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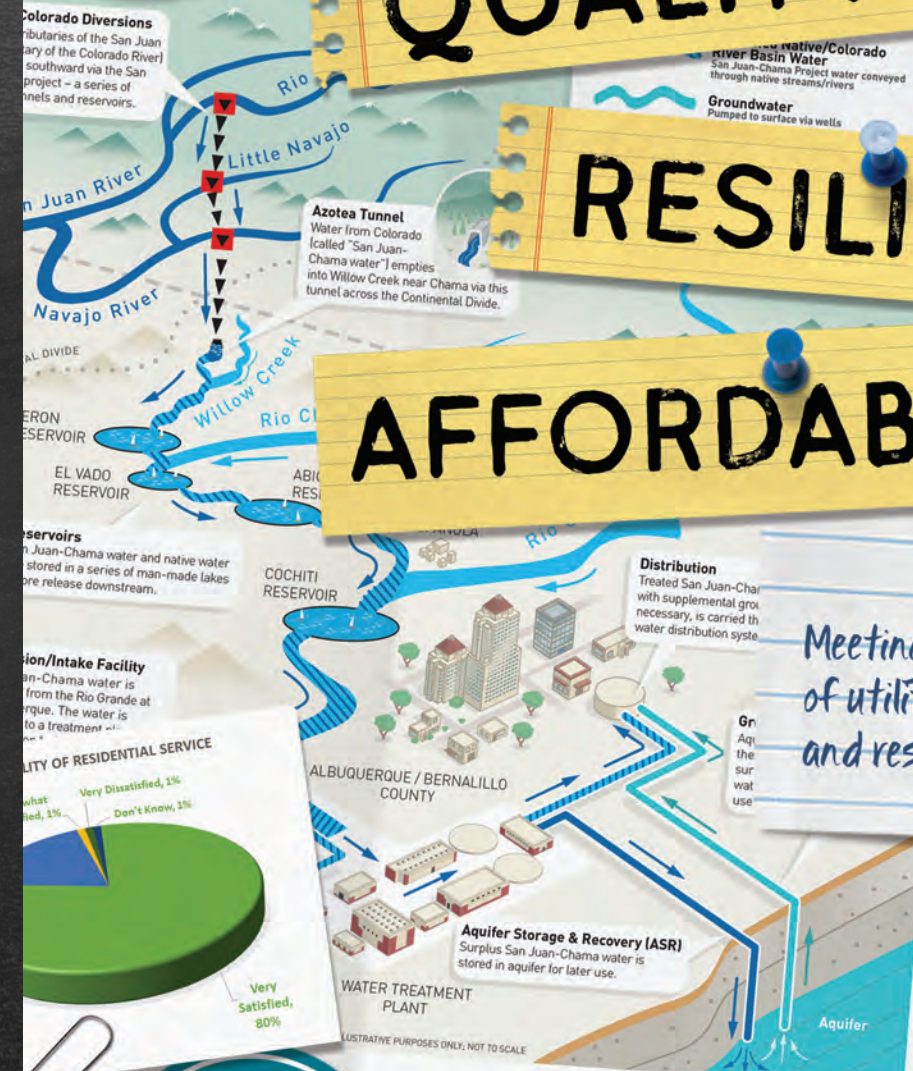
Albuquerque Bernalillo County
Water Utility Authority



QUALITY

RESILIENCY

AFFORDABILITY

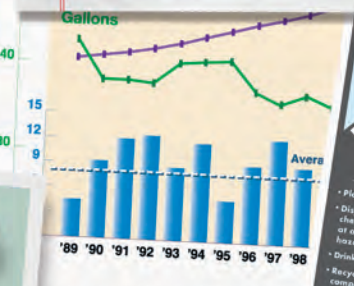


Meeting the challenges
of utility management
and resource stewardship



ALBUQUERQUE
NEW MEXICO
USA

FY 2018
ANNUAL REPORT



WATERSHED PRO...
TAKE ACTION

- Plant a drought-tolerant tree
- Dispose of household chemicals — and batteries — at an approved household hazardous waste facility
- Recycle yard waste by composting or mulching
- Dispose of pet waste properly



Visit abcwua.org for more information

WATER NUMBER

1 2 3 2

Water, Water E...
Cooperation yields f...

