, Chair of the Water Authority Board. "*WATER 2120* uses the best available science and takes different growth and water availability scenarios into account while charting numerous supply alternatives."

The plan, which evolved from earlier strategies developed over the past two decades, was more than two years in the making. It drew on climatological modeling from the U.S. Bureau of

Reclamation (BOR) and had input from experts in the fields of hydrology, economics and environmental science.

"One of the great things about *WATER 2120* is its focus on the use of locally available supplies rather than looking elsewhere," said Art De La Cruz, the Board's Vice-Chair. "By making prudent future investments in conservation, aquifer storage and recovery (ASR), stormwater capture, wastewater reuse and other alternatives, the community can optimize its use of existing supplies under a variety of climate and growth scenarios."

The *WATER 2120* plan, developed in consultation with the Water Authority's Technical Customer Advisory Committee, will be updated every 10 years, with interim reviews. It was unanimously adopted by the utility's governing board after receiving support from numerous agencies and organizations, including the Nature Conservancy, the U.S. Fish and Wildlife Service, the Greater Albuquerque Chamber of Commerce, BOR, and the Army Corps of Engineers.

Water Authority officials do not expect the plan to require rate adjustments for implementation.

HOW IT WORKS

WATER 2120 looks at the current water situation in Albuquerque and **projects the community's needs based on various scenarios of climate variability and population growth.**

The plan **builds on the community's past success in conservation and its addition of surface water to the drinking water supply.** This success is reflected in the aquifer beneath Albuquerque, which has been rising for several years and which is expected to continue rising for another decade or more.

The plan **provides for a reliable water supply while wisely managing and preserving the aquifer.**

For more information about the plan and its attendant policies, please visit the Water Authority's website at www.abcwua.org



PUBLIC INVOLVEMENT IS KEY TO PLAN DEVELOPMENT

"CUSTOMER CONVERSATIONS" AND TOWN HALL OFFER CHANCES FOR INTERACTION, INPUT

Public participation played an important role in the creation of the *WATER 2120* plan, with some 200 Water Authority customers participating in "Customer Conversations" forums in June of 2016 to offer their input.

The evening gatherings, held in each quadrant of the city, sought feedback from citizens on the best alternatives for ensuring a secure water supply for the next 100 years. These meetings were followed in July with a community Town Hall in which more than 150 customers participated.

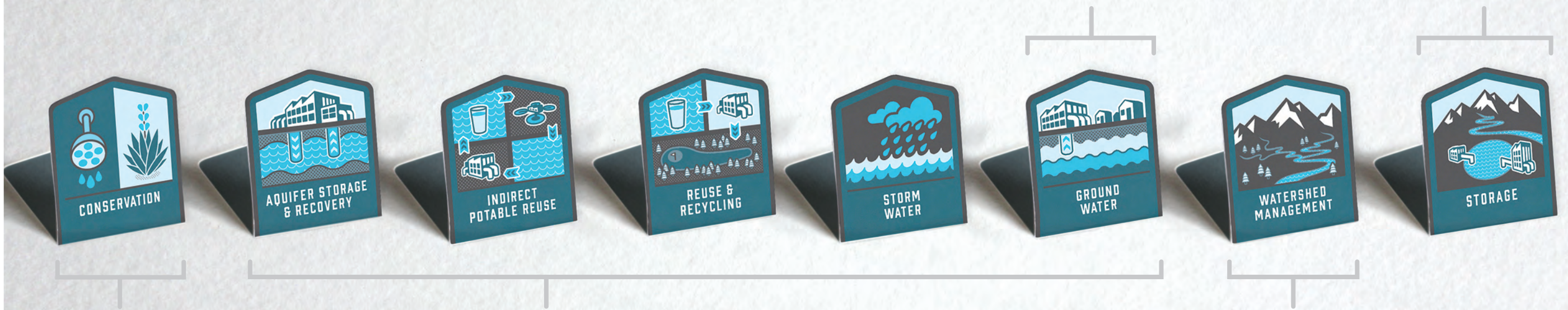
The "Customer Conversations" events consisted of presentations by Water Authority staff followed by hands-on activities that allowed participants to explore the most effective ways to meet future water demand.

