



Meeting Date: February 25, 2015
Staff Contact: Mark S. Sanchez, Executive Director

TITLE: O-15-2 Authorizing the Issuance and Sale of Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2015A in the Aggregate Principal Amount not to exceed \$196,000,000 (the “SERIES 2015A BONDS”) for the Purpose of Refunding (i) a Portion of the Outstanding Joint Water and Sewer System New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2007), (ii) all of the Outstanding Series 2008A Bonds, and (iii) a Portion of the Outstanding Series 2009A-1 Bonds; Authorizing the Issuance and Sale of Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Revenue Bonds, Series 2015B in an Aggregate Principal Amount not to exceed \$79,000,000 (the "SERIES 2015B BONDS" and Together with the Series 2015A Bonds, the “Bonds”) for the Purposes of Acquiring Additional System Assets, Extending, Repairing, Replacing and Improving the Water Authority’s Joint Water and Sewer System; Providing For the Disposition of, and Other Details Relating to, the Revenues From The Operation of the System Including the Payment of Debt Service On System Obligations; Determining Certain Terms and the Method of Determining Other Terms Concerning the Bonds; Providing for the Approval of Various Agreements and Disclosure Documents Relating to the Bonds; Providing for the Approval of Various Agreements and Disclosure Documents Relating to the Bonds: and Ratifying Action Previously Taken.

ACTION: Recommend Approval

SUMMARY:

This Bond Ordinance is for the proposed Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2015A and Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2015B. The Bond Ordinance establishes certain bond details; provides for the payment of the cost of issuing the bonds; approves disclosure and other documents relating to the bonds. Attached is a memo that will be discussed by RBC as a part of the presentation to this Board.

The purpose of the Bond Ordinance is to refinance a portion of the outstanding New Mexico Finance Authority Public Project Revolving Fund Loan (2007), Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A, and Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1. This Ordinance also authorizes the Sale of Senior Joint Water and Sewer System Improvement Revenue Bonds, Series 2015B. The Water Authority's current Senior Lien Bonds are rated Aa2/AA+/AA by Moody's, Standard and Poor's and Fitch Ratings respectively. The Water Authority's new subordinate lien is Aa2/AA/AA- by Moody's, Standard and Poor's and Fitch Ratings respectively based on coverage requirements. Rating presentations will be scheduled for the middle of, to late February and conducted by conference call. A Confirming Resolution and final approval of the Bond Ordinance is scheduled for the Water Authority's February 25th Board meeting. Final sale approval will be scheduled for March 13th and will include the final terms, sale price, interest rates, savings achieved and other matters with respect to the Bonds.

FISCAL IMPACT:

Based upon current market conditions the refunding will generate approximately \$17.2 million in present value savings or 10.12% of the par amount refunded. Annually the refunding is expected to generate approximately \$1.78 million in savings in FY 2015, \$0.93 million in savings in FY 2016 and FY 2017, and approximately \$1.03 million from FY 2018 through FY 2034. Gross Revenues, all income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System less operation and maintenance expenses, are pledged as security for these bonds, similar to the Water Authority's prior debt issuances. The term of the debt will not be extended. The savings have been incorporated into the FY 2016 Operating Budget and Ten-Year Financial Plan.

COMMENTS:

Approval of the Bond Ordinance is required for the issuance of the proposed refunding bonds. Final action is expected at the Water Authority's February Board meeting with a Bond Sale Confirming Resolution to be presented at the March Board Meeting. This Ordinance authorizes the financing necessary to carry out the Capital Improvements Plan outlined in the Decade Plan and the 2015 Finance Plan. It is anticipated that the financing would be completed by April 2015.

Senior Lien Bond ratings for this issue are as follows: Standard and Poor's (AA+ Stable Outlook), Fitch (AA Stable Outlook) and Moody's (Aa2 Stable Outlook).

A substitute to the floor substitute may be prepared by Bond Counsel which makes technical adjustments.

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

BILL NO. O-15-2

ORDINANCE

AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY (THE “WATER AUTHORITY”) SENIOR LIEN JOINT WATER AND SEWER SYSTEM REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2015 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$275,000,000 (THE “SERIES 2015 BONDS” OR THE “BONDS”) TO BE ISSUED IN ONE OR MORE SERIES FOR THE PURPOSE OF REFUNDING, REFINANCING AND DEFEASING CERTAIN OUTSTANDING OBLIGATIONS OF THE WATER AUTHORITY AND FOR THE PURPOSE OF ACQUIRING ADDITIONAL SYSTEM ASSETS, EXTENDING, REPAIRING, REPLACING AND IMPROVING THE WATER AUTHORITY’S JOINT WATER AND SEWER SYSTEM; PROVIDING FOR THE DISPOSITION OF, AND OTHER DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF THE SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON SYSTEM OBLIGATIONS; DETERMINING CERTAIN TERMS AND THE METHOD OF DETERMINING OTHER TERMS CONCERNING THE BONDS; PROVIDING FOR THE APPROVAL OF VARIOUS AGREEMENTS AND DISCLOSURE DOCUMENTS RELATING TO THE BONDS; AND RATIFYING ACTION PREVIOUSLY TAKEN.

Capitalized terms used in the following preambles are defined in Section 1 of this Bond Parameters Ordinance, unless the context requires otherwise.

WHEREAS, the Water Authority is a legally and regularly created, established, organized and existing public body politic and corporate, separate and apart from the City and the County, under the general laws of the State; and

WHEREAS, the Water Authority owns, operates and maintains the System as a joint public utility water and sewer system; and

1 WHEREAS, the Water Authority is obligated on the following Senior
2 Obligations, payable from Net Revenues, Outstanding on the date of the adoption of
3 this Ordinance in the following principal amounts:

	Amount
<u>Series</u>	<u>Outstanding</u>
4	
5 2005	\$ 10,355,000
6 2006A	\$ 13,505,000
7 2008A	\$ 55,630,000
8 2009	\$114,890,000
9 2013A&B	\$116,215,000
10 2014A	\$ 97,270,000
11 Drinking Water State Revolving Fund Loan Agreement (2003)	\$ 333,826
12 Public Project Revolving Fund Loan Agreement (2005)	\$ 1,010,000
13 Public Project Revolving Fund Loan Agreement (2007)	\$ 51,820,000
14 Drinking Water State Revolving Fund Loan (2009)	\$ 862,388
15 Public Project Revolving Fund Loan Agreement (2011)	\$ 46,025,000

16 and

17
18 WHEREAS, the Water Authority is obligated on the following Subordinate
19 Obligations payable from Net Revenues with a lien on the Net Revenues
20 subordinated to the Senior Obligations Outstanding on the date of the adoption of
21 this Bond Parameters Ordinance in the following principal amounts:

	Amount
<u>Obligation</u>	<u>Outstanding</u>
22	
23 Series 2014B	\$ 87,005,000
24 2008 NMFA Drinking Water Loan	\$ 8,840,187

25 and

26
27 WHEREAS, the Water Authority is obligated on the following Super
28 Subordinated Obligations with a lien on the Net Revenues subordinate to the Senior
29 Obligations and the Subordinate Obligations Outstanding on the date of the adoption
30 of this Bond Parameters Ordinance in the following principal amounts:

31 Amount

<u>Obligation</u>	<u>Outstanding</u>
Water Trust Board Loan No. 51-WTB (2009)	\$38,524
Water Trust Board Loan No. 79-WTB (2009)	\$77,163
Water Trust Board Loan No. 177-WTB (2010)	\$160,795
Water Trust Board Loan No. 205-WTB (2011)	\$385,632
Water Trust Board Loan No. 206-WTB (2011)	\$546,028
Water Trust Board Loan No. 207-WTB (2011)	\$54,051

8 WHEREAS, pursuant to the Act, the Water Authority is authorized to issue
9 revenue bonds and to use the Bond proceeds to refund previously issued System
10 Obligations;

11 WHEREAS, except as stated in these preambles, the Net Revenues have not
12 been pledged or hypothecated to the payment of any Outstanding obligations and no
13 other obligations are payable from the Net Revenues on the date of this Bond
14 Parameters Ordinance;

15 WHEREAS, there are no obligations which have a lien on the Net Revenues
16 superior to the lien thereon of Senior Obligations;

17 WHEREAS, the Board desires to refund and refinance the Refunded
18 Obligations to achieve debt service savings and to restructure its outstanding
19 obligations;

20 WHEREAS, the Board hereby determines that (i) the Refunding Project may
21 be financed with a portion of the proceeds of the Bonds, (ii) the Improvement Project
22 may be financed with a portion of the proceeds of the Bonds, (iii) that it is necessary
23 and in the best interests of the Water Authority and the residents of the geographic
24 area served by the Water Authority that the Bonds be authorized pursuant to the Act
25 and (iv) that the Refunded Obligations be refunded;

26 WHEREAS, the Board has determined that it may lawfully pledge the Net
27 Revenues for repayment of the Bonds;

28 WHEREAS, the Water Authority intends to use a portion of the proceeds of
29 the Bonds for the purpose of refunding the Refunded Obligations;

1 WHEREAS, the Water Authority intends to use a portion of the proceeds of
2 the Bonds for the purpose of acquiring additional System assets, extending
3 repairing, replacing and improving the Water Authority's System;

4 WHEREAS, the Escrow Agent is a commercial bank having full trust powers
5 and is a member of the Federal Deposit Insurance Corporation; and

6 WHEREAS, the Board will consider for adoption the Pricing Resolution when
7 the final terms of the Bonds have been determined;

8 WHEREAS, at the time of adoption of the Pricing Resolution, there will
9 presented to the Board for approval the Preliminary Official Statement, the proposed
10 form of Official Statement, the form of Continuing Disclosure Undertaking, the form
11 of the Escrow Agreement, and the Bond Purchase Agreement; and

12 WHEREAS, all required authorizations, consents or approvals of any
13 governmental body, agency or authority in connection with charging the current rates
14 for services of the System and for the authorization, execution and delivery of the
15 Bonds which are required to have been obtained by the date of this Bond
16 Parameters Ordinance or which will be required to be obtained prior to the date of
17 issuance of the Bonds have been or will have been obtained by such dates.

18 BE IT ORDAINED BY THE BOARD, THE GOVERNING BODY OF THE
19 WATER AUTHORITY:

20 Section 1. DEFINITIONS AND RULES OF CONSTRUCTION.

21 (A) DEFINITIONS. As used in this Bond Parameters Ordinance,
22 the following terms have the meanings specified, unless the context clearly requires
23 otherwise:

24 ACCRETED VALUE. Unless stated otherwise in an ordinance or
25 resolution of the Board, with respect to an Individual Capital Appreciation Bond, an
26 amount equal to the original principal amount of that Capital Appreciation Bond plus
27 the amount, assuming semiannual compounding of earnings, which would be
28 produced on the investment of such original principal amount, beginning on the
29 dated date of that Individual Capital Appreciation Bond and ending at the Accretion
30 Term Date thereof, at an interest rate which, if continued until the Accretion Term
31 Date, will produce the defined value of an Individual Capital Appreciation Bond at the

1 Accretion Term Date. As of any Valuation Date, the Accreted Value of any Capital
2 Appreciation Bond shall mean the amount set forth for such date in the applicable
3 resolution or ordinance. As of any date other than a Valuation Date, the Accreted
4 Value shall mean the sum of (1) the Accreted Value on the preceding Valuation Date
5 and (2) the product of (a) a fraction, the numerator of which is the number of days
6 having elapsed from the preceding Valuation Date and the denominator of which is
7 the number of days in a single compounding period, and (b) the difference between
8 the Accreted Values for the preceding Valuation Date and the next succeeding
9 Valuation Date.

10 ACCRETION TERM DATE. The maturity date of a Capital
11 Appreciation Bond or other date on which a Capital Appreciation Bond converts to a
12 Current Interest Bond.

13 ACT. Section 72-1-10 NMSA 1978, Sections 3-31-1 to 3-31-12 NMSA
14 1978, Sections 4-61-1 to 4-61-10 NMSA 1978, Sections 6-18-1 through 6-18-16
15 NMSA 1978, and enactments of the Board relating to the Bond Legislation.

16 ACQUISITION FUND. The “Albuquerque Bernalillo County Water
17 Utility Authority Joint Water and Sewer System Bonds Improvement Project
18 Acquisition Fund.”

19 AUTHENTICATING AGENT. The Registrar or any trust company,
20 national or state banking association or financial institution qualified to act and
21 appointed as the authenticating agent for the Bonds by an Authorized Officer from
22 time to time.

23 AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or
24 integral multiples of \$5,000.

25 AUTHORIZED OFFICER. The Chair, the Executive Director, or other
26 officer or employee of the Water Authority when designated by a certificate signed
27 by the Chair from time to time.

28 BASIC CAPITAL PROGRAM. The Water Authority’s basic capital
29 program for funding annual capital needs for regular system improvements,
30 expansion, maintenance and upgrades to operate a water and wastewater utility.

1 BENEFICIAL OWNERS. Beneficial Owners as defined in Section
2 7.(C).

3 BOARD. The governing body in which is vested the legislative power
4 of the Water Authority.

5 BOND, BONDS OR SERIES 2015 BONDS. The Albuquerque
6 Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System
7 Refunding and Improvement Revenue Bonds, Series 2015 issued pursuant to the
8 Bond Legislation.

9 BOND COUNSEL. An attorney at law or a firm of attorneys,
10 designated by the Water Authority, of nationally recognized standing in matters
11 pertaining to the issuance of bonds issued by states and their political subdivisions.

12 BOND INSURANCE POLICY. A municipal bond insurance policy
13 issued by a Credit Source insuring the payment when due of the principal of and
14 interest on Insured Obligations.

15 BOND LEGISLATION. Collectively, the Bond Parameters Ordinance,
16 the Confirming Resolution and the Pricing Resolution.