NM POLITICAL REPORT

meeting, New Mexico's
utility agreed to sell water
government to
through the er...

Under the one-time lease, the
of Reclamation will pay the All
Bernalillo County Water Utili
\$2 million for 20,000 acre feet
stored in Abiquiú Reservoir. T
be used to keep the river flow
Cochiti Dam, through Albu
downstream of the Isleta D
During the meeting, Joh
creating officer of the wa

REMEMBER:
TURN OFF
SPRINKLERS
when it
RAINS!



OPENS TO
8.5" x 11"



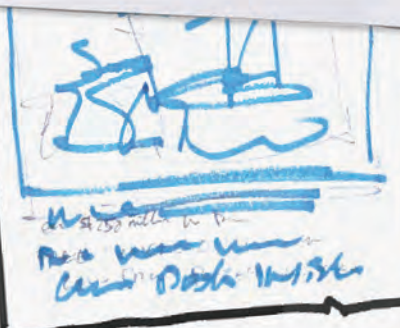
The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for

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, 2017. 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. 2017 was the Water Authority's third year to receive this award. Staff believe the report for 2018 continues to conform to the Certificate of Achievement program requirements and will submit it to the GFOA to determine its eligibility for another certificate.



UNFOLDS TO 11x17
"WHERE OUR WATER COMES FROM" POSTER

QUALITY

RESILIENCY

AFFORDABILITY



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Quality, Resiliency, Affordability
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From the Chair

“PLATINUM” DESIGNATION SPEAKS TO UTILITY’S ACHIEVEMENTS

In late 2018, the Water Authority was the proud recipient of the highest honor bestowed by the Association of Metropolitan Water Agencies, the Platinum Award for Utility Excellence. In honoring the utility, the AMWA cited its focus on delivering affordable, high-quality water while tackling infrastructure rehabilitation and resource management challenges.

In this year’s annual report, we take a closer look at those challenges and how they’re being faced. Meeting the highest standards of quality while ensuring a resilient, long-term supply is never easy. And we must do it while keeping our rates affordable for the people who rely on us for water and sewer service. That’s only possible in an environment of innovation and forward thinking – the kind shown by the local leaders who took a risk in the 1960s and invested tax dollars in a plan (the San Juan-Chama Project) to bring Colorado River Basin water to the greater Albuquerque area. And the kind being shown today by the Water Authority. With its 100-year resource management plan (*Water 2120*), it aims to ensure that San Juan-Chama water and other locally available water resources will be sufficient to serve the community for decades to come.

I’m proud to have served on the Water Authority’s board at such an exciting time in the utility’s history. We look back with utmost respect on the work done by our predecessors, with our decisions informed by the lessons they learned. I hope that someday, future leaders will look back on the work that **we** did as a community – in conservation, in infrastructure renewal, in resource management – and hold it in similar esteem. The Platinum Award suggests we’re on the right track to achieve that goal.

Sincerely,

TRUDY E. JONES Chair



From the Chief Executive
**DO YOU KNOW YOUR
WATER AUTHORITY?**

It’s been said that infrastructure should be invisible – so subtly woven into the fabric of our lives that we don’t notice that it’s even there. Aesthetically, that might be a good idea. But we should never take for granted the benefits of roads, bridges, power grids and, yes, our water and sewer systems. Nor should we discount the role of the utilities and government agencies tasked with providing these indispensable goods and services.

Where the Water Authority is concerned, the reliable delivery of safe, clean drinking water (not to mention sewer services) requires millions of dollars for operations, maintenance, and capital investment. It also requires the work of hundreds of dedicated employees and contractors. With their help, and the support of the community we serve, the Water Authority in 2018-19 will –

- **Invest** about \$88 million in job-creating* capital projects and infrastructure renewal.
- **Spend** about \$20 million on projects in Albuquerque’s South Valley.
- **Generate** almost 30 percent of power needs at its Southside Water Reclamation Plant via solar arrays and bio-fuels, and will partially power the community’s drinking water treatment plant with solar energy.
- **Reclaim** about 492 million gallons of wastewater for re-use on parks, golf courses and green spaces.
- **Test** approximately 4,500 drinking water samples for safety and purity.
- **By policy**, purchase zero water rights from area farmers, ensuring that municipal demand for water does not negatively impact access to traditional agricultural irrigation sources.