"The exercises we designed allowed customers to see the tradeoffs involved in investing in water supply alternatives, and the relative impact of various strategies in terms of meeting demand," said Katherine Yuhas, the Water Authority's Water Resources Manager. "One thing that was impossible to overlook was the importance of conservation in any plan that we develop."

"After a personal review of WATER 2120 with the Water Utility Authority's staff it is clear that this plan has the potential to set the standard for water management in the Western United States."

U.S. REP. MICHELLE LUJAN GRISHAM

WATER 2120: KEY ELEMENTS



CONSERVATION

Over the past 20+ years, overall demand for water has dropped significantly even while population has increased. Building on this success is a foundational element of the *WATER 2120* plan. It calls for a reduction in per capita daily use from 130 gallons today to 110 gallons over 20 years. Per-capita daily usage was at 252 gallons in the mid-1990s.

A DIVERSE SUPPLY PORTFOLIO

The Water Authority currently uses six sources of supply: surface water, groundwater, aquifer storage and recovery (ASR), non-potable surface water for turf irrigation and two reuse projects for turf irrigation. The plan calls for continued use of these existing alternatives (with expansion of ASR) plus the addition of stormwater capture to the portfolio. Eventually, recycling water for drinking through an indirect potable reuse system will also contribute to the local supply.

ENVIRONMENTAL AND CULTURAL RESPONSIBILITY

The plan calls for no additional acquisition of pre-1907 water rights, leaving more water available for agriculture. It also emphasizes the management and preservation of the environmentally sensitive watersheds where the community's surface-water supply originates.

GROUNDWATER MANAGEMENT AND PRESERVATION

Groundwater levels in the aquifer are currently rising due to conservation and the use of surface water from the San Juan-Chama Drinking Water Project. *WATER 2120* establishes a management level for groundwater supplies and policies for maintaining the aquifer as a long-term resource for the community.

NEW STORAGE CAPACITY

An expanded reuse system and the addition of stormwater resources will require new places to keep this water before use (e.g., reservoirs and underground storage).

PLAN RECEIVES BROAD SUPPORT

WATER 2120 RECEIVED BIPARTISAN SUPPORT AND ENDORSEMENTS FROM AGENCIES AND ORGANIZATIONS ACROSS THE FUNCTIONAL AND POLITICAL SPECTRUM, INCLUDING:

- Congresswoman Michelle Lujan Grisham
- U.S. Bureau of Reclamation
- Army Corps of Engineers
- The Nature Conservancy
- Rio Grande Water Fund

- New Mexico Interstate Stream Commission
- Business Water Task Force
- Middle Rio Grande Conservancy District
- NAIOP (Commercial Real Estate Development Association)
- Albuquerque Economic Development

- New Mexico Home Builders Association
- Albuquerque Economic Forum
- Greater Albuquerque Chamber of Commerce
- New Mexico Water Collaborative
- Water Authority Technical Customer Advisory Committee



EXTENSIVE WORK AHEAD OF RAPID TRANSIT PROJECT

Construction of the City of Albuquerque's bus rapid transit system got under way in late 2016 – but Water Authority contractors were working well in advance of the project to move and replace water lines that might conflict with system infrastructure.

Albuquerque Rapid Transit, or ART, will run along Central Avenue from Coors Boulevard on the West Side to Louisiana Boulevard on the East Side. The Water Authority's utility work ahead of the project is required under its franchise agreement with the City. Water Authority engineers say much of the work would have been needed in any event, considering the age of the water lines in question.

The work is expected to cost between \$4 million and \$8 million, which will come from the utility's capital budget. More information on ART can be found at www.brtaabq.com



Below, Water Authority contractors work to relocate and replace a water line along Central Avenue at San Mateo ahead of the anticipated ART project.

HIGH-ARSENIC WELL REHAB A SUCCESS

The Water Authority succeeded in 2016 in modifying a high-arsenic well in the Northeast Heights to bring it into compliance with federal arsenic standards and make it operational again.