17 BOND PARAMETERS ORDINANCE. This ordinance, as amended or
18 supplemented from time to time.

19 BOND PURCHASE AGREEMENT. The Bond Purchase Agreement
20 between the Water Authority and the Purchaser of the Bonds to be approved with
21 the adoption of the Pricing Resolution.

22 BUSINESS DAY. Any day during which any Credit Source, the Paying
23 Agent or the Registrar, the offices of the Water Authority and the New York Stock
24 Exchange are all open for business during normal business hours.

25 CAPITAL APPRECIATION BONDS. System Obligations on which the
26 first scheduled date for payment of principal and/or interest is the Accretion Term
27 Date. For the purposes of (1) receiving payment of the redemption price if a Capital
28 Appreciation Bond is redeemed prior to maturity or (2) determining the principal
29 amount of System Obligations held by the owner of a Capital Appreciation Bond in
30 giving any notice, consent, request, or demand pursuant to an ordinance or
31 resolution of the Board or related document for any purpose whatsoever, the

1 principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted
2 Value.

3 CHAIR. The duly elected Chair of the Board or the Vice Chair of the
4 Board acting in the absence of the Chair.

5 CITY. The City of Albuquerque, in the County of Bernalillo and State
6 of New Mexico.

7 CLOSING DATE. The date of delivery of the Bonds to the Purchaser
8 or its designee.

9 CODE. The Internal Revenue Code of 1986, as amended, the federal
10 income tax regulations of the Treasury Department (whether proposed, temporary or
11 final) and any amendments of, or successor provisions to, the foregoing and any
12 official rulings, announcements, notices, procedures and judicial determinations
13 regarding any of the foregoing, all as and to the extent applicable. Unless otherwise
14 indicated, reference to a Section of the Code in this Bond Parameters Ordinance
15 means that Section of the Code and such applicable regulations, rulings,
16 announcements, notices, procedures and determinations pertinent to that Section.

17 COMPLETION DATE. The date of completion of the Project, or, for
18 purposes of the Prospective Test Period, the date of completion of the project for
19 which the additional System Obligations are to be issued.

20 CONFIRMING RESOLUTION. A resolution adopted on the date of
21 adoption of this Bond Parameters Ordinance declaring the necessity of the issuance
22 of the Bonds and confirming the terms hereof for purposes of Section 72-1-10(M)
23 NMSA 1978, as amended.

24 CONSULTING ENGINEER. Any registered or licensed professional
25 engineer or firm of engineers, entitled to practice and practicing as such under the
26 laws of the State, retained and compensated by the Water Authority but not in the
27 regular employ of the Water Authority, the City or the County; but, as to any
28 construction drawings and specifications prepared for the System by Water Authority
29 or City employees under the supervision of an engineer employed by the Water
30 Authority or the City, this term may include such engineer..

1 CONTINUING DISCLOSURE UNDERTAKING. The undertaking of
2 the Water Authority for the benefit of Owners pursuant to which the Water Authority
3 will agree for the benefit of Owners that, while the Bonds are Outstanding, the Water
4 Authority will annually provide certain financial information and operating data and
5 audited financial statements and will provide notice of certain events in accordance
6 with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

7 COUNSEL. An attorney at law (who may be counsel to the Water
8 Authority).

9 COUNTY. Bernalillo County, New Mexico.

10 CREDIT FACILITY. A letter of credit, line of credit, Bond Insurance
11 Policy or Reserve Account Surety Bond, guaranty or similar agreement provided by
12 a Credit Source to provide support to pay the purchase price of, or the payment
13 when due of the principal of and interest on, System Obligations.

14 CREDIT SOURCE. Any bank, insurance company or other financial
15 institution which provides a Credit Facility for a series of System Obligations.

16 DEBT SERVICE ACCOUNT. An account of the Debt Service Fund for
17 the deposit of Net Revenues and proceeds of a series of System Obligations for the
18 payment of Debt Service Requirements on that series of System Obligations.

19 DEBT SERVICE FUND. The Debt Service Fund previously established
20 by the Water Authority and continued by this Bond Parameters Ordinance.

21 DEBT SERVICE REQUIREMENTS. With respect to System
22 Obligations and for any given period, the sum of: (1) the amount required to pay the
23 interest, or to make reimbursements for payments of interest, becoming due on
24 System Obligations during that period, plus (2) the amount required to pay the
25 principal or Accreted Value, or to make reimbursements for the payment of principal
26 or Accreted Value, becoming due on System Obligations during that period, whether
27 at maturity, an accretion term date or upon mandatory sinking fund redemption
28 dates, plus (3) the periodic payments required to be made by the Water Authority
29 pursuant to a Qualified Exchange Agreement minus (4) the periodic payments to be
30 received by the Water Authority pursuant to a Qualified Exchange Agreement. No
31 payments required for any System Obligations which may be tendered or otherwise

1 presented for payment at the option or demand of the owners of System Obligations,
2 or which may occur because of the exercise of an option by the Water Authority, or
3 which may otherwise become due by reason of any other circumstance or
4 contingency, including acceleration or early termination payments, which constitute
5 other than regularly scheduled payments of principal, Accreted Value, interest or
6 other regularly scheduled payments on System Obligations shall be included in any
7 computation of Debt Service Requirements for that period.

8 Unless, at the time of computation of Debt Service Requirements, payments
9 on System Obligations are owed to, or System Obligations are owned or held by, the
10 provider of a Credit Facility pursuant to the provisions of that Credit Facility, the
11 computation of interest for the purposes of this definition shall be made without
12 considering the interest rate payable pursuant to a Credit Facility.

13 In any computation of Debt Service Requirements relating to the issuance of
14 additional System Obligations, there shall be excluded from the computation of the
15 Debt Service Requirements amounts and investments which are irrevocably
16 committed to make designated payments on System Obligations during the
17 applicable period, including, without limitation, money on deposit in any Debt Service
18 Account and amounts on deposit in an escrow account irrevocably committed to
19 make designated payments on System Obligations during the applicable period and
20 earnings on such investments which are payable and committed to the payment of
21 such System Obligations during the applicable period. For the purpose of the
22 definition of Debt Service Requirements, the Accreted Value of Capital Appreciation
23 Bonds becoming due shall be included in the calculation of accrued and unpaid and
24 accruing interest and principal only from and after the date which is one year prior to
25 the date on which the Accreted Value becomes payable.

26 Unless otherwise required by a Water Authority ordinance or resolution
27 relating to a series of System Obligations, to determine Debt Service Requirements
28 of Variable Rate Obligations, the Water Authority shall use the procedures set forth
29 in the following paragraphs to determine the amount of interest or other payments to
30 be paid by the Water Authority on Variable Rate Obligations.

31 (1) During any historical period for which the actual variable

1 interest rate or rates are determinable, the actual variable interest rate shall be used.
2 During any historical period when the actual variable interest rate is not
3 determinable, the variable interest rate shall, for the purpose of determining Debt
4 Service Requirements, be deemed to be the higher of:

5 (a) the actual variable interest rate, if any, at the time
6 of computation; or

7 (b) a fixed annual rate equal to the prevailing rate on
8 the Variable Rate Obligations on the date of computation (which, for the purpose of
9 determining the Debt Service Requirements, shall be a date which is no more than
10 60 days prior to the date of issuance of the applicable System Obligations) as
11 certified by the Water Authority's financial advisor, the purchaser of the System
12 Obligations, an investment banker designated by the Water Authority from time to
13 time or a counterparty with respect to a Qualified Exchange Agreement.

14 (2) Prospective computations of interest payable on Variable
15 Rate Obligations, including those relating to the issuance of additional System
16 Obligations required by Section 27 or required by the Rate Covenant, shall be made
17 on the assumption that such obligations bear interest at a fixed annual rate equal to:

18 (a) the average of the daily rates of such System
19 Obligations during the 365 consecutive days (or any lesser period such System
20 Obligations have been Outstanding) next preceding a date which is no more than 60
21 days prior to the date of the issuance of the additional System Obligations; or

22 (b) with respect to System Obligations initially issued
23 or incurred as or being converted to Variable Rate Obligations, the estimated initial
24 rate of interest of such System Obligations upon the date of issuance, exchange or
25 conversion as certified by the Water Authority's financial advisor, another investment
26 banker, as designated by the Water Authority from time to time, or a counterparty
27 with respect to a Qualified Exchange Agreement.

28 DEFEASANCE OBLIGATIONS.

29 (1) Government Obligations; or

30 (2) if permitted by law, other obligations which would result in
31 the defeased Bonds receiving the same rating from any national rating agency then

1 rating such series of bonds as would have been received if the obligations described
2 in clause (1) of this definition had been used.

3 DEPOSITORIES. The following registered securities depository: The
4 Depository Trust Company, 570 Washington Boulevard, Jersey City, New Jersey
5 07310, <http://www.dtcc.com>; or in accordance with then-current guidelines of the
6 Securities and Exchange Commission, to such other addresses and/or such other
7 securities depositories, or no such depositories, as an Authorized Officer may
8 designate in a certificate of the Water Authority.

9 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
10 (2003). The loan agreement dated April 11, 2003 between the NMFA and the City in
11 the original principal amount of \$3,600,000, authorized and approved by City
12 Ordinance Enactment No. 10-2002 and Resolution Enactment No. 19-2003
13 constituting a senior lien on the Net Revenues.

14 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
15 (2008). The loan agreement dated November 7, 2008 between the NMFA and the
16 Water Authority in the original principal amount of \$12,000,000, authorized and
17 approved by Water Authority Ordinance Enactment No. F/S O-08-4 and Resolution
18 Enactment No. F/S R-08-13 as amended by Ordinance No. F/S O-14-2 and the
19 Amendment to the Loan Agreement dated July 24, 2014 constituting a subordinate
20 lien on the Net Revenues.

21 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
22 (2009). The loan agreement between the NMFA and the Water Authority in the
23 original principal amount of \$1,010,000, authorized and approved by Water Authority
24 Ordinance Enactment No. O-09-9 and Resolution Enactment No. R-09-24
25 constituting a senior lien on the Net Revenues.

26 ELECTRONIC MEANS. Telephone, telecopy, telegraph, email,
27 facsimile transmission or any other similar means of electronic communication. Any
28 communication by telephone as an Electronic Means shall promptly be confirmed in
29 writing, which may be by one of the other means of electronic communication listed
30 in this definition.

1 EMMA. The Municipal Securities Rulemaking Board's Electronic
2 Municipal Market Access System located on its website at emma.msrb.org.

3 ESCROW AGENT. BOKF, N.A. dba Bank of Albuquerque, a
4 commercial bank and a member of the Federal Deposit Insurance Corporation
5 having full and complete trust powers, or its duly authorized successor.

6 ESCROW AGREEMENT. The escrow agreement relating to the
7 refunding of the Refunded Obligations between the Water Authority and the Escrow
8 Agent.

9 ESCROW FUND. The escrow fund for the Refunded Obligations
10 created in Section 20 to be maintained by the Escrow Agent.

11 EXPENSE ACCOUNT. That account established for the purpose of
12 paying Expenses and which is a separate account of the Debt Service Fund.

13 EXPENSES. The reasonable and necessary fees, costs and
14 expenses incurred by the Water Authority with respect to the issuance of, including
15 disclosure matters pertaining to, the Bonds, including, without limitation, attorneys'
16 fees and costs, financial advisor's fees and costs, premiums and costs for any Credit
17 Facility, costs of advertising and publication, underwriter's discounts, cost of printing
18 bonds and disclosure documents, fees and costs of the Escrow Agent, legal fees
19 and expenses, bidding agent's fees and costs relating to the initial purchase of
20 securities for deposit with the Escrow Agent, including any fees and costs
21 associated with any verification agent, and expenses of any Independent Accountant
22 and all reasonable and necessary fees and administrative costs of the Water
23 Authority relating to the foregoing.

24 FISCAL YEAR. The twelve-month period beginning on the first day of
25 July of each year and ending on the last day of June of the next succeeding year, or
26 any other consecutive twelve-month period, which the Water Authority designates.

27 FITCH. Fitch Ratings, its successors and assigns, and, if such entity is
28 dissolved or liquidated or no longer performs the functions of a securities ratings
29 agency, "Fitch" shall be deemed to refer to any other nationally recognized securities
30 rating agency rating the Bonds.

1 GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations
2 the principal of and interest on which are unconditionally guaranteed by, the United
3 States of America, or certificates or receipts established by the United States
4 Government or its agencies or instrumentalities representing direct ownership of
5 future interests or principal payments on direct obligations of, or obligations fully
6 guaranteed by, the United States of America or any of its agencies or
7 instrumentalities the obligations of which are backed by the full faith and credit of the
8 United States, which obligations are held by a custodian in safekeeping on behalf of
9 the holders of such receipts, and rated or assessed in its highest Rating Category by
10 S&P, if then rating the Bonds, by Fitch, if then rating the Bonds, and by Moody's, if
11 then rating the Bonds.

12 GROSS REVENUES. All income and revenues directly or indirectly
13 derived by the Water Authority from the operation and use of the System, or any part
14 of the System, and includes, without limitation, all revenues received by the Water
15 Authority, or any municipal corporation or agency succeeding to the rights of the
16 Water Authority, from the System and from the sale and use of water, water services
17 or facilities, sewer service or facilities or any other service, commodity or facility or
18 any combination thereof furnished to the inhabitants of the geographic area served
19 by the Water Authority by means of the System as the same may at any time exist to
20 serve customers outside the Water Authority's geographical limits as well as
21 customers within the Water Authority's geographical limits. Such term also includes:

22 (1) All income derived from the investment of any money in
23 the Acquisition Fund, Joint Water and Sewer Fund, Debt Service Fund and Rate
24 Stabilization Fund and income derived from surplus Net Revenues;

25 (2) Money released from the Rebate Fund to the Water
26 Authority;

27 (3) Money released from the Rate Stabilization Fund to the
28 Water Authority to the extent that the amount released is used to pay Operation and
29 Maintenance Expenses or Debt Service Requirements on System Obligations in the
30 year released; provided that withdrawals from the Rate Stabilization Fund shall not
31 be included in Gross Revenues for the purposes of the Rate Covenant in any two

1 consecutive calendar years;

2 (4) Property insurance proceeds which are not necessary to
3 restore or replace the property lost or damaged and the proceeds of the sale or
4 other disposition of any part of the System; and

5 (5) Funds received from users of the System as a
6 reimbursement of, or otherwise in connection with, franchise fees to be paid by the
7 Water Authority.