We will do this and more while keeping our rates among the lowest in the Southwestern United States – all while working to ensure that we have a resilient source of supply that the community can count on in decades to come.

It’s all about Quality, Resiliency and Affordability. I hope you’ll read on to see how we’re delivering on all three.

Sincerely,

MARK S. SANCHEZ Executive Director

*The U.S. Water Alliance estimates that 15 jobs are created for each \$1 million in capital spending.

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.

Operating Budget (FY2019)	\$214 MILLION
Capital Budget (FY2019)	\$88 MILLION
Current Outstanding Debt	\$658 MILLION
System Asset Valuation (approximate)	\$5 BILLION + \$1.2 BILLION in water rights
Bond Ratings	AAA S&P AA2 MOODY'S AA FITCH

CUSTOMER ACCOUNTS
212,246

CURRENT EMPLOYEES
(budgeted)
633

In 2018, S&P Global Ratings assigned the Water Authority its top long-term bond rating, "AAA," citing the utility's robust planning efforts, prudent financial policies that establish strong levels of pay-as-you-go funding, and improvements in local economic indicators. The utility's excellent bond ratings allow it to borrow money for capital projects at the most favorable interest rates.

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 2018:



Trudy E. Jones
Albuquerque City Council, Chair



Debbie O'Malley
Bernalillo County Commission, Vice-Chair



Pat Davis
Albuquerque City Council



Timothy M. Keller
Mayor, City of Albuquerque



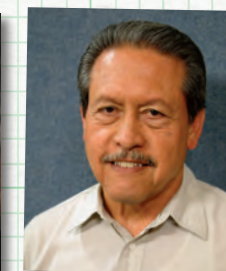
Klarissa J. Peña
Albuquerque City Council



Steven Michael Quezada
Bernalillo County Commission



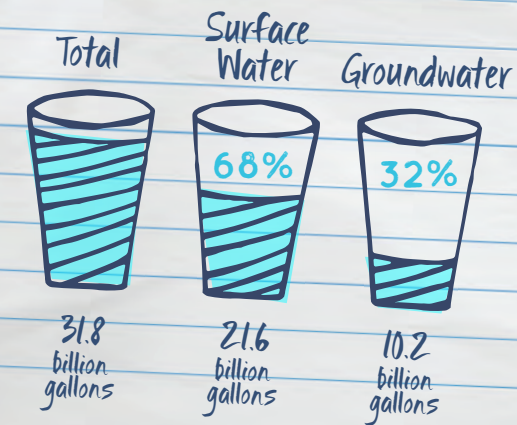
Lonnie C. Talbert
Bernalillo County Commission



Pablo R. Rael
Village of Los Ranchos (non-voting)

ANNUAL DRINKING WATER PRODUCTION

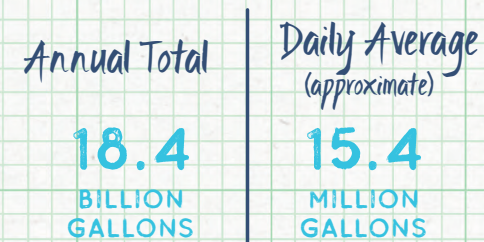
FY2018



U.S. Safe Drinking Water Act compliance: **100%** since Act's inception

DISCHARGE TO THE RIO GRANDE

FY2018



SENIOR STAFF

- Mark S. Sanchez** Executive Director
- John M. Stomp III, P.E.** Chief Operating Officer
- Stan Allred** Chief Financial Officer
- Peter S. Auh** General Counsel
- Judy Bentley** Human Resources Manager
- Adrienne E. Candelaria** Customer Service Manager
- Mark Kelly** Regulatory Compliance Manager
- Charles Leder** Plant Operations Manager
- David Morris** Public Affairs Manager
- David Price, P.E.** Engineering & Planning Manager
- Frank Roth** Senior Policy Manager
- Cody Stinson** Information Technology Manager
- Hobert "H" Warren** Field Operations Manager
- Katherine Yuhás** Water Resources Manager

ACHIEVING THE GOALS



SAFE TO DRINK.