The well, located near the intersection of Montgomery and Pennsylvania, went back into service on August 30 following several months of studies and well modifications. These consisted of plugging the bottom 400 feet of the well screen, allowing water to be drawn exclusively from a section of the aquifer that has lower arsenic concentrations.

The well was taken out of service in 2007. Its arsenic content, at 12 parts per billion, had exceeded the federal limit of 10 parts per billion.

"We are now well under that limit, at about 6 parts per billion," said Water Authority Chief Engineer Anthony Montoya.

The cost of the project, about \$444,000, was significantly lower than the cost to construct a new well, which can be more than \$2 million.

The Water Authority is planning to explore whether other high-arsenic wells might be candidates for rehab, Montoya said.



At left, a Water Authority contractor works on the high-arsenic well rehab project in Albuquerque's Northeast Heights.



Above, a news cameraman films San Juan-Chama water flowing into the Bear Canyon Arroyo prior to its infiltration into the aquifer.

FIRST ASR RECOVERY FROM BEAR CANYON PROJECT

The Water Authority late in 2015 withdrew water for the first time from its Bear Canyon Recharge Project, the first initiative in New Mexico to store surface water in an underground aquifer for later use.

After a pilot program in 2008-09, the project began in earnest in November of 2014 with the release of imported surface water from the San Juan-Chama project into the Bear Canyon Arroyo in the Northeast Heights. The water flows into the arroyo from the Arroyo Del Oso Reservoir and into the aquifer via the streambed.

Approximately 1,578 acre-feet (514 million gallons) have been stored underground so far, and about 1,357 acre-feet (442 million gallons) of stored water have been withdrawn for consumption.



Watch the TV spot on YouTube at: <https://youtu.be/3YTqW154NE>

“SPOKES-ELEPHANT” EXPANDS MESSAGE TO CONSERVATION

In April the Water Authority began running radio, television and outdoor ads featuring the elephant spokes-animal made famous in the utility’s anti-grease campaign. “Chuckie,” as he’s known internally, is now spreading the conservation message and reminding folks to “Water by the Numbers” (and water their trees, which need special attention in our desert environment).

EMPLOYEE SATISFACTION SURVEY RESULTS SHOW POSITIVE REGARD FOR UTILITY

Results of the Water Authority’s first comprehensive employee survey were published in 2016, and overall satisfaction with the utility as a workplace was high.

The survey, distributed to all employees, looked at satisfaction in areas such as benefits, training, employee recognition, communication, work environment and work motivation. Some 232 line employees and 132 supervisors/managers completed the survey. The table below summarizes employees’ responses in five areas of employee satisfaction:

AREA OF SURVEY	RESPONSES	
	POSITIVE	NEGATIVE
Pride in one’s workplace	88%	12%
Positive work environment	81%	19%
Satisfaction with leadership	77%	23%
Ability to perform my job well and be recognized	80%	20%
Prospects for growth	74%	26%

“Obviously we are pleased with the survey results,” said utility Human Resources Manager Judy Bentley. “Nevertheless, as a best-practices water and sewer provider we are always looking for opportunities to excel and will be holding discussions with employees to explore areas for further improvement.”

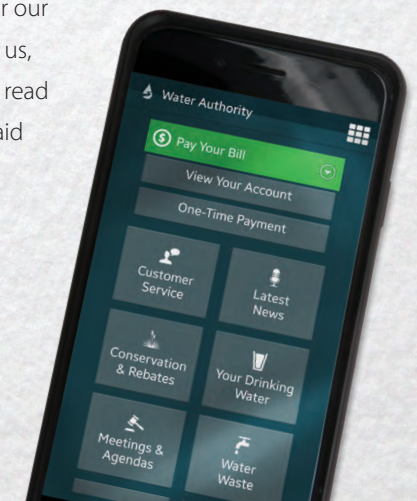
WATER AUTHORITY UNVEILS NEW MOBILE APP

The Water Authority in December of 2015 announced the release of its first mobile app, which allows customers easier access via their mobile devices to web-based Water Authority information and services. The free application is available for iOS and Android devices by searching “Albuquerque Water Authority” at the App Store or Google Play.