8 Gross Revenues do not include:

9 (1) any money received as grants or gifts from the United
10 States of America, the State or other sources, or the proceeds of any charge or tax
11 intended as a replacement therefor or other capital contributions from any source
12 which are restricted as to use; and

13 (2) condemnation proceeds or the proceeds of any
14 insurance policy, except any property insurance proceeds described above in clause
15 (4) of this definition or in Section 29.(L) or derived in respect of loss of use or
16 business interruption.

17 HISTORIC TEST PERIOD. Any period of 12 consecutive months out
18 of the 24 calendar months next preceding the delivery of additional Senior
19 Obligations pursuant to Section 27.(B) or additional Subordinate Obligations
20 pursuant to Section 27.(C).

21 IMPROVEMENT PROJECT. Acquiring additional System assets,
22 extending, repairing, replacing and improving the Water Authority's System.

23 INDEPENDENT ACCOUNTANT. Any certified public accountant,
24 registered accountant, or firm of accountants duly licensed to practice and practicing
25 as such under the laws of the State, appointed and paid by the Water Authority who
26 (a) is, in fact, independent and not under the domination of the Water Authority, the
27 City or the County, (b) does not have any substantial interest, direct or indirect, with
28 the Water Authority, the City or the County, and (c) is not connected with the Water
29 Authority as an officer or employee of the Water Authority, but who may be regularly
30 retained to make annual or similar audits of the books or records of the Water
31 Authority, the City or the County.

1 INSURED BANK. A bank insured by an agency of the United States.

2 INSURED OBLIGATIONS. System Obligations insured by a Bond
3 Insurance Policy or payable with the proceeds of another Credit Facility.

4 INTEREST PAYMENT DATE. January 1 and July 1 of each year (or if
5 such day is not a Business Day, then the next succeeding Business Day) beginning
6 on the date set forth in the Pricing Resolution.

7 JOINT WATER AND SEWER FUND. The “City of Albuquerque, New
8 Mexico, Joint Water and Sewer Fund” originally established in Section 16 of
9 Ordinance No. 18-1984 and continued by this Ordinance as the “Albuquerque
10 Bernalillo County Water Utility Authority Joint Water and Sewer Fund.”

11 MOODY’S. Moody’s Investors Service, Inc., a corporation organized
12 and existing under the laws of the State of Delaware, its successors and their
13 assigns, and, if such corporation does not provide a rating for the Bonds, “Moody’s”
14 shall be deemed to refer to any other nationally recognized securities rating agency
15 rating the Bonds.

16 NMFA. The New Mexico Finance Authority.

17 NMSA 1978. New Mexico Statutes Annotated, 1978 Compilation, as
18 amended and supplemented.

19 NET REVENUES. The Gross Revenues after deducting Operation
20 and Maintenance Expenses.

21 OFFICIAL STATEMENT. The final disclosure document relating to the
22 offer and sale of the Bonds (including the cover page and all summary statement
23 appendices and other materials included or incorporated by reference or attached
24 thereto), as amended or supplemented.

25 OPERATION AND MAINTENANCE EXPENSES. All reasonable and
26 necessary current expenses of the System, paid or accrued, related to operating,
27 maintaining and repairing the System including, without limiting the generality of the
28 foregoing:

29 (1) legal and overhead expenses directly related and
30 reasonably allocable to the administration of the System;

31 (2) insurance premiums for the System, including, without

1 limitation, premiums for property insurance, public liability insurance and workmen's
2 compensation insurance, whether or not self-funded;

3 (3) premiums, expenses and other costs (other than required
4 reimbursements of insurance proceeds and other amounts advanced to pay Debt
5 Service Requirements on System Obligations) for Credit Facilities;

6 (4) Expenses other than expenses paid from the proceeds of
7 System Obligations;

8 (5) the costs of audits of the books and accounts of the
9 Water Authority and the System;

10 (6) amounts required to be deposited in the Rebate Fund or
11 otherwise required to make rebate payments to the United States Government;

12 (7) salaries, administrative expenses, labor costs, surety
13 bonds and the cost of materials and supplies used for or in connection with the
14 current operation of the System; and

15 (8) franchise tax payments to the City, County or any other
16 local government.

17 Operation and Maintenance Expenses do not include any allowance for
18 depreciation, payments in lieu of taxes, liabilities incurred by the Water Authority as
19 a result of its negligence or other misconduct in the operation of the System or any
20 charges or costs allocable to capital improvements or replacements. Operation and
21 Maintenance Expenses do not include any payment of or reimbursement for the
22 payment of Debt Service Requirements or premiums on the Bonds.

23 OUTSTANDING. When used in reference to System Obligations, on
24 any particular date, the aggregate of all System Obligations issued and delivered
25 under the applicable Water Authority or City ordinance authorizing the issuance of,
26 System Obligations except:

27 (1) those canceled at or prior to such date or delivered to or
28 acquired by the Water Authority or the City at or prior to such date for cancellation;

29 (2) those which have been paid or are deemed to be paid in
30 accordance with the Water Authority or City ordinance or resolution authorizing the
31 issuance of the applicable System Obligations or otherwise relating thereto, provided

1 that the payment of Insured Obligations with the proceeds of a Bond Insurance
2 Policy shall not result in those Insured Obligations ceasing to be Outstanding;

3 (3) in the case of Variable Rate Obligations, System
4 Obligations deemed tendered but not yet presented for payment;

5 (4) those Bonds which have been refunded in accordance
6 with this Bond Parameters Ordinance or other ordinance of the Water Authority
7 authorizing the defeasance of the applicable bonds; and

8 (5) those in lieu of or in exchange or substitution for which
9 other System Obligations shall have been delivered, unless proof satisfactory to the
10 Water Authority or the City and the Paying Agent for the applicable System
11 Obligations is presented that any System Obligation for which a new System
12 Obligation was issued or exchanged is held by a bona fide holder in due course.

13 OWNER. The registered owner or owners of any Bond as shown on
14 the registration books maintained by the Registrar.

15 PAYING AGENT. The chief financial officer or successor in function of
16 the Water Authority or any trust company, national or state banking association or
17 financial institution qualified to act, appointed as the paying agent for the Bonds by
18 an Authorized Officer from time to time.

19 PERMITTED INVESTMENTS. Any of the following which at the time
20 of the investment are legal investments for the Water Authority for the money to be
21 invested and any other investments, subject to approval by S&P, Fitch and Moody's,
22 if then rating the Bonds, which at the time of investment are legal investments of the
23 Water Authority for the money to be invested:

24 (1) United States Government Obligations: Securities
25 backed by the full faith and credit of the U.S. Government including direct obligations
26 of the U.S. Treasury, such as U.S. treasury notes and bills and "Ginnie Mae"
27 mortgage-backed certificates issued by the Government National Mortgage
28 Association;

29 (2) United States Government Obligations: Securities issued
30 or guaranteed by U.S. Government agencies, instrumentalities or sponsored
31 enterprises, but which are not backed by the full faith and credit of the U.S.

1 Government. These securities include Federal Farm Credit Bank “FFCB”, Federal
2 Home Loan Bank “FHLB”, Federal Home Loan Mortgage Corporation “FHLMC” and
3 Federal National Mortgage Association “FNMA” and other entities that qualify as
4 instrumentalities of the U.S. government. Additionally, mortgage-backed certificates,
5 and debentures issued by “Freddie Mac” (Federal Home Loan Mortgage
6 Corporation) and “Fannie Mae” (Federal National Mortgage Association) are
7 allowable;

8 (3) Bank, Savings and Loan Associations or Credit Unions:
9 Deposits in certified and designated New Mexico financial institutions, per the
10 requirement in the New Mexico Constitution Article VIII, Section 4, whose deposits
11 are insured by an agency of the United States. All deposits will comply with State
12 law of the Board related to interest rate and collateral requirements. CD deposits
13 shall not be made with custodial banks of the Water Authority. A deposit in any
14 credit union shall be limited to the amount insured by an agency of the United
15 States;

16 (4) Municipal Securities: Obligations, the interest on which is
17 excluded from gross income of the recipient for federal income tax purposes, which
18 comply with State law and the policies of the Board;

19 (5) Money market instruments and other securities of
20 commercial banks, broker-dealers or recognized financial investors, which securities
21 or institutions are rated in the highest Rating Category by S&P, Fitch or Moody’s, if
22 then rating the Bonds, or which securities are guaranteed by a person or entity
23 whose long-term debt obligations are rated in the highest Rating Category by S&P,
24 Fitch and Moody’s, if then rating the Bonds, including, without limitation, securities
25 of, or other interests in, any open-end or closed-end management type investment
26 company or investment trust registered under the provisions of 15 U.S.C. Sections
27 80(a)-1 et. seq., which invest only in, or whose securities are secured only by,
28 obligations of the type set forth in paragraphs (1) and (2) of this definition;

29 (6) The “participating government investment fund”
30 described in Section 6-10-10.1 NMSA. 1978 or other similar pooled fund maintained
31 by the State for the investment of public funds of local public bodies of the State;

1 and

2 (7) Repurchase agreements involving the purchase and sale
3 of, and guaranteed investment contracts, the par value of which is collateralized by a
4 perfected first pledge of, or security interest in, or the payments of which are
5 unconditionally guaranteed by, securities described in parts (1) and (2) of this
6 definition, which collateral is held by the Water Authority, or for the benefit of the
7 Water Authority, by a party other than the provider of the guaranteed investment
8 contract or repurchase agreement, with a collateralized value of at least 102% of the
9 par value of such repurchase agreement or guaranteed investment contract or 102%
10 of the market value thereof, valued at intervals of no less than monthly and which
11 collateral is not subject to any other pledge or security interest.

12 PRELIMINARY OFFICIAL STATEMENT. The initial disclosure
13 document relating to the offer and sale of the Bonds (including the cover page and
14 all summary statements, appendices and other materials included or incorporated by
15 reference or attached thereto), as amended or supplemented.

16 PRICING RESOLUTION. A resolution to be adopted by the Board
17 prior to the issuance of the Bonds relating to the final terms of the Bonds and the
18 final forms of the Related Documents supplementing the terms hereof and
19 confirming the terms for purposes of Section 72-1-10(M) NMSA 1978, as amended.

20 PROJECT. Collectively, the Refunding Project, the Improvement
21 Project and the payment of Expenses associated with the issuance of the Bonds.

22 PROSPECTIVE TEST PERIOD. The 12-month period commencing
23 on the first day of the month following the estimated Completion Date of the project
24 for which additional Senior Obligations or Subordinate Obligations are proposed to
25 be issued pursuant to Section 27.(B) or Section 27.(C), respectively, or the first day
26 of the thirty-sixth month following the delivery of such Senior Obligations or
27 Subordinate Obligations, whichever is earlier.

28 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2005).
29 The loan agreement dated October 28, 2005 between the NMFA and the Water
30 Authority in the principal amount of \$20,000,000 and approved by Ordinance No. O-
31 05-3 constituting a senior lien on the Net Revenues.

1 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2007).
2 The loan agreement dated September 26, 2007 between the NMFA and the Water
3 Authority in the principal amount of \$77,005,000 and approved by Ordinance No. O-
4 07-6 and Resolution No. R-07-26 and as amended by Ordinance No. F/S O-14-2
5 and the Amendment to the Loan Agreement dated July 24, 2014 constituting a
6 senior lien on the Net Revenues.

7 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2011).
8 The loan agreement dated December 15, 2011 between the NMFA and the Water
9 Authority in the principal amount of \$53,400,000 and approved by Ordinance No. O-
10 11-5 and Resolution No. R-11-17 constituting a senior lien on the Net Revenues.

11 PURCHASER. J.P. Morgan Securities LLC, Robert W. Baird & Co.,
12 Incorporated, Stifel, Nicolaus & Company, Incorporated, and Piper Jaffray & Co.
13 collectively, as the original purchasers of the Bonds.

14 QUALIFIED EXCHANGE AGREEMENT. Any interest rate exchange
15 between the Water Authority and a counterparty which, when entered into by the
16 Water Authority, satisfies the requirements of Section 6-18-8.1 NMSA 1978.

17 RATE COVENANT. The covenant in Section 29.(C) relating to
18 charging rates for use of the System to pay Debt Service Requirements.

19 RATE STABILIZATION FUND. The Rate Stabilization Fund for
20 System Obligations previously established by the Water Authority and continued by
21 this Bond Parameters Ordinance.

22 RATING CATEGORY. A generic securities rating category, without
23 regard, in the case of a long-term rating category, to any refinement or gradation of
24 such long-term rating category by a numerical modifier or otherwise.

25 REBATE FUND. The Rebate Fund for System Obligations previously
26 established by the Water Authority and continued by this Bond Parameters
27 Ordinance.

28 RECORD DATE. The fifteenth day of the calendar month preceding
29 each Interest Payment Date.

30 REFUNDED OBLIGATIONS. Certain maturities of Outstanding
31 System Obligations to be identified in the Pricing Resolution.

1 REFUNDING PROJECT. The advance refunding of the Refunded
2 Obligations.

3 REGISTRAR. The chief financial officer or successor in function of the
4 Water Authority or any trust company, national or state banking association or
5 financial institution qualified to act, appointed as the registrar for the Bonds by an
6 Authorized Officer from time to time.