The Water Authority maintains its own quality testing lab to ensure that treatment processes are working properly and that your water is safe to drink.

QUALITY

Safeguarding Health

- In Albuquerque, **thorough treatment and frequent testing** ensure that your water is safe to drink according to federal standards enforced by the U.S. Environmental Protection Agency under the Safe Drinking Water Act.
- **Safety standards are maintained** whether the water originates in the underground aquifer beneath Albuquerque or on the surface, via the San Juan-Chama Drinking Water Project. While groundwater requires little treatment other than disinfection via chlorination, surface water must undergo additional purification and filtration.
- Making sure that treatment processes are working correctly requires careful monitoring, and **every year the Water Authority collects and tests thousands of water samples** from wells, storage tanks, customer taps and the community's surface-water treatment plant.
- Since passage of the U.S. Safe Drinking Water Act, **the Water Authority has met all of the federal health standards for safe drinking water.**

WATER 2120
SECURING OUR WATER

QUALITY
Meeting or exceeding all federal water standards

THE SAN JUAN-CHAMA DRINKING WATER PROJECT

ALBUQUERQUE'S NEW - SUSTAINABLE DRINKING WATER SOURCE



RESILIENCY

Ensuring a Long-Term Water Supply

The Water Authority has taken numerous steps, in cooperation with the community it serves, to make sure there will be enough drinking water for future generations in Albuquerque.

- Conservation.** Conservation efforts promoted by the Water Authority – including xeriscaping and the replacement of inefficient toilets and washing machines – have led to a remarkable reduction in per capita water use, from more than 250 gallons per day in the mid-1990s to just 128 gallons in 2018. Overall annual water use is the same now as it was in the 1980s – in spite of population growth.
- The San Juan-Chama Drinking Water Project.** By tapping into surface water purchased from the federal government and imported from the Colorado River Basin, the Water Authority has vastly reduced its reliance on finite groundwater supplies. This has allowed the aquifer beneath Albuquerque to begin recovering after decades of decline.
- A 100-Year Water Plan, Emphasizing Re-Use.** The Water Authority's recently adopted 100-year water plan, entitled WATER 2120, focuses on the optimal use of locally available water. Under this plan, no additional water rights will be acquired from local farmers, ensuring minimal municipal impact on agricultural water users. Meanwhile, re-use will account for a growing percentage of water consumed in the community, as recycled water is made increasingly available for use on parks, golf courses and landscapes. A short video about the WATER 2120 plan can be viewed on YouTube at <https://youtu.be/sYhINqjtDuc>

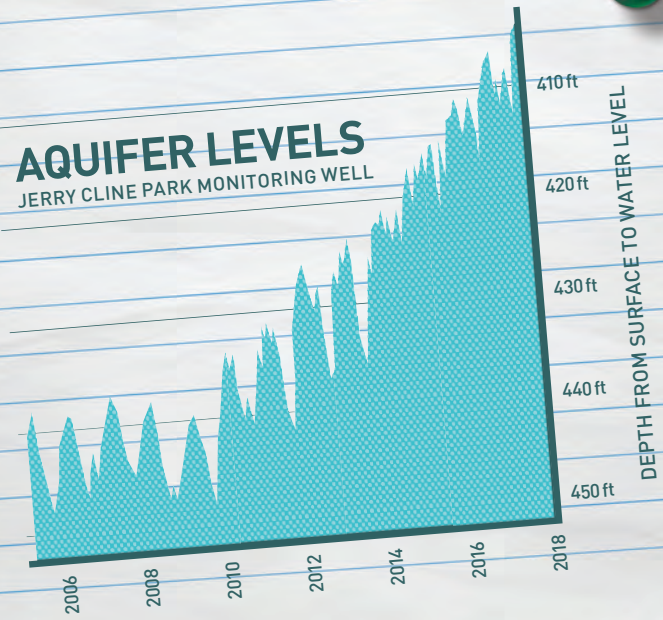
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WATER TREATMENT PLANT

AQUIFER LEVELS

JERRY CLINE PARK MONITORING WELL



AQUIFER LEVELS ON THE RISE.