The app, developed by Albuquerque company Real Time Solutions, is essentially the Water Authority’s website optimized for mobile devices. It includes

such features as account management, one-time bill payment and access to the Water Authority’s online employment application system.

“We’re trying to do everything we can to make it easier for our customers to interact with us, whether it’s to pay a bill or read the latest agency news,” said Water Authority Customer Service Manager Hobert “H” Warren. “We think this app helps us do that.”





NAIOP, in giving the Water Authority its 2015 Vision Award, cited such environmental efforts as the solar array (above) at the utility's Southside Water Reclamation Plant.

NACWA, NAIOP LAUD UTILITY'S MANAGEMENT, SUSTAINABILITY EFFORTS

The Water Authority received local and national recognition for excellence in management and environmental responsibility. The local chapter of NAIOP (the Commercial Real Estate Development Association) bestowed its Vision Award on the utility, citing the Water Authority's conservation, renewable energy, and habitat restoration programs, as well as its "dedicated and knowledgeable staff."

Meanwhile NACWA (the National Association of Clean Water Agencies) announced a Gold Medal Award for the utility for its excellence in management. Along with the U.S. Environmental Protection Agency, it also named the Water Authority a "Utility of the Future Today" in recognition of the utility's biosolids recycling program and water reuse efforts.

WEF RECOGNITION FOR EDUCATIONAL, ENVIRONMENTAL PROGRAMS

Accepting the awards on behalf of the Water Authority were Charlie Leder, Plant Operations Manager (right) and Education Coordinator Erin Keck (left).



The Water Authority was recognized by the Water Environment Federation at its annual meeting in New Orleans in September as a "Utility of the Future" for its environmental and education programs. The utility was lauded for its effluent and bio-solids reuse and bio-gas energy recovery initiatives, and for its conservation education work with Albuquerque school children.

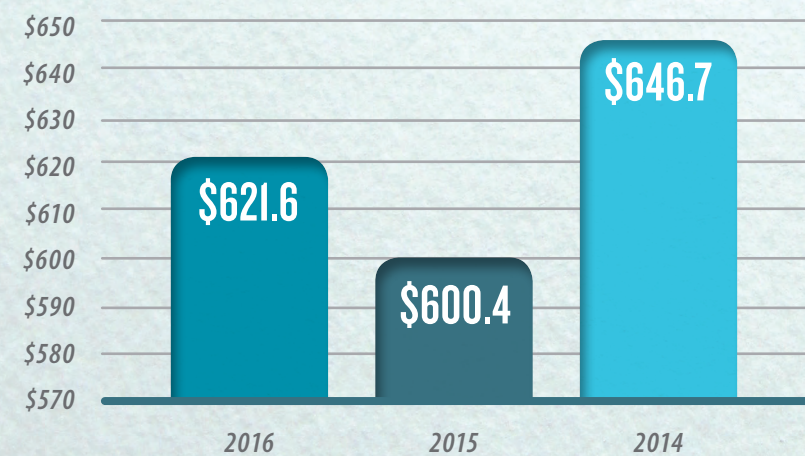
Economic Context

The Water Authority serves a population of some 650,000 people in Albuquerque, New Mexico and certain unincorporated areas of Bernalillo County. Albuquerque is the state's largest city and its major commercial, trade, service and financial center. The city's largest employers are in the public sector: The University of New Mexico; Albuquerque Public Schools; Sandia National Laboratories; and Kirtland Air Force Base. However, the Bureau of Business and Economic Research projects most job gains will come in the private sector over the next four years.

Condensed Statement of Net Position *(In thousands of dollars)*

The Statement of Net Position provides information on all of the Water Authority's assets and liabilities, with the difference between the two reported as net position. This table presents a summarized comparative statement of net position for the last three fiscal years.