7 RESERVE ACCOUNT. The accounts of the Debt Service Fund to be
8 established for Senior Obligations or Subordinate Obligations with a reserve
9 requirement.

10 RESERVE ACCOUNT SURETY BOND. Any policy of insurance or
11 surety bond or other Credit Facility issued to the Water Authority to be deposited in a
12 Reserve Account, the proceeds of which shall be used to prevent deficiencies in the
13 payment of the principal of or interest on a series of System Obligations, written by
14 an insurer whose policies of insurance, or issued by a Credit Source whose Credit
15 Facility, would not adversely affect the rating of the System Obligations by either
16 Moody's, S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch. At the
17 time of the issuance of such policy, such insurer or the component insurance
18 companies thereof or the obligations thereof shall have received the highest policy
19 claims rating accorded insurers by the A. M. Best Company or any comparable
20 service and either of the two highest rating categories of Moody's, S&P or Fitch if the
21 Bonds are then rated by Moody's, S&P or Fitch.

22 S&P. Standard & Poor's Ratings Services, a division of the McGraw-
23 Hill Companies, Inc., its successors and their assigns, and, if such corporation does
24 not provide a rating for the Bonds, "S&P" shall be deemed to refer to any other
25 nationally recognized securities agency rating the Bonds.

26 SENIOR OBLIGATIONS. The Drinking Water State Revolving Fund
27 Loan Agreement (2003), the Series 2005 Bonds, the Public Project Revolving Fund
28 Loan Agreement (2005), the Series 2006A Bonds, the Public Project Revolving Fund
29 Loan Agreement (2007), the Series 2008A Bonds, the Series 2009 Bonds, the
30 Drinking Water State Revolving Fund Loan Agreement (2009), the Public Project
31 Revolving Fund Loan (2011), the Series 2013A&B Bonds, the Series 2014A Bonds,

1 the Series 2015 Bonds, and obligations related thereto designated as Senior
2 Obligations, in any ordinance or resolution of the Water Authority relating to those
3 bonds, and any other System Obligations issued with a lien on the Net Revenues on
4 a parity with the lien of the Outstanding Senior Obligations on Net Revenues.

5 SERIES 2005 BONDS. The Outstanding System Obligations
6 designated as “Albuquerque Bernalillo County Water Utility Authority Joint Water
7 and Sewer System Improvement Revenue Bonds, Series 2005,” in the original
8 principal amount of \$132,985,000 authorized and issued pursuant to Ordinance
9 Enactment No. O-05-2 constituting a senior lien on the Net Revenues.

10 SERIES 2006A BONDS. The System Obligations designated as
11 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
12 System Improvement Revenue Bonds, Series 2006A” in the original principal
13 amount of \$133,390,000, authorized and issued pursuant to Ordinance No. O-06-2
14 and R-06-6 constituting a senior lien on the Net Revenues.

15 SERIES 2008A BONDS. The System Obligations designated as
16 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
17 System Improvement Revenue Bonds, Series 2008A” in the original principal
18 amount of \$55,630,000, authorized and issued pursuant to Ordinance No. O-08-2,
19 and Resolution No. R-08-5 constituting a senior lien on the Net Revenues.

20 SERIES 2009 BONDS. The System Obligations designated as
21 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
22 System Improvement Revenue Bonds, Series 2009A-1” in the original principal
23 amount of \$135,990,000, authorized and issued pursuant to Ordinance No. O-09-1
24 and Resolution No. R-09-7 constituting a senior lien on the Net Revenues.

25 SERIES 2013A&B BONDS. The System Obligations designated as
26 the “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
27 System Improvement Revenue Bonds, Series 2013A” and the “Albuquerque
28 Bernalillo County Water Utility Authority Joint Water and Sewer System Refunding
29 Revenue Bonds, Series 2013B” in the combined original principal amount of
30 \$118,215,000, authorized and issued pursuant to Ordinance No. O-13-2 and
31 Resolution R-13-13 constituting a senior lien on the Net Revenues.

1 SERIES 2014A BONDS. The Senior System Obligations designated
2 as the “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water
3 and Sewer System Refunding Revenue Bonds, Series 2014A” in the original
4 principal amount of \$97,270,000, authorized and issued pursuant to Ordinance No.
5 F/S O-14-2 and Resolution F/S R-14-10 constituting a senior lien on the Net
6 Revenues.

7 SERIES 2014B BONDS. The Subordinate System Obligations
8 designated as the “Albuquerque Bernalillo County Water Utility Authority
9 Subordinate Lien Joint Water and Sewer System Refunding Revenue Bonds, Series
10 2014B” in the original principal amount of \$87,005,000, authorized and issued
11 pursuant to Ordinance No. F/S O-14-2 and Resolution F/S R-14-10 constituting a
12 subordinate lien on the Net Revenues.

13 SERIES 2015 BONDS DEBT SERVICE ACCOUNT. An account of the
14 Debt Service Fund established for the deposit of amounts necessary to pay the Debt
15 Service Requirements on the Bonds.

16 SERIES 2015 BONDS ACQUISITION ACCOUNT. An account of the
17 Acquisition Fund established for the deposit of the portion of the proceeds of the
18 Series 2015 Bonds to finance the Improvement Project.

19 STATE. The State of New Mexico.

20 SUBORDINATE OBLIGATIONS. The Drinking Water State Revolving
21 Fund Loan Agreement (2008), the Series 2014B Bonds, and all other bonds and
22 other obligations of the Water Authority (including those previously issued by the
23 City) now or hereafter issued with a lien on the Net Revenues subordinate to the lien
24 of Senior Obligations and superior to the lien of the Super Subordinated Obligations
25 on the Net Revenues.

26 SUPER SUBORDINATED OBLIGATIONS. The Water Trust Board
27 Loans, and all other bonds and other obligations of the Water Authority now or
28 hereafter issued with a lien on the Net Revenues subordinate to the liens of the
29 Senior Obligations and the Subordinate Obligations on the Net Revenues.

30 SYSTEM. The public utility owned by the Water Authority and
31 designated as the Water Authority’s water system and sanitary sewer system

1 (continued as a joint utility system in Section 4) consisting of all properties, real,
2 personal, mixed or otherwise, now owned or hereafter acquired by the Water
3 Authority, through purchase, construction or otherwise, including all extensions,
4 enlargements and improvements of or to the water and sanitary sewer system and
5 used in connection therewith or relating thereto, and any other related activity or
6 enterprise of the Water Authority designated by the Board as part of the water and
7 sanitary sewer system, whether situated within or without the geographical limits of
8 the Water Authority.

9 SYSTEM OBLIGATIONS. All bonds and other similar indebtedness
10 payable solely or primarily from Net Revenues, including, without limitation, the
11 Senior Obligations, the Subordinate Obligations and the Super Subordinated
12 Obligations.

13 VALUATION DATE. Unless stated otherwise in an ordinance or
14 resolution of the Board, each January 1 and July 1 while Capital Appreciation Bonds
15 are Outstanding, being the dates on which the Accreted Value of Capital
16 Appreciation Bonds are listed in the applicable ordinance or resolution.

17 VARIABLE RATE OBLIGATIONS. System Obligations, including
18 reimbursement obligations pursuant to a Credit Facility, the interest rate on which is
19 subject to change from time to time.

20 WATER AUTHORITY. The Albuquerque Bernalillo County Water
21 Utility Authority created by Section 72-1-10 NMSA 1978 as a joint agency of the City
22 and the County and operating under the name Albuquerque Bernalillo County Water
23 Utility Authority.

24 WATER TRUST BOARD. The board created by Section 72-4A-4
25 NMSA 1978.

26 WATER TRUST BOARD LOANS. As of the date of adoption of the
27 Bond Parameters Ordinance: (i) the 2009 loan made to the Water Authority by the
28 Water Trust Board, evidenced by that loan agreement # 51-WTB in the amount of
29 \$50,000; (ii) the 2009 loan made to the Water Authority by the Water Trust Board,
30 evidenced by that loan agreement # 79-WTB in the amount of \$100,000; (iii) the
31 2010 loan made to the Water Authority by the Water Trust Board, evidenced by the

1 loan agreement # 177-WTB in the amount of \$190,235; (iv) the 2011 loan made to
2 the Water Authority by the Water Trust Board, evidenced by that loan agreement #
3 205-WTB in the amount of \$452,000; (v) the 2011 loan made to the Water Authority
4 by the Water Trust Board, evidenced by that loan agreement # 206-WTB in the
5 amount of \$640,000; and (vi) the 2011 loan made to the Water Authority by the
6 Water Trust Board, evidenced by that loan agreement # 207-WTB in the amount of
7 \$63,354.

8 (B) RULES OF CONSTRUCTION. For purposes of this Bond
9 Parameters Ordinance, unless otherwise expressly provided or unless the context
10 requires otherwise:

11 (1) Unless otherwise stated in this Bond Parameters
12 Ordinance, all references in this Bond Parameters Ordinance to designated Sections
13 and other subdivisions are to the designated Section and other subdivisions of this
14 Bond Parameters Ordinance.

15 (2) The words “herein”, “hereof”, “hereunder”, and “herewith”
16 and other words of similar import in this Bond Parameters Ordinance refer to this
17 Bond Parameters Ordinance, as a whole, and not to any particular Section or other
18 subdivision.

19 (3) All accounting terms not otherwise defined in this Bond
20 Parameters Ordinance have the meanings assigned to them in accordance with
21 generally accepted accounting principles.

22 (4) Words of the masculine gender shall be deemed and
23 construed to include correlative words of the feminine and neuter genders.

24 (5) The headings used in this Bond Parameters Ordinance
25 are for convenience of reference only and shall not define or limit the provisions of
26 this Bond Parameters Ordinance.

27 (6) Terms in the singular include the plural and vice versa.

28 Section 2. RATIFICATION. All actions previously taken (not inconsistent
29 with the provisions of this Bond Parameters Ordinance) by the Board and the
30 officers of the Water Authority, directed toward the authorization, pledge, collection
31 and distribution of the Net Revenues, the Refunding Project, the Improvement

1 Project, and the authorization, issuance and sale of the Bonds are ratified, approved
2 and confirmed.

3 Section 3. FINDINGS.

4 (A) The Water Authority declares that it has considered all relevant
5 information and data and finds that the issuance of the Bonds in one or more series
6 under the Act in an aggregate principal amount not to exceed \$275,000,000 to
7 finance the Project is necessary and in the interest of the public health, safety and
8 welfare of the residents of the geographic area served by the Water Authority.

9 (B) The Water Authority will finance the Project with the proceeds of
10 the Bonds, together with other funds of the Water Authority, if necessary.

11 (C) It is economically feasible to accomplish the Refunding Project
12 and the Improvement Project by the issuance of the Bonds.

13 Section 4. JOINT UTILITY. The System shall continue to be operated and
14 maintained as a joint public utility.

15 Section 5. LIABILITY FOR OUTSTANDING SYSTEM OBLIGATIONS.
16 The Water Authority hereby confirms that, in accordance with Section 72-1-10
17 NMSA 1978, the Water Authority has assumed all of the outstanding obligations that
18 were entered into by the City prior to the Water Authority's acquisition of the System.

19 Section 6. AUTHORIZATION OF REFUNDING PROJECT AND
20 IMPROVEMENT PROJECT; EXPENSES.

21 (A) REFUNDING PROJECT AND IMPROVEMENT PROJECT.
22 The Project is hereby authorized and approved.

23 (B) EXPENSES. The payment of Expenses is authorized and
24 approved.

25 (C) PROCEEDS. The net proceeds of the Bonds will be used
26 exclusively to finance the Refunding Project and the Improvement Project including
27 the payment of Expenses.

28 (D) ADVANCE REFUNDINGS. Certain System Obligations shall be
29 redeemed, refunded and defeased, all as provided in the Pricing Resolution and the
30 Escrow Agreement.

31 Section 7. THE BONDS.

1 (A) AUTHORIZATIONS. This Bond Parameters Ordinance has
2 been adopted by the affirmative vote of at least a majority of all of the members of
3 the Board. For the purpose of protecting the public health, conserving the property,
4 protecting the general welfare and prosperity of the citizens of the geographic area
5 served by the Water Authority, and completing the Project, it is necessary that the
6 Water Authority issue, and the Water Authority is hereby authorized to issue,
7 pursuant to the Act, its negotiable, fully registered bonds designated as the
8 “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
9 Sewer System Refunding and Improvement Revenue Bonds, Series 2015.”

10 The Bonds shall be issued in one or more series in an aggregate principal
11 amount not to exceed \$275,000,000, to be used, with other available moneys of the
12 Water Authority, to finance the Project, including the payment of Expenses.

13 (B) DETAILS OF THE BONDS.

14 (1) General. The Bonds shall be issued as fully registered
15 bonds in one or more series and shall be issued to provide funds, together with other
16 available funds of the Water Authority, if any, to finance the Project and to pay
17 Expenses relating to the issuance of the Bonds. The Bonds will have such principal
18 amounts, maturity dates and bear interest payable on the Interest Payment Dates,
19 as set forth in the Pricing Resolution. The Bonds shall bear interest from the most
20 recent date to which interest has been paid or provided for or if no interest has been
21 paid or provided for from the date of the Bonds until maturity or until redeemed if
22 called for redemption prior to maturity. Interest on Bonds will be computed on the
23 basis of a 360-day year consisting of twelve 30-day months. If, upon presentation at
24 maturity or for prior redemption, payment of the principal amount of any Bond is not
25 made as required by this Bond Parameters Ordinance, interest on the unpaid
26 principal amount of such Bond shall continue to accrue at the interest rate stated or
27 described in that Bond until the principal amount of that Bond is paid in full. The
28 maximum interest rate and maximum net effective interest rate on the Bonds will not
29 exceed 12% per annum, which are the maximum rates prescribed by the laws of the
30 State.