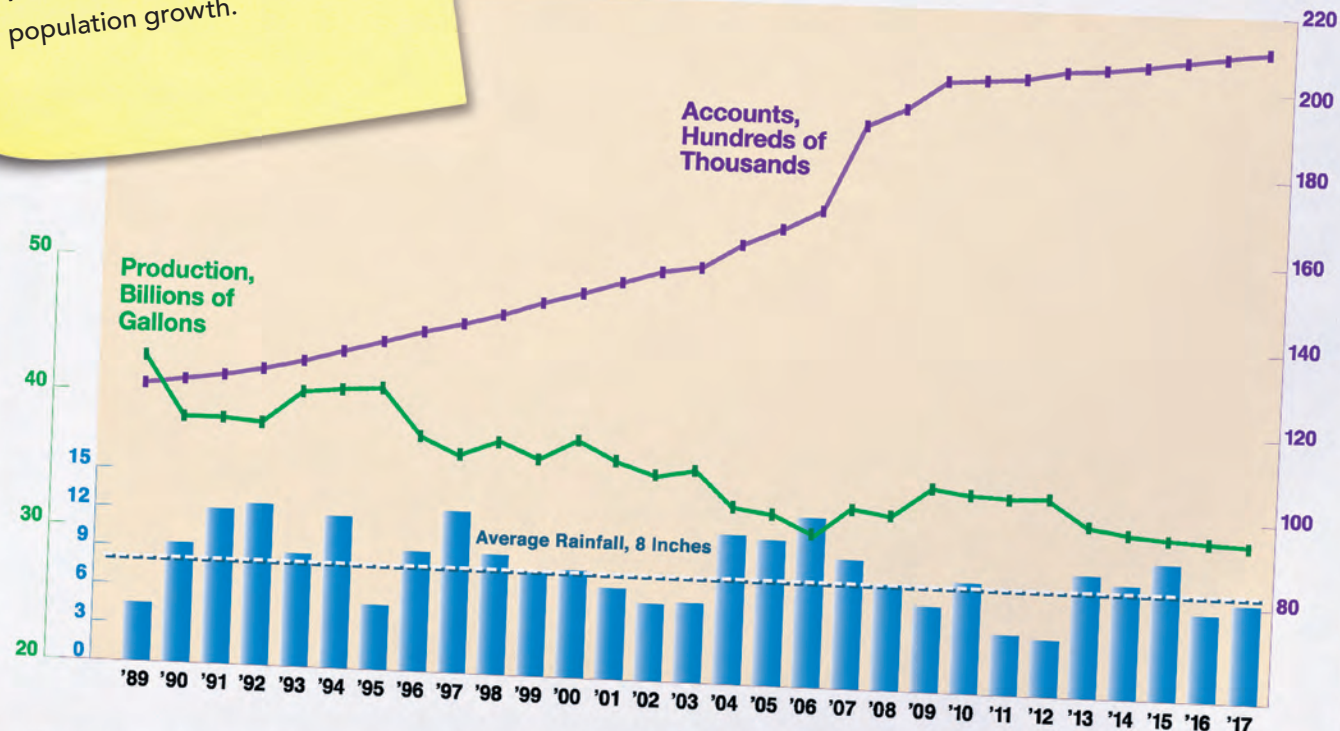
Thanks to the community's increasing reliance on renewable surface-water supplies, groundwater levels in Albuquerque have been rising for a number of years. This graph from the U.S. Geological Survey shows the aquifer's rebound at one location in the metro area.

CONSERVATION YIELDS RESULTS.

As this graph shows, conservation efforts in Albuquerque are paying off. Water use is down in spite of population growth.

WEATHER THE DROUGHT!

Water Usage 1989-2017



OUR WATER: WHERE IT COMES FROM

Albuquerque relies on locally pumped groundwater as well as water imported from the Colorado River basin via the San Juan-Chama Project. The Albuquerque Bernalillo County Water Authority is one of many agencies tasked with protecting watersheds in which our local supply originates.