	FY2016	FY2015	FY2014	Variance	
				2016 v 2015	2015 v 2014
ASSETS					
Current assets	\$121,366	\$85,288	\$78,784	\$36,078	\$6,504
Other assets	50,489	81,668	36,613	(31,179)	45,055
Capital assets, net	1,187,301	1,220,391	1,245,562	(33,090)	(25,171)
Total assets	1,359,156	1,387,347	1,360,959	(28,191)	26,388
Deferred outflow of resources	34,627	32,304	-	2,323	32,304
LIABILITIES					
Current liabilities	81,583	74,294	66,823	7,289	7,471
Long-term liabilities	680,942	733,412	647,414	(52,470)	85,998
Total liabilities	762,525	807,706	714,237	(45,181)	93,469
Deferred inflow of resources	9,588	11,503	-	(1,915)	11,503
NET POSITION					
Net investment in capital assets	568,245	576,678	595,695	(8,433)	(19,017)
Unrestricted	53,425	23,764	51,027	29,661	(27,263)
Total Net Position	\$621,670	\$600,442	\$646,722	\$21,228	\$(46,280)



CHANGE IN NET POSITION
in millions

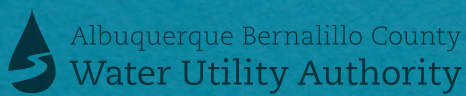
Condensed Statement of Revenues, Expenses, and Changes in Net Position

(In thousands of dollars)

The Statement of Revenues, Expenses, and Changes in Net Position provides general understanding of how available resources are used to provide services. This table presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years.

	FY2016	FY2015	FY2014	Variance	
				2016 v 2015	2015 v 2014
OPERATING REVENUES					
Water system	\$148,623	\$126,818	\$119,791	\$21,805	\$7,027
Wastewater system	68,166	64,171	61,327	3,995	2,844
Miscellaneous	1,339	1,323	1,232	16	91
Total Operating Revenues	218,128	192,312	182,350	25,816	9,962
NON-OPERATING REVENUES					
Investment income	155	44	160	111	(116)
Utility expansion charges	9,257	7,541	7,872	1,716	(331)
Other non-operating revenues	5,828	2,157	8,245	3,671	(6,088)
Total Non-Operating Revenues	15,240	9,742	16,277	5,498	(6,535)
Total Revenues	233,368	202,054	198,627	31,314	3,427
OPERATING EXPENSES					
General and administrative	67,982	61,107	61,696	6,875	(589)
Source of supply, pumping, treatment and distribution	46,986	46,525	46,538	461	(13)
Non-capitalized major repair	4,285	6,429	5,642	(2,144)	787
Depreciation	80,357	83,094	84,788	(2,737)	(1,694)
Total Operating Expenses	199,610	197,155	198,664	2,455	(1,509)
NON-OPERATING EXPENSES					
Interest expense	18,034	19,857	27,546	(1,823)	(7,689)
Other non-operating expenses	-	2,272	812	(2,272)	1,460
Total Non-Operating Expenses	18,034	22,129	28,358	(4,095)	(6,229)
Total Expenses	217,644	219,284	227,022	(1,640)	(7,738)
Income (Loss) Before Capital					
Contributions	15,724	(17,230)	(28,395)	32,954	11,165
Capital Contributions	5,504	7,348	9,388	(1,844)	(2,040)
Change in Net Position	21,228	(9,882)	(19,007)	31,110	9,125
Net Position, beginning of year	600,442	610,324	665,729	(9,882)	(55,405)
Net Position, end of year	\$621,670	\$600,442	\$646,722	\$21,228	\$(46,280)

Please note that this is a summary popular report intended for general readership and as such does not contain all the information available in the utility's Comprehensive Annual Financial Report (CAFR). To view the FY 2016 CAFR, which is prepared in accordance with generally accepted accounting principles (GAAP), please visit the Water Authority's website at www.abcwua.org and click on "Finances" under "Your Water Authority."



MAILING ADDRESS

P.O. Box 568, Albuquerque, NM 87103

PHYSICAL ADDRESS

City/County Government Center
One Civic Plaza NW, Albuquerque, NM 87102

CUSTOMER SERVICE

505-842-WATR (9287)

ABCWUA.ORG