31 (2) Priority of Lien on the Net Revenues. The Bonds shall be

1 issued with a lien on the Net Revenues on a parity with the lien of the Senior
2 Obligations on the Net Revenues.

3 (C) BOOK-ENTRY. The Bonds shall be issued or registered in
4 book entry form with no physical distribution of bond certificates made to the public,
5 with a Depository acting as securities depository for the Bonds. A single certificate
6 for each maturity of the Bonds will be delivered to the Depository and immobilized in
7 its custody. The book-entry system will evidence ownership of the Bonds in
8 Authorized Denominations, with transfer of ownership effected on the books of the
9 Depository and its participants (“Participants”). As a condition to delivery of the
10 Bonds, the Purchasers will, immediately after acceptance of delivery thereof,
11 deposit, or cause to be deposited, Bond certificates with the Depository, registered
12 in the name of the Depository or its nominee. Principal of, premium, if any, and
13 interest on the Bonds will be paid to the Depository or its nominee as the registered
14 Owner of the Bonds. The transfer of principal and interest payments to Participants
15 will be the responsibility of the Depository; the transfer of principal and interest
16 payments to the beneficial owners of the Bonds (the “Beneficial Owners”) will be the
17 responsibility of such Participants and other nominees of Beneficial Owners
18 maintaining a relationship with Participants (the “Indirect Participants”). The Water
19 Authority will not be responsible or liable for maintaining, supervising or reviewing
20 the records maintained by the Depository, Participants or Indirect Participants.

21 If (i) the Bonds are not eligible for the services of the Depository, (ii) the
22 Depository determines to discontinue providing its services or (iii) the Water
23 Authority determines that a continuation of the system of book-entry transfers
24 through the Depository ceases to be beneficial to the Water Authority or the
25 Beneficial Owners, the Water Authority will either identify another Depository or
26 certificates will be delivered to Beneficial Owners or their nominees and the
27 Beneficial Owners or their nominees, upon authentication of Bonds and registration
28 of the Bonds in the Beneficial Owners’ or nominees’ names, will become the Owners
29 for all purposes. In either such event, the Water Authority shall mail an appropriate
30 notice to the Depository for notification to Participants, Indirect Participants and

1 Beneficial Owners of the substitute Depository or the issuance of bond certificates to
2 Beneficial Owners or their nominees, as applicable.

3 Authorized Officers are authorized to sign agreements with Depositories
4 relating to the matters set forth in this Section.

5 Notwithstanding any other provision of the Bond Legislation to the contrary,
6 so long as all the Bonds are registered in the name of the Depository or its nominee,
7 all payments with respect to principal of, redemption premium, if any, and interest on
8 the Bonds, and all notices, shall be made and given by the Paying Agent or the
9 Water Authority to the Depository as provided in the Bond Legislation and by the
10 Depository to its Participants and by the Participants or Indirect Participants to the
11 Beneficial Owners.

12 (D) PAYMENT OF THE BONDS. The principal of and premium, if
13 any, on the Bonds shall be payable upon presentation and surrender of the Bonds at
14 the principal office of the Paying Agent at or after their maturity or prior redemption
15 dates. Interest on the Bonds shall be payable by check or draft mailed to the owners
16 (or by such other arrangement as may be mutually agreed to by the Paying Agent
17 and an Owner). The Owner shall be deemed to be that person or entity shown on
18 the registration books for the Bonds maintained by the Registrar at the address
19 appearing in the registration books at the close of business on the applicable Record
20 Date. Interest which is not timely paid or provided for shall cease to be payable to
21 the Owner of the applicable Bonds (or of one or more predecessor Bonds) as of the
22 Record Date, but shall be payable to the Owners of those Bonds (or of one or more
23 predecessor Bonds) at the close of business on a special record date for the
24 payment of the overdue interest. The special record date shall be fixed by the
25 Paying Agent and Registrar whenever money becomes available for payment of the
26 overdue interest and notice of the special record date shall be given to the Owners
27 of the Bonds not less than ten days prior to that date. Payment shall be made in the
28 coin or currency of the United States of America that is at the time of payment legal
29 tender for the payment of public and private debts. If the principal amount of any
30 Bond presented for payment remains unpaid at maturity, the unpaid principal shall
31 bear interest at the rate designated in that Bond. Payments of Bonds shall be made

1 without deduction for exchange or collection charges.

2 The Water Authority shall transfer, or cause to be transferred, funds to the
3 Paying Agent on a timely basis so that the Paying Agent may make payments of the
4 principal of, premium, if any, and interest on the Bonds, when due, to the Owners
5 and comply with the requirements of any Credit Source. The Water Authority shall
6 notify the Paying Agent if there is or will be an insufficient amount of money of the
7 Water Authority legally available to pay principal and interest on the Bonds when
8 due.

9 Section 8. APPOINTMENT OF PAYING AGENT AND REGISTRAR. The
10 chief financial officer of the Water Authority is appointed as the initial Paying Agent
11 and Registrar. The Paying Agent, Authenticating Agent and Registrar shall be the
12 same person.

13 Section 9. REDEMPTION OF BONDS.

14 (A) GENERAL. The Bonds may be subject to optional and
15 mandatory sinking fund redemption, in whole or in part, upon the conditions, on the
16 dates and upon payment of the redemption prices set forth in the Pricing Resolution.

17 (B) REDEMPTION CONDITIONAL. Unless money sufficient to pay
18 the principal of and premium, if any, and interest on the Bonds to be redeemed at
19 the option of the Water Authority is received by the Paying Agent prior to the giving
20 of notice of redemption in accordance with Section 9.(E), that notice shall state that
21 the redemption is conditional upon the receipt of that money by the Paying Agent by
22 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Bonds called
23 for redemption is not received by that time (i) the Paying Agent shall redeem only
24 those Bonds for which the redemption price was received and the Bonds to be
25 redeemed shall be selected in the manner set forth in Section 9.(D) and (ii) the
26 redemption notice shall have no effect with respect to those Bonds for which the
27 redemption price was not received and those Bonds shall not be redeemed. The
28 Registrar shall give notice to the Owners of the Bonds which will not be redeemed in
29 the manner in which the notice of redemption was given, identifying the Bonds which
30 will not be redeemed, stating that the redemption did not take place with respect to
31 those Bonds, and the Registrar shall promptly return those Bonds to the Owners

1 thereof as shown on the Bonds register.

2 (C) CANCELLATION AND CREDIT. At its option, to be exercised
3 on or before the 45th day next preceding any mandatory sinking fund redemption
4 date, the Water Authority may irrevocably elect to (a) deliver to the Paying Agent for
5 cancellation Bonds of the same series, interest rate and maturity in any aggregate
6 principal amount and/or (b) receive a credit in respect of its sinking fund redemption
7 obligation for any Bonds of the same series, interest rate and maturity which, prior to
8 said date, have been redeemed (other than through the operation of the sinking
9 fund) and canceled by the Paying Agent and not theretofore applied as a credit
10 against any sinking fund redemption obligation. Each Bond delivered or previously
11 redeemed shall be credited by the Paying Agent as directed by the Water Authority
12 at the principal amount thereof in Authorized Denominations against the amounts
13 required to be paid by the Water Authority on the designated mandatory sinking fund
14 redemption date, and the principal amount of Bonds to be redeemed by operation of
15 such sinking fund on such date shall be reduced by that principal amount.

16 (D) PARTIAL REDEMPTION. If less than all of the Bonds subject
17 to redemption are to be redeemed at any one time, the Bonds to be redeemed shall
18 be selected by the Registrar in the manner and from the maturities designated by
19 the Water Authority. If less than all of the Bonds of a given maturity are redeemed,
20 the Bonds to be redeemed within that maturity shall be selected by lot in such
21 manner as determined by the Registrar. Part of a Bond may be redeemed in an
22 Authorized Denomination if the amount of that Bond which remains outstanding is
23 also in an Authorized Denomination.

24 (E) NOTICE OF REDEMPTION. Notice of redemption of Bonds
25 shall be given by the Registrar by sending a copy of such notice by Electronic
26 Means or by first-class, postage prepaid mail not less than 30 days prior to the
27 redemption date to the Owner of each Bond, or portion thereof, to be redeemed at
28 the address shown as of the fifth day prior to the mailing of notice on the registration
29 books kept by the Registrar and to the Credit Source for the Bonds, if any. The
30 Water Authority shall give the Registrar notice of Bonds to be called for optional
31 redemption at least fifteen (15) days prior to the date that the Registrar is required to

1 give Owners notice of redemption specifying the Bonds or the principal amount
2 thereof to be called for redemption and the applicable redemption date. If the Water
3 Authority has not designated the Bonds to be called for redemption on the dates
4 specified above, the Registrar shall select the Bonds to be redeemed by lot. Neither
5 the Water Authority's failure to give such notice, the Registrar's failure to give such
6 notice to the registered Owner of any Bonds or to any Credit Source, or any defect
7 thereon, nor the failure of the Depository to notify a Participant or any Participant or
8 Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect
9 the validity of the proceedings for the redemption of any Bonds for which proper
10 notice was given.

11 Notices shall specify the CUSIP numbers and maturity date or dates of the
12 Bonds to be redeemed (if less than all Bonds are to be redeemed), the date of or
13 principal amounts of any Bonds to be redeemed in part, the date fixed for
14 redemption, and shall further state that, subject to the terms of Section 9.(B), if
15 applicable, on such redemption date there will become and be due and payable
16 upon each Bond or part thereof to be redeemed at the office of the Paying Agent the
17 principal amount thereof to be redeemed plus accrued interest, if any, to the
18 redemption date and the stipulated premium, if any, and that from and after such
19 date, interest will cease to accrue on those Bonds. In addition to the foregoing
20 notice, the notice of redemption given by the Registrar shall include such additional
21 information, and the Registrar shall comply with any other terms regarding
22 redemption, as are required by any applicable agreement with a Depository.

23 Notice having been given in the manner provided above, subject to the terms
24 of Section 9.(B), the Bonds or part thereof called for redemption shall become due
25 and payable on the redemption date designated and the Bonds or part thereof to be
26 redeemed, for which there was sufficient money on deposit with the Paying Agent,
27 shall not be deemed to be Outstanding and shall cease to bear or accrue interest
28 from and after such redemption date. Upon presentation of a Bond to be redeemed
29 at the office of the Paying Agent on or after the redemption date or, so long as the
30 book-entry system is used for determining beneficial ownership of Bonds, upon
31 satisfaction of the terms of any other arrangement between the Paying Agent and

1 the Depository, the Paying Agent will pay such Bond, or portion thereof called for
2 redemption.

3 The Registrar shall also send a copy of the notice of redemption by Electronic
4 Means, first class mail or overnight delivery to each Depository. Failure to provide
5 notice to any Depository shall not affect the validity of proceedings for the
6 redemption of Bonds.

7 The Water Authority is not required to notify the Registrar of mandatory
8 sinking fund redemption of Bonds.

9 (F) CANCELLATION. All Bonds which have been redeemed or
10 received for transfer shall be canceled and destroyed by the Paying Agent and shall
11 not be reissued and a counterpart of the certificate of destruction shall be furnished
12 by the Paying Agent to the Water Authority.

13 Section 10. REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP
14 OF BONDS.

15 (A) REGISTRATION AND EXCHANGE. The Water Authority shall
16 cause books for registration, transfer and exchange of the Bonds to be kept at the
17 principal office of the Registrar. Upon surrender for transfer or exchange of any
18 Bonds at the principal office of the Registrar duly endorsed by the Owner or his
19 attorney duly authorized in writing, or accompanied by a written instrument or
20 instruments of transfer or exchange in form satisfactory to the Registrar and properly
21 executed, the Water Authority shall execute and the Registrar shall authenticate and
22 deliver in the name of the transferee or Owner replacement Bonds of the same
23 maturity, interest rate and aggregate principal amount in Authorized Denominations.

24 (B) OWNERS OF BONDS. The person in whose name any Bond is
25 registered shall be deemed and regarded as its absolute Owner for all purposes,
26 except as may otherwise be provided with respect to the payment of overdue
27 interest on the Bonds in Section 7.(D). Payment of either the principal of or interest
28 on any Bond shall be made only to or upon the order of its Owner or his legal
29 representative. All such payments shall be valid and effectual to satisfy and
30 discharge the liability on Bonds to the extent of the amount paid.

31 (C) LOST BONDS. If any Bond is lost, stolen, destroyed or

1 mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and the
2 evidence, information or indemnity which the Registrar may reasonably require, if
3 lost, stolen, or destroyed, authenticate and deliver a replacement Bond of the same
4 aggregate principal amount, maturity and interest rate, bearing a number or numbers
5 not then outstanding. If any lost, stolen, destroyed or mutilated Bond has matured or
6 been called for redemption, the Registrar may direct the Paying Agent to pay that
7 Bond in lieu of replacement.

8 (D) CHARGES TO OWNERS. Exchanges and transfers of Bonds
9 shall be made without charge to the Owner or any transferee except that the
10 Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or
11 other governmental charge required to be paid with respect to that transfer or
12 exchange.

13 (E) LIMITATIONS ON TRANSFER. Except for any Bond which
14 may be and is tendered for purchase, the Registrar shall not be required to transfer
15 or exchange (a) any Bond during the five-day period preceding the mailing of notice
16 calling Bonds, as applicable, for redemption and (b) any Bond called for redemption.

17 Section 11. FILING OF SIGNATURES. Prior to the execution of any Bond
18 pursuant to Sections 6-9-1 to 6-9-6 NMSA 1978, as amended, the Chair, the Vice
19 Chair, the Executive Director and the Secretary of the Water Authority shall each file
20 with the New Mexico Secretary of State his or her manual signature certified by him
21 or her under oath; provided that filing shall not be necessary for any officer where
22 any previous filing may have legal application to the Bonds.