San Juan-Chama Diversions
Tributaries of the San Juan-Chama Project water conveyed southward via the San Juan-Chama project - a series of tunnels and reservoirs.

LEGEND

-  **Colorado River Basin Water**
From tributaries of the Colorado River via the San Juan-Chama Project
-  **Native New Mexico Water**
Naturally occurring stream flows in New Mexico
-  **Combined Native/Colorado River Basin Water**
San Juan-Chama Project water conveyed through native streams/rivers
-  **Groundwater**
Pumped to surface via wells
-  **Stored Water**
Man-made reservoirs also used for recreation
-  **Diversion Facility**
For re-directing stream flows
-  **Tunnel/Channel**
Conveys water from one stream system to another



2018/12/06

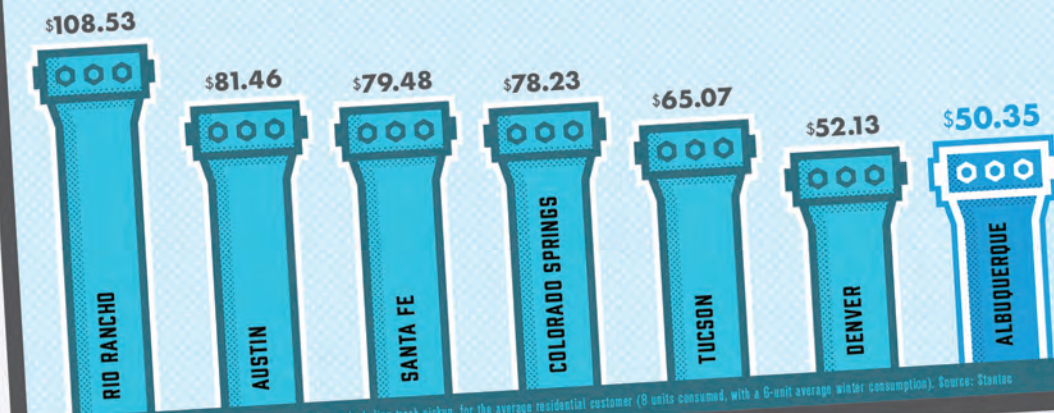
The ongoing overhaul of the Southside Water Reclamation Plant includes installation of odor-control domes for clarifier tanks.

RELIABILITY OF RESIDENTIAL SERVICE



AFFORDABILITY

HOW OUR RATES COMPARE*



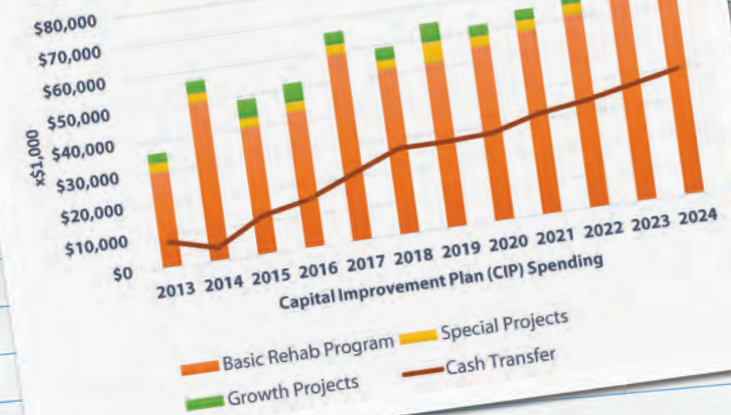
Rates Among the Lowest in the Region

Although rate increases are sometimes necessary for any utility to operate, the Water Authority has managed to keep its **rates among the lowest in the Southwest** - even while more than doubling its annual reinvestment in infrastructure since 2004.

THINKING AHEAD.

A series of planned rate increases has allowed the Water Authority to ramp up its reinvestment in water and sewer infrastructure, as shown in this graph. Much of this spending has been applied to a 10-year, \$250 million renovation of the Southside Water Reclamation Plant. In spite of this, local water rates remain among the lowest in the region.