23 Section 12. EXECUTION AND CUSTODY OF BONDS.

24 (A) EXECUTION. The Bonds shall be signed with the facsimile or
25 manual signature of the Chair and the manual or facsimile signature of the Secretary
26 of the Water Authority. Bonds when authenticated and bearing the manual or
27 facsimile signatures of the officers in office at the time of their signing shall be valid
28 and binding obligations of the Water Authority, notwithstanding that before delivery
29 of those Bonds, any or all of the persons who executed those Bonds shall have
30 ceased to fill their respective offices. The Chair, Vice Chair, Executive Director and
31 Board Secretary, at the time of the execution of the Bonds and the signature

1 certificate, each may adopt as and for his or her own facsimile signature, the
2 facsimile signature of his or her predecessor in office if such facsimile signature
3 appears upon any of the Bonds or certificates pertaining to the Bonds. No manual
4 or facsimile signature of an officer of the Water Authority or an Authenticating Agent
5 shall be required if the Bonds are issued in book-entry form without the delivery of
6 any physical securities.

7 (B) CUSTODY. The Authenticating Agent or its designee shall hold
8 in custody all Bonds signed and attested by the Chair, Vice Chair and Executive
9 Director or Secretary until ready for delivery to the Purchaser, transferee or Owner.
10 The Water Authority shall, from time to time, at the written request of the
11 Authenticating Agent, provide the Authenticating Agent an adequate supply of
12 Bonds.

13 (C) AUTHENTICATION. No Bond shall be valid or obligatory for
14 any purpose unless the certificate of authentication has been duly executed by the
15 Authenticating Agent. The Authenticating Agent's certificate of authentication shall
16 be deemed to have been duly executed if manually signed by an Authorized Officer
17 of the Authenticating Agent, but it shall not be necessary that the same officer sign
18 the certificate of authentication on all Bonds.

19 Section 13. NEGOTIABILITY; PREFERENCE. Except as otherwise stated
20 in this Bond Parameters Ordinance, the Bonds shall be fully negotiable and shall
21 have all the qualities of negotiable paper and the Owners shall possess all rights
22 enjoyed by the holders of negotiable instruments under the provisions of the State's
23 Uniform Commercial Code -- Investment Securities. All of the Bonds shall in all
24 respects, as to each other, be equally and ratably secured, without preference,
25 priority or distinction on account of the dates or the actual times of their issuance or
26 maturities.

27 Section 14. SPECIAL LIMITED OBLIGATIONS. All of the Bonds and all
28 payments of principal of, premium, if any, and interest on Bonds, and the fees, costs,
29 expenses and other obligations of the Water Authority under the Bond Legislation,
30 the Continuing Disclosure Undertaking, the Escrow Agreement or any Credit Facility,
31 together with the interest accruing thereon, shall be special limited obligations of the

1 Water Authority and shall be payable, collectible or reimbursable solely from the Net
2 Revenues, Bond proceeds, the earnings thereon and, if a Bond Insurance Policy is
3 issued for the payment of the Bonds, from the proceeds of the policy. The Owners,
4 any Credit Source and obligees under the Bond Legislation or any Credit Facility
5 may not look to any general or other municipal fund for the payment of the principal
6 of, premium, if any, or interest on such obligations or such fees, costs and expenses,
7 except the designated special funds specifically pledged for the Bonds as set forth in
8 or permitted by this Section. Neither the Bonds, the Bond Legislation, the
9 Continuing Disclosure Undertaking, the Escrow Agreement or any Credit Facility nor
10 such costs, fees and expenses of the Water Authority shall constitute an
11 indebtedness of the Water Authority within the meaning of any constitutional, charter
12 or statutory provision or limitation, nor shall they be considered or held to be general
13 obligations of the Water Authority, and each Bond shall recite that it is payable and
14 collectible solely from the Net Revenues, the proceeds of the Bonds, and, if a Bond
15 Insurance Policy is issued for the payment of the Bonds, from the proceeds of that
16 policy and that the Owners may not look to any general funds of the Water Authority
17 or any City or County fund for the payment of the principal of, premium, if any, or
18 interest on the Bonds.

19 Section 15. SALE OF BONDS. The Bonds shall be sold in accordance with
20 the Bond Purchase Agreement in a negotiated sale to the Purchaser as set forth in
21 the Pricing Resolution. The Bonds shall be sold at an underwriter's discount,
22 including expenses and fees of the Purchaser, not to exceed 0.75% of the total
23 original principal amount of the Bonds as set forth in the Bond Purchase Agreement.
24 After the Bonds have been duly executed and authenticated and upon receipt of the
25 purchase price therefor, the Bonds shall be delivered to the Purchaser by an
26 Authorized Officer in accordance with the Bond Purchase Agreement.

27 Section 16. FORM OF BONDS. The form of the Bonds shall be
28 substantially as set forth herein, with such terms and provisions as are not
29 inconsistent with the Bond Legislation.

30 **[Form of Bond]**
31 **UNITED STATES OF AMERICA** **STATE OF NEW MEXICO**

1 AS PROVIDED IN THE BOND LEGISLATION REFERRED TO HEREIN, UNTIL
 2 THE TERMINATION OF REGISTERED OWNERSHIP OF ALL OF THE BONDS
 3 THROUGH THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY
 4 SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE
 5 RESOLUTION, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF
 6 THE BOND LEGISLATION TO THE CONTRARY, THE PRINCIPAL AMOUNT
 7 OUTSTANDING UNDER THIS BOND MAY BE PAID OR REDEEMED WITHOUT
 8 SURRENDER HEREOF TO THE REGISTRAR. DTC OR A TRANSFEREE OR
 9 ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL
 10 AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF
 11 OUTSTANDING AND TO BE PAID. THE PRINCIPAL AMOUNT OUTSTANDING
 12 AND TO BE PAID ON THIS BOND SHALL FOR ALL PURPOSES BE THE
 13 AMOUNT INDICATED ON THE BOOKS OF THE REGISTRAR.

14 UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE
 15 OF DTC TO THE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE
 16 OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF
 17 CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED
 18 REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO.,
 19 ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR
 20 OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE
 21 REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

22 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**
 23 **SENIOR LIEN JOINT WATER AND SEWER SYSTEM**
 24 **REFUNDING AND IMPROVEMENT REVENUE BONDS**
 25 **SERIES 2015**

26 **Bond No. R-**____ **\$**_____

27 INTEREST RATE	MATURITY DATE	DATE OF BOND	CUSIP
28 ____% per annum	_____, 20__	_____, 20__	_____

29
 30 The Albuquerque Bernalillo County Water Utility Authority (the "Water
 31 Authority"), a legally and regularly created, established, organized and existing

1 municipal utility under the general laws of the State, for value received, hereby
2 promises to pay, solely from the special funds available for the purpose as
3 hereinafter set forth, to Cede & Co. or registered assigns, no later than the Maturity
4 Date stated above (unless this bond is called for prior redemption, in which case on
5 such redemption date), upon presentation and surrender hereof at the principal
6 office of the chief financial officer of the Water Authority as paying agent, or any
7 successor paying agent (the "Paying Agent"), the sum of _____ DOLLARS
8 (\$_____) and to pay from said sources interest on the unpaid principal amount at
9 the Interest Rate stated above on _____, and on January 1 and July 1 of each
10 year (each an "Interest Payment Date") thereafter to its maturity, or until redeemed if
11 called for redemption prior to maturity. This bond will bear interest from the most
12 recent date to which interest has been paid or provided for or, if no interest has been
13 paid or provided for, from its date. Interest on this bond is payable by check mailed
14 to the registered owner hereof (or by such other arrangement as may be mutually
15 agreed to by the Paying Agent and the registered owner) as shown on the
16 registration books for this issue maintained by the chief financial officer of the Water
17 Authority as registrar, or any successor registrar (the "Registrar") at the address
18 appearing therein at the close of business on the fifteenth day of the calendar month
19 next preceding the Interest Payment Date (the "Record Date"). Any interest which is
20 not timely paid or duly provided for shall cease to be payable to the owner hereof as
21 of the Record Date but shall be payable to the owner hereof at the close of business
22 on a special record date to be fixed by the Paying Agent for the payment of interest.
23 The special record date shall be fixed by the Paying Agent whenever moneys
24 become available for payment of the overdue interest, and notice of the special
25 record date shall be given to owner of the Bonds (defined below) as then shown on
26 the Registrar's registration books not less than ten days prior to the special record
27 date. If, upon presentation at maturity or redemption, payment of this bond is not
28 made as herein provided, interest hereon shall continue at the Interest Rate stated
29 above until the principal hereof is paid in full. The principal, premium, if any, and
30 interest on this bond are payable in lawful money of the United States of America,
31 without deduction for the services of the Paying Agent or the Registrar.

1 This bond is one of a duly authorized issue of fully registered bonds of the
2 Water Authority in the principal amount of \$[_____], issued in denominations
3 of \$5,000 or integral multiples thereof, designated as Albuquerque Bernalillo County
4 Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and
5 Improvement Revenue Bonds, Series 2015 (the “Bonds”), issued under and
6 pursuant to Ordinance No. O-15-2 adopted February 25, 2015, Confirming
7 Resolution No. ____ adopted February 25, 2015, and Resolution No. _____
8 adopted March 18, 2015 (collectively, the “Bond Legislation”).

9 The Bonds are subject to prior redemption as more particularly described
10 below:

11 Optional Redemption. Bonds maturing on and after July 1, _____ are subject
12 to redemption on any date, in whole or in part, at the option of the Water Authority,
13 prior to their respective maturities on or after July 1, _____ at a price equal to the
14 unpaid principal balance of the Bonds redeemed, plus accrued interest to the date of
15 redemption.

16
17 Notice of redemption of this bond, or any portion of this bond, will be given by
18 providing at least 30 days prior written notice by Electronic Means or by first-class
19 mail, postage prepaid, to the owner hereof at the address shown on the registration
20 book as of the fifth day prior to the mailing of notice as provided in the Bond
21 Legislation. Notice of redemption will specify the amount being redeemed, and shall
22 further state that on such redemption date there will become and be due and
23 payable upon each Bond to be redeemed at the office of the Paying Agent the
24 principal amount thereof plus accrued interest to the redemption date and the
25 stipulated premium, if any, and that from and after such date, the redemption
26 amount having been deposited and notice having been given, interest will cease to
27 accrue.

28 Books for the registration and transfer of the Bonds shall be kept by the
29 Registrar. Upon the surrender for transfer or exchange of this bond at the principal
30 office of the Registrar, duly endorsed or accompanied by an assignment duly
31 executed by the registered owner or his attorney duly authorized in writing, the

1 Registrar shall authenticate and deliver, not more than three (3) business days after
2 receipt of the Bond or Bonds to be transferred, in the name of the transferee or
3 owner a new Bond or Bonds in fully registered form of the same aggregate principal
4 amount, maturity and interest rate. Exchanges and transfers of the Bonds shall be
5 without charge to the owner or any transferee, but the Registrar may require the
6 payment by the owner of any Bonds of any tax or other similar governmental charge
7 required to be paid with respect to such exchange or transfer. The Registrar shall
8 not be required (i) to transfer or exchange any Bond during the period of five days
9 next preceding the mailing of notice calling any Bond for redemption, or (ii) to
10 transfer or exchange any Bond or part thereof called for redemption. The Registrar
11 will close books for change of registered owners' addresses on each Record Date;
12 transfers will be permitted within the period from each Record Date to each interest
13 payment date, but such transfers shall not include a transfer of accrued interest
14 payable.

15 The person in whose name any Bond is registered on the registration books
16 kept by the Registrar shall be deemed and regarded as the absolute owner thereof
17 for the purpose of making payment thereof and for all other purposes except as may
18 otherwise be provided with respect to payment of overdue interest in the Bond
19 Legislation; and payment of or on account of either principal or interest on any Bond
20 shall be made only to or upon the written order of the registered owner thereof or his
21 legal representative. All such payments shall be valid and effectual to discharge the
22 liability upon such Bond to the extent of the sum or sums so paid.

23 If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar will,
24 upon receipt of such Bond, if mutilated, and such evidence, information or indemnity
25 relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed,
26 authenticate and deliver a replacement Bond or Bonds of a like aggregate principal
27 amount and of the same maturity and interest rate, bearing a number or numbers
28 not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated
29 Bond shall have matured or have been called for redemption, the Registrar may
30 direct the Paying Agent to pay such Bond in lieu of replacement.

1 This bond does not constitute an indebtedness of the Water Authority within
2 the meaning of any constitutional or statutory provision or limitation, shall not be
3 considered or held to be a general obligation of the Water Authority, and is payable
4 and collectible solely from the Net Revenues (as defined in the Bond Legislation),
5 and the bondholders may not look to any general or other Water Authority fund other
6 than those described above for the payment of the interest and principal of this
7 bond. Additional bonds may be issued and made payable from the Net Revenues
8 upon satisfaction of the conditions set forth in the Bond Legislation, having a lien
9 thereon either on a parity with or junior to the lien of the Bonds on the Net
10 Revenues.

11 The Bonds are issued to provide funds for (i) the advance refunding of certain
12 outstanding System Obligations (ii) acquiring additional System assets, extending,
13 repairing, replacing and improving the Water Authority's System and (iii) the
14 payment of Expenses relating to the issuance of the Bonds.

15 The Water Authority covenants and agrees with the owner of this bond and
16 with each and every person who may become the owner hereof that it will keep and
17 perform all of the covenants of the Bond Legislation.

18 This bond is subject to the condition, and every owner hereof by accepting
19 the same agrees with the obligor and every subsequent owner hereof, that the
20 principal of and interest on this bond shall be paid, and this bond is transferable, free
21 from and without regard to any equities, set-offs or crossclaims between the obligor
22 and the original or any other owner hereof.

23 It is hereby certified that all acts and conditions necessary to be done or
24 performed by the Water Authority or to have happened precedent to and in the
25 issuance of the Bonds to make them legal, valid and binding special obligations of
26 the Water Authority, have been performed and have happened as required by law,
27 and that the Bonds do not exceed or violate any constitutional or statutory limitation
28 of or pertaining to the Water Authority.

29 This bond shall not be valid or obligatory for any purpose until the
30 Authenticating Agent shall have manually signed the Certificate of Authentication of
31 this bond.

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(Social Security or Federal Taxpayer Identification Number)

(Please print or typewrite Name and Address, including Zip Code, of Assignee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints the Registrar under the Bond Legislation as Attorney to register the transfer of the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature of the registered owner to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed by:

NOTICE: Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Registrar.

[END OF FORM OF BOND]

Section 17. PERIOD OF IMPROVEMENT PROJECT'S AND PRIOR PROJECTS' USEFULNESS. The useful life of the Improvement Project financed with the maturities of the Bonds assigned to the Improvement Project exceeds the final maturity date of the Bonds. The remaining period of usefulness of the projects

1 financed with the Refunded Obligations exceeds the final maturity date of the portion
2 of the Bonds assigned to the Refunding Project.

3 Section 18. USE OF PROCEEDS; PURCHASER NOT RESPONSIBLE.

4 (A) USE OF PROCEEDS.

5 (1) Proceeds from the sale of the Bonds shall be deposited
6 as follows and as more specifically described in the Confirming Resolution:

7 (a) Proceeds of the Bonds may be used to pay
8 Expenses related to the issuance of the Bonds.

9 (b) Proceeds of the Bonds designated for the
10 payment of interest will be deposited into the Series 2015 Bonds Debt Service
11 Account.

12 (c) Proceeds of the Bonds will be deposited to the
13 Escrow Fund created herein and administered under the Escrow Agreement for the
14 advance refunding of the Refunded Obligations. Any amounts remaining in the
15 Escrow Fund for the Refunded Obligations after the completion of the Refunding
16 Project shall be transferred by the Escrow Agent to the Water Authority for deposit in
17 the Series 2015 Debt Service Account and used by the Water Authority for the
18 payment of the principal of or interest next coming due on the Bonds.

19 (d) Proceeds of the Bonds will be deposited to the
20 Acquisition Fund created herein and shall be applied to the Improvement Project.
21 Any amounts remaining in the Series 2015 Acquisition Account after the Completion
22 Date shall be transferred to the Series 2015 Debt Service Account and used by the
23 Water Authority for the payment of the principal of or interest next coming due on the
24 Bonds.

25 (B) APPROPRIATIONS. The proceeds from the sale of the Bonds
26 and other money available to finance the Project shall be appropriated as set forth in
27 the Pricing Resolution.

28 (C) PURCHASER NOT RESPONSIBLE. The Purchaser shall not
29 be responsible for the application or use by the Water Authority of the proceeds of
30 Bonds.

31 Section 19. APPROVAL OF DOCUMENTS AND USE OF DISCLOSURE

1 DOCUMENTS.

2 (A) APPROVAL OF DOCUMENTS. Following approval of the
3 Pricing Resolution, the Chair or other Authorized Officer is authorized to execute,
4 and the Board Secretary is authorized and directed to attest, as applicable, the
5 Preliminary Official Statement, the Official Statement, the Bond Purchase
6 Agreement, the Escrow Agreement, and the Continuing Disclosure Undertaking in
7 substantially the forms presented or described to the Board with the Pricing
8 Resolution, with such changes as are not inconsistent with the terms of the Bond
9 Legislation and as are approved by the Chair or other Authorized Officer, the
10 execution or acceptance of delivery thereof to constitute conclusive evidence of the
11 approval of any and all changes or revisions from the form of any document now or
12 hereafter before the Board. Any changes in any such documents inconsistent with
13 the terms of the Bond Legislation shall be approved by the Board by subsequent
14 ordinance or resolution of the Board. The officers, agents and employees of the
15 Water Authority are authorized, empowered and directed to do all such acts and
16 things and to execute all such documents as may be necessary to carry out and
17 comply with the provisions of the Preliminary Official Statement, the Official
18 Statement, the Bond Purchase Agreement, the Escrow Agreement and the
19 Continuing Disclosure Undertaking.

20 (B) DISCLOSURE DOCUMENT. The use and distribution of the
21 Preliminary Official Statement and the Official Statement (with terms which are not
22 inconsistent with the Bond Legislation) by the Purchaser in connection with the sale
23 and issuance of the Bonds are hereby authorized.

24 (C) FURTHER ACTS. The officers, agents and employees of the
25 Water Authority are hereby authorized and empowered to do all acts and things and
26 to execute all documents, including separate agreements with the Paying Agent and
27 Registrar, if necessary, to carry out and comply with the provisions of the Bond
28 Legislation and the related documents.

29 Section 20. FUNDS AND ACCOUNTS.

30 (A) JOINT WATER AND SEWER FUND. The Water Authority shall
31 continue the Joint Water and Sewer Fund as a separate, distinct and segregated

1 fund. As long as the Bonds are outstanding, all Gross Revenues shall continue to be
2 set aside and credited to the Joint Water and Sewer Fund.

3 (B) DEBT SERVICE FUND AND ACCOUNTS. The Water Authority
4 shall continue the Debt Service Fund as a separate, distinct and segregated fund for
5 the deposit of Net Revenues for the payment of System Obligations. The Water
6 Authority shall continue the Expense Account as part of the Debt Service Fund.
7 Money on deposit or credited to the Expense Account shall be used for the purpose
8 of payment of Expenses. The Water Authority shall establish the Series 2015 Bonds
9 Debt Service Account as a separate account of the Debt Service Fund.

10 (C) RATE STABILIZATION FUND. The Water Authority shall
11 continue the Rate Stabilization Fund as a separate, distinct and segregated fund for
12 the purposes described in Section 21.(E).

13 (D) ESCROW FUND. The Water Authority hereby creates an
14 escrow fund for the advance refunding of the Refunded Obligations to be
15 administered and maintained by the Escrow Agent pursuant to the Escrow
16 Agreement.

17 (E) ACQUISITION FUND. The Water Authority shall continue the
18 Acquisition Fund as a separate, distinct and segregated fund. The Water Authority
19 shall establish the Series 2015 Bonds Acquisition Account as a separate account in
20 the Acquisition Fund for the deposit of a portion of the proceeds of the Bonds to
21 finance the Improvement Project. The Water Authority may establish separate
22 subaccounts in the Acquisition Fund for the payment of Improvement Project costs
23 and capitalized interest, if any, and for other purposes permitted by the Bond
24 Legislation.

25 Section 21. ADMINISTRATION OF JOINT WATER AND SEWER FUND.

26 (A) USE OF GROSS REVENUES. As long as any Bonds are
27 outstanding, all Gross Revenues shall continue to be deposited in the Joint Water
28 and Sewer Fund and transferred from that fund to the following funds and accounts
29 or for payment of the following amounts in the order listed:

30 (1) Operation And Maintenance Expenses. A sufficient
31 amount of Gross Revenues shall be set aside each month to be used to pay the

1 current Operation and Maintenance Expenses as they become due.

2 (2) Debt Service Accounts for Senior Obligations. Net
3 Revenues shall be transferred to the Debt Service Accounts established for Senior
4 Obligations to pay Debt Service Requirements on Senior Obligations, as they
5 become due, including amounts owed to any Credit Source to reimburse that Credit
6 Source for the payments of Debt Service Requirements on Senior Obligations.

7 (3) Reserve Accounts for Senior Obligations. Net Revenues
8 shall be transferred to a Reserve Account, if any, to the extent that amounts on
9 deposit in that Reserve Account are less than the amount (including coverage
10 available under any applicable Reserve Account Surety Bond) required to be on
11 deposit therein. The Net Revenues deposited shall be used first to reimburse the
12 Credit Source for the proceeds of a Reserve Account Surety Bond used to pay Debt
13 Service Requirements, second to replace money drawn from the Reserve Account
14 and third to pay the Credit Source interest accrued and owed on amounts advanced
15 pursuant to the Reserve Account Surety Bond.

16 (4) Debt Service Accounts For Subordinate Obligations. Net
17 Revenues shall be transferred to the Debt Service Accounts established for
18 Subordinate Obligations to pay Debt Service Requirements on Subordinate
19 Obligations, as they become due, including amounts owed to any Credit Source to
20 reimburse that Credit Source for the payments of Debt Service Requirements on
21 Subordinate Obligations.

22 (5) Reserve Accounts for Subordinate Obligations. Net
23 Revenues shall be transferred to a Reserve Account, if any, to the extent that
24 amounts on deposit in that Reserve Account are less than the amount (including
25 coverage available under any applicable Reserve Account Surety Bond) required to
26 be on deposit therein. The Net Revenues deposited shall be used first to reimburse
27 the Credit Source for the proceeds of a Reserve Account Surety Bond used to pay
28 Debt Service Requirements, second to replace money drawn from the Reserve
29 Account and third to pay to the Credit Source interest accrued and owed on amounts
30 advanced pursuant to the Reserve Account Surety Bond.

31 (6) Super Subordinated Obligations. Net Revenues shall be

1 used to pay Debt Service Requirements on Super Subordinated Obligations, and to
2 fund any Reserve Requirement for Super Subordinated Obligations.

3 (7) Rate Stabilization Fund. At the option of the Water
4 Authority, Net Revenues may be transferred to the Rate Stabilization Fund to be
5 used for the purposes stated in Section 21.(E).

6 (8) Surplus Net Revenues. Surplus Net Revenues shall be
7 retained in the Joint Water and Sewer Fund or used for any other lawful System
8 purpose including, but not limited to, redeeming or purchasing System Obligations or
9 paying costs and expenses of the Water Authority relating to the administration of
10 System Obligations.

11 (9) Accumulation Of Revenues. Net Revenues need not be
12 retained for any use or in any fund or account described in this paragraph A in
13 excess of the Net Revenues required for any current use or deposit. For the
14 purposes of this subparagraph, the term current shall mean the month during which
15 the Net Revenues are being distributed and the immediately following month.

16 (B) SERIES 2015 BONDS DEBT SERVICE ACCOUNT. Net
17 Revenues shall be transferred to the Series 2015 Bonds Debt Service Account
18 sufficient to pay when due the Debt Service Requirements on the Bonds.

19 (1) Except as stated in this Section 21.(B)(1) and in Section
20 21.(D), substantially equal monthly deposits of Net Revenues shall be made to the
21 Series 2015 Bonds Debt Service Account beginning six months before each Interest
22 Payment Date in order to make the next payment of interest on the Bonds when
23 due. However, if the first Interest Payment Date for the Bonds is less than six
24 months after the date of the original issuance of the Bonds, substantially equal
25 monthly deposits of Net Revenues before the first Interest Payment Date shall begin
26 in the first full month following the date of issuance of the Bonds in order to make the
27 first payment of interest on the Bonds when due.

28 (2) Except as stated in this Section 21.(B)(2) and in Section
29 21.(D), substantially equal monthly deposits of Net Revenues shall be made to the
30 Series 2015 Bonds Debt Service Account beginning 12 months before each principal
31 payment date for the Bonds payable from such account in order to make the next

1 scheduled payment of principal on the Bonds when due at maturity. However, if the
2 first principal payment date for the Bonds is less than thirteen months after the date
3 of the original issuance of the Bonds, substantially equal monthly deposits of Net
4 Revenues before the first principal payment date shall begin in the first full month
5 following the date of issuance of the Bonds in order to make the first payment of
6 principal on the Bonds when due at maturity.

7 If in the month immediately preceding any payment date for the Bonds, the
8 Water Authority determines that there are not sufficient funds accumulated in the
9 Series 2015 Bonds Debt Service Account to pay the amount becoming due on that
10 payment date, the Water Authority shall promptly deposit any available Net
11 Revenues in the Series 2015 Bonds Debt Service Account in an amount equal to the
12 deficiency. If, prior to any payment date for the Bonds, there has accumulated in the
13 Series 2015 Bonds Debt Service Account the entire amount necessary to pay the
14 amount becoming due on the Bonds payable from such account on that payment
15 date, no additional Net Revenues need be deposited in the Series 2015 Bonds Debt
16 Service Account prior to that payment date. In making the determinations permitted
17 by this paragraph, the Water Authority may take into account the amount on deposit
18 in any other fund or account or escrow relating to the Bonds irrevocably set aside for
19 the next payment of the Bonds.

20 Amounts on deposit in the Series 2015 Bonds Debt Service Account shall be
21 applied first to the payment of interest and then to pay or satisfy any payment of
22 principal on the respective Bonds. Except as provided in Section 21.(D), money in
23 the Series 2015 Bonds Debt Service Account shall be used only to pay the Debt
24 Service Requirements on the Bonds. Transfers of amounts equal to the periodic
25 Debt Service Requirements on the Bonds shall be made by the Water Authority on a
26 timely basis to the Paying Agent.

27 (C) RESERVE ACCOUNTS FOR BONDS. The Water Authority
28 may establish Reserve Accounts for the Bonds and administer such account as
29 provided in the Pricing Resolution.

30 (D) TERMINATION UPON DEPOSITS RELATING TO THE BONDS
31 TO MATURITY. No payments need be made into the Series 2015 Bonds Debt

1 Service Account if the amount in the Series 2015 Bonds Debt Service Account is not
2 less than the Debt Service Requirements due and to become due on and before the
3 final maturity date of the Bonds, both accrued and not accrued, and all proceeds
4 paid under any Credit Facility for the Bonds have been reimbursed. The money
5 retained in that account shall be used only to pay the Debt Service Requirements on
6 the Bonds when due except that any money on deposit in the Series 2015 Bonds
7 Debt Service Account which is not necessary to pay such Debt Service
8 Requirements shall be used as surplus Net Revenues.