Capital Spending Over Time (in Thousands of Dollars)



2018 IN REVIEW

PLATINUM AWARD FROM AMWA

In October, the Association of Metropolitan Water Agencies named the Water Authority a winner of its highest accolade, a Platinum Award for Utility Excellence. AMWA cited the utility's focus on delivering affordable, high-quality water while tackling infrastructure rehabilitation and resource management challenges. The Water Authority was also recognized for its implementation of Effective Utility Management principles and its distinctive level of managerial expertise.

Albuquerque City Councilor Trudy E. Jones, Chair of the Water Authority's governing board, said the award "is the result of the labor and talents of our employees and board members, the leadership of our executive director, and the support of the community we serve."



SOURCE WATER PROTECTION AWARD

Achieving further national recognition, the Water Authority claimed 2018's Exemplary Source Water Protection Award from the American Water Works Association. The award recognizes the utility's water quality monitoring program; its pollution-prevention advocacy and education efforts; its collaboration with local, state and federal agencies in source-water monitoring and clean-up activities; and its investment in watershed management initiatives in Northern New Mexico.

TREE-PLANTING PARTNERSHIP

In the spring of 2018, the Water Authority and the City of Albuquerque kicked off a new partnership to help restore the community's drought-stressed tree canopy and keep community parks green. Under the partnership, the Water Authority has donated 150 trees for city parks, mainly in the city's southwest quadrant. In October, the Water Authority reached a similar agreement with Bernalillo County for tree-planting in county-owned parks in underserved sections of the metro area.



Digging in. Water Authority and City representatives plant the first of 150 trees donated by the Water Authority for Albuquerque parks. Bernalillo County will also receive donated trees from the Water Authority.



Making progress. A Water Authority crew works to install a new water line in the South Valley's Los Padillas neighborhood.

SHARING RESOURCES TO KEEP RIVER FLOWING

The Water Authority's governing board voted in August to lease a share of the utility's surface-water supply to the federal government to help ensure continued flows in the Rio Grande during a persistent drought. Under the \$2 million agreement, up to 20,000 acre feet of the Water Authority's stored San Juan-Chama surface water became available for release from upstream reservoirs by the U.S. Bureau of Reclamation. The water is being used to supplement low natural Rio Grande flows for the benefit of fish, wildlife, and farmers.

AAA BOND RATING FROM S&P

S&P has upgraded the Water Authority's bond rating to AAA, the rating agency's top score, allowing the utility to borrow money for infrastructure projects at the most favorable interest rates. The upgraded rating will translate into some cost savings for the utility as it pays less to borrow money for its basic rehabilitation program and the ongoing, 10-year rehab of the utility's Southside Water Reclamation Plant. S&P 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.

DOLLARS FOR COMPLETION OF LOS PADILLAS PROJECT

In June, the Water Authority's governing board earmarked nearly \$2.6 million for completion of a project to bring municipal water to the South Valley neighborhood of Los Padillas. The project, which got under way in 2017 with financial support from the Water Authority and Bernalillo County, had been in danger of stalling because of funding shortfalls from other sources. About 3,000 people live in Los Padillas, where shallow domestic wells are associated with potential public health problems due to pollution.

HIGH MARKS IN CUSTOMER SURVEY

Results from the Water Authority's 2018 Customer Opinion Survey were announced in June, and the vast majority of respondents expressed satisfaction with Water Authority services. The independent, scientific survey, conducted by Albuquerque's Research & Polling, Inc., tapped 502 residential customers and 105 commercial customers to participate. More than nine in 10 said they were satisfied with the reliability of water and sewer service to their homes and businesses. Furthermore, more than three-quarters of residential customers and 87 percent of commercial customers believe that the water and sewer services they receive are a good value for the rates they pay.

Sharing.

The Water Authority has been sharing its surface-water supply to keep water flowing in the Rio Grande.



Economic Context, Financial Performance

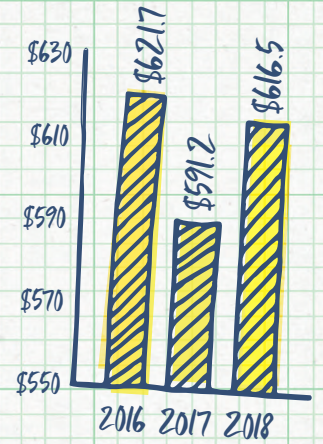
The Water Authority serves some 650,000 residents of Albuquerque, NM and certain unincorporated areas of Bernalillo County. Albuquerque is New Mexico's largest city and is the state's major commercial center. Although there are lingering effects from the economic downturn of 2008, increased oil and gas revenues have replenished state coffers, and media giant Netflix recently announced that it will locate a major production facility in Albuquerque. This should help to boost a local economy driven by large public-sector employers (the University of New Mexico, Sandia National Laboratories, Kirtland Air Force Base) and a handful of large private enterprises (Intel, Presbyterian Health Care, Public Service Company of New Mexico). The Water Authority itself continues to demonstrate a healthy financial condition, with investments in capital assets constituting 91.7 percent of net position (see chart below) and operating costs not exceeding revenues. Liabilities have increased by \$79 million compared to FY16 due to the issuance of new long-term debt obligations, changes in net pension liability, and implementation of new accounting rules.

Top 10 WATER AUTHORITY CUSTOMERS

Rank, FY2108	Water Revenue	% of Total Revenue	Consumption in thousands of gallons	
1	City of Albuquerque	\$9,618,383	6.49%	3,052,168
2	Albuquerque Public Schools	3,084,491	2.08%	708,280
3	University of New Mexico	1,295,716	0.87%	295,974
4	Bernalillo County	781,341	0.53%	216,552
5	Kirtland Air Force Base	724,977	0.49%	162,237
6	Water Authority	308,390	0.21%	71,141
7	Central New Mexico Community College	286,707	0.19%	64,435
8	Lovelace Health System	275,650	0.19%	85,521
9	Sumitomo	272,383	0.18%	111,329
10	Albuquerque Academy	254,689	0.17%	102,533
Total	\$16,902,727	11.40%		

CHANGE IN NET POSITION

in millions of dollars



FY2018 TOTAL WATER REVENUE: **\$148,315,450**

CONDENSED STATEMENT OF NET POSITION *in thousands of dollars*

	FY2018	Restated FY2017	FY2016	FY2018 vs FY2017	FY2017 vs FY2016
Assets					
Current and other assets	\$183,418	\$207,503	\$171,855	\$(24,085)	\$35,648
Capital assets	1,182,008	1,182,433	1,187,301	(425)	(4,868)
Total assets	1,365,426	1,389,936	1,359,156	(24,510)	30,780
Total deferred outflow of resources	33,098	44,166	26,135		
Liabilities					
Long-term liabilities	681,416	763,691	680,942	(82,275)	82,749
Other liabilities	88,883	78,147	81,583	10,736	(3,436)
Total liabilities	770,299	841,838	762,525	(71,539)	79,313
Total deferred inflow of resources	11,688	1,090	1,096	10,598	(6)
Net Position					
Net investment in capital assets	565,429	560,766	568,245	4,663	(7,479)
Unrestricted	51,108	30,408	53,425	20,700	(23,017)
Total net position	\$616,537	\$591,174	\$621,670	\$25,363	\$(30,496)

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 FY2018 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."

CONDENSED STATEMENT OF CHANGES IN NET POSITION *in thousands of dollars*

	FY2018	Restated FY2017	FY2016	FY2018 vs FY2017	FY2017 vs FY2016
Revenues					
Water system revenue	\$148,315	\$144,343	\$140,551	\$3,972	\$3,792
Wastewater system revenue	76,253	69,101	68,166	7,152	935
Miscellaneous revenue	1,828	1,750	1,339	78	411
Non-operating revenue	13,333	11,549	15,240	1,784	(3,691)
Total revenues	239,729	226,743	225,296	12,986	1,447
Expenses					
Operating	202,992	198,770	191,540	4,222	7,230
Non-operating	18,295	19,159	18,034	(864)	1,125
Total expenses	221,287	217,929	209,574	3,358	8,355
Income before capital contributions	18,442	8,814	15,722	9,628	(6,908)
Capital contributions	6,921	3,522	5,504	3,399	(1,982)
Change in net position	25,363	12,336	21,226	13,027	(8,890)
Net position, beginning of year restated	591,174	578,838	600,442		
Net position, end of year	\$616,537	\$591,174	\$621,668	\$25,363	\$(30,494)