9 (E) RATE STABILIZATION FUND. Money on deposit in the Rate
10 Stabilization Fund may be withdrawn at any time and used for any purpose for which
11 Gross Revenues may be used.

12 (F) PRO RATA DEPOSITS. If the amount of Net Revenues
13 available for deposit in the Debt Service Fund is not sufficient to pay the entire
14 amount required to be deposited in the Debt Service Accounts and/or Reserve
15 Accounts for System Obligations, the Net Revenues available shall be deposited in
16 the Debt Service Accounts and Reserve Accounts pro rata based upon the amount
17 required to be deposited in each account to the total Net Revenues available for
18 deposit but with the priorities established in Section 21.(A).

19 With respect to each applicable series of System Obligations,
20 reimbursements owed to a Credit Source for amounts used to pay Debt Service
21 Requirements on those System Obligations shall be paid on the same pro rata basis
22 and with the same priority as are amounts to be deposited in the Debt Service
23 Account or Reserve Account, as applicable, for those System Obligations; provided
24 that such reimbursements for payments of Debt Service Requirements made
25 pursuant to a Credit Facility shall be made with the priorities established in Section
26 21.(A).

27 (G) VARIABLE RATE OBLIGATIONS. In making computations
28 required by this Section, interest on Variable Rate Obligations which cannot be
29 computed exactly shall be deemed to bear the interest rate required by the definition
30 of Debt Service Requirements in the Bond Legislation. To determine the amount
31 required to be on deposit in any Debt Service Account for the payment of interest,

1 computations of the interest rate on Variable Rate Obligations shall be made
2 whenever there is a change in the interest rate on the applicable Variable Rate
3 Obligations except that the computation need not be made more often than once in
4 any month.

5 Section 22. TRANSFERS TO PAY PRINCIPAL OF, PREMIUM, IF ANY,
6 AND INTEREST ON THE BONDS; PAYMENT OF EXPENSES.

7 (A) TRANSFER TO PAYING AGENT. The Water Authority shall
8 transfer the funds set aside pursuant to Section 21 for the payments of principal of,
9 premium, if any, and interest on the Bonds to the Paying Agent on or before the date
10 on which each such payment is due.

11 (B) EXPENSES. The Water Authority or its designee shall pay, or
12 cause to be paid, all Expenses directly to the party entitled thereto.

13 Section 23. GENERAL ADMINISTRATION OF FUNDS. The funds and
14 accounts designated in Sections 20 and 21 shall be administered as follows:

15 (A) INVESTMENT OF MONEY. To the extent practicable, any
16 money in any such fund or account shall be invested in Permitted Investments,
17 provided however that money in the Escrow Fund shall be invested only as provided
18 in the Escrow Agreement. Obligations purchased as an investment of money in any
19 fund or account shall be deemed at all times to be part of that fund or account, and
20 the interest accruing and any profit realized on those Investments shall be credited
21 to that fund or account, unless otherwise stated in the Bond Legislation or related
22 document (subject to withdrawal at any time for the uses directed and permitted for
23 such money by the Bond Legislation and related documents), and any loss resulting
24 from such investment shall be charged to that fund or account. The custodian for
25 any such fund or account shall present for redemption or sale on the prevailing
26 market any Permitted Investment in a fund or account when necessary to provide
27 money to meet a required payment or when required to be transferred from that fund
28 or account.

29 (B) DEPOSITS OF FUNDS. The money and investments which are
30 part of the funds and accounts designated in Sections 20 and 21 shall be maintained
31 and kept in an Insured Bank or Banks, or otherwise in Permitted Investments or may

1 be held in book-entry form in the name of the Water Authority by an agent or
2 custodian of or for the Water Authority for the benefit of the Water Authority, as
3 permitted by State law and the money and investments deposited in the Escrow
4 Fund shall be held by the Escrow Agent. Each payment or deposit shall be made
5 into and credited to the proper fund or account at the designated time, except that
6 when the designated time is not a Business Day, then the payment shall be made on
7 the next succeeding Business Day unless otherwise required in the Bond Legislation
8 or related documents. The Water Authority may establish one or more accounts in
9 Insured Banks for all of the funds and accounts or combine such funds and accounts
10 with any other Insured Bank account or accounts for other funds and accounts of the
11 Water Authority.

12 (C) VALUATION OF INVESTMENTS. In the computation of the
13 amount in any account or fund for any purpose under the Bond Legislation, except
14 as otherwise expressly provided in the Bond Legislation, Permitted Investments
15 shall be valued according to the accounting standards applicable to the Water
16 Authority and the Board's investment policy.

17 Section 24. CREDIT FACILITY.

18 (A) CREDIT FACILITY FOR PAYMENT OF THE BONDS.
19 Payments of all or any part of the principal of and interest on the Bonds may be
20 guaranteed by a Credit Source as and to the extent set forth in the Confirming
21 Resolution.

22 (B) CHANGES TO INSURANCE TERMS. Terms and provisions
23 with respect to any Credit Facility for the Bonds, in addition to those set forth in the
24 Bond Legislation, shall be as set forth in the Credit Facility.

25 (C) CONSENT OF CREDIT SOURCE. Any provision of the Bond
26 Legislation expressly recognizing or granting rights in or to a Credit Source may not
27 be amended in any manner which affects the rights of the Credit Source without the
28 prior written consent of that Credit Source.

29 (D) ADVERSE EFFECT ON OWNERS. In determining whether the
30 rights of the Owners will be adversely affected by any action taken pursuant to the
31 terms and provisions of the Bond Legislation, the Water Authority shall consider the

1 effect on the Owners as if there were no Bond Insurance Policy or Reserve Account
2 Surety Bond in effect.

3 (E) CREDIT FACILITY. The rights and obligations of any Credit
4 Source under any Credit Facility shall be as set forth in the Bond Legislation or the
5 Credit Facility but shall not exceed any of the limitations included in the Bond
6 Legislation. The Water Authority shall promptly notify any rating agency then rating
7 the Bonds of changes to the terms of a Credit Facility.

8 Section 25. PLEDGE OF NET REVENUES AND LIEN OF THE BONDS.

9 The Net Revenues are hereby pledged for the payment of the Bonds, the
10 reimbursement of obligations of the Water Authority for the proceeds of any Credit
11 Facility used to pay Debt Service Requirements on the Bonds and for the other
12 payment obligations of the Water Authority set forth in the Bond Legislation, and
13 such payments and obligations of the Water Authority shall continue to have an
14 irrevocable senior lien (but not an exclusive senior lien) upon the Net Revenues, on
15 a parity with the Outstanding Senior Obligations until paid. Net Revenues shall be
16 applied to the payment of such payments and obligations with the priorities set forth
17 in Section 21.(A).

18 Section 26. ESTABLISHMENT OF PRIORITIES OF THE BONDS. Except

19 as set forth in the Bond Legislation, the Bonds from time to time Outstanding shall
20 not be entitled to any priority one over the other in the application of the Net
21 Revenues, regardless of the time or times of their issuance.

22 Section 27. ADDITIONAL SYSTEM OBLIGATIONS.

23 (A) LIMITATIONS UPON ISSUANCE OF SYSTEM OBLIGATIONS.

24 Subject to the limitations of this Section and Section 28, nothing in this Bond
25 Parameters Ordinance shall be construed to prevent the issuance by the Water
26 Authority of additional System Obligations.

27 (B) ADDITIONAL PARITY SENIOR OBLIGATIONS. The tests

28 required in this Section 27.(B) shall be performed without adjustment for payments
29 to or withdrawals from the Rate Stabilization Fund or interest accrued in an
30 acquisition fund for any Outstanding System Obligations. Except as permitted by
31 Section 28, prior to the issuance of additional Senior Obligations, the Water

1 Authority shall be current in making all deposits required by Section 21 and the
2 following test shall be satisfied:

3 (1) The Net Revenues for the Historic Test Period shall have
4 been sufficient to pay an amount representing at least 133% of the maximum
5 combined annual Debt Service Requirements of only the Outstanding Senior
6 Obligations and the terms of either subparagraph 2(a) or 2(b) shall be satisfied.

7 (2) (a) Using the fees and rates for use of the System on
8 the date of computation, or assuming that any new schedule of fees and rates
9 approved by the Water Authority during or after the Historic Test Period was in effect
10 during the entire Historic Test Period, the Net Revenues which were or would have
11 been received during that Historic Test Period shall have been sufficient to pay an
12 amount representing at least 133% of the maximum combined annual Debt Service
13 Requirement on the Outstanding Senior Obligations and the Senior Obligations
14 proposed to be issued; or

15 (b) The projected Net Revenues for the Prospective
16 Test Period shall be sufficient to pay an amount representing at least 133% of the
17 maximum combined annual Debt Service Requirements on the Outstanding Senior
18 Obligations and Senior Obligations proposed to be issued. To determine if the
19 annual Net Revenues are sufficient for the purposes of the preceding sentence, the
20 Net Revenues projected for the applicable Prospective Test Period shall be
21 determined by applying the rates for use of the System approved by the Board at the
22 time of computation to be in effect during the Prospective Test Period to the
23 proposed number of connections to the System after giving effect to the purchase,
24 expansion or improvement of the System or the acquisition of an existing water and
25 sanitary sewer system.

26 (C) ADDITIONAL PARITY SUBORDINATE OBLIGATIONS. The
27 tests required in this Section 27.(C) shall be performed without adjustment for
28 payments to or withdrawals from the Rate Stabilization Fund or interest accrued in
29 an acquisition fund for Outstanding System Obligations. So long as the 2005 Bonds,
30 2006A Bonds, 2008A Bonds, 2009 Bonds, 2013A&B Bonds, Drinking Water State
31 Revolving Fund Loan Agreement (2003), Public Project Revolving Fund Loan

1 Agreement (2005), Public Project Revolving Fund Loan Agreement (2007), Drinking
2 Water State Revolving Fund Loan (2009), and Public Project Revolving Fund Loan
3 Agreement (2011) are Outstanding, the Water Authority shall be required to meet all
4 three tests established in this paragraph; after those Senior Obligations listed are no
5 longer Outstanding, the Water Authority shall be required to only meet the tests set
6 forth in (i) and (iii) of the following sentence, and the test set forth in (ii) of the
7 following sentence shall have no further force or effect when additional Subordinate
8 Obligations are issued by the Water Authority. Except as permitted by Section 28,
9 prior to the issuance of additional Subordinate Obligations, the Water Authority (i)
10 shall be current in making all deposits required by Section 21, (ii) shall satisfy the
11 test set forth in paragraph (B) of this Section 27 related to the issuance of additional
12 Senior Obligations, and (iii) shall satisfy the following test:

13 (1) The Net Revenues for the Historic Test Period shall have
14 been sufficient to pay an amount representing at least 120% of the maximum
15 combined annual Debt Service Requirements of only the Outstanding Senior
16 Obligations and the Outstanding Subordinate Obligations and the terms of either
17 subparagraph 2(a) or 2(b) shall be satisfied.

18 (2) (a) Using the fees and rates for use of the System on
19 the date of computation, or assuming that any new schedule of fees and rates
20 approved by the Water Authority during or after the Historic Test Period was in effect
21 during the entire Historic Test Period, the Net Revenues which were or would have
22 been received during that Historic Test Period shall have been sufficient to pay an
23 amount representing at least 120% of the maximum combined annual Debt Service
24 Requirement on the Outstanding Senior Obligations and Outstanding Subordinate
25 Obligations and the Subordinate Obligations proposed to be issued; or

26 (b) The projected Net Revenues for the Prospective
27 Test Period shall be sufficient to pay an amount representing at least 120% of the
28 maximum combined annual Debt Service Requirements on the Outstanding Senior
29 Obligations and Outstanding Subordinate Obligations and the Subordinate
30 Obligations proposed to be issued. To determine if the annual Net Revenues are
31 sufficient for the purposes of the preceding sentence, the Net Revenues projected

1 for the applicable Prospective Test Period shall be determined by applying the rates
2 for use of the System approved by the Board at the time of computation to be in
3 effect during the Prospective Test Period to the proposed number of connections to
4 the System after giving effect to the purchase, expansion or improvement of the
5 System or the acquisition of an existing water and sanitary sewer system.

6 (D) CERTIFICATES. In determining whether additional Senior
7 Obligations may be issued pursuant to Section 27.(B) or additional Subordinate
8 Obligations may be issued pursuant to Section 27.(C), a written certificate or opinion
9 of an Independent Accountant that states in substance that the Net Revenues are
10 sufficient to pay the amounts required shall be conclusively presumed to be accurate
11 in determining the right of the Water Authority to authorize, issue, sell and deliver
12 such additional Senior Obligations or additional Subordinate Obligations,
13 respectively. Notwithstanding the foregoing, if all Senior Obligations issued prior to
14 August 18, 2004 are no longer Outstanding, then such a certificate or opinion from
15 an Authorized Officer will satisfy the foregoing requirement. Also, an opinion of a
16 Consulting Engineer as to the estimated Completion Date of the project to be
17 financed by the proposed System Obligations and the estimated Net Revenues for
18 the Prospective Test Period referred to in Section 27.(B)(2)(b) and Section
19 27.(C)(2)(b) shall be conclusively presumed to be accurate, and the Independent
20 Accountant or Authorized Officer, as the case may be, may conclusively rely upon
21 the written opinion of the Consulting Engineer in making the determinations required
22 by Section 27.(B) and Section 27.(C).

23 (E) SUPER SUBORDINATED OBLIGATIONS PERMITTED. No
24 provision of the Bond Legislation shall be construed to prevent the Water Authority
25 from issuing additional Super Subordinated Obligations with a lien on Net Revenues
26 subordinate to the lien of the Subordinate Obligations and the Senior Obligations.

27 (F) VARIABLE RATE OBLIGATIONS. In making the computations
28 required by this Section to determine if additional System Obligations may be
29 issued, Variable Rate Obligations shall be deemed to bear rate of interest as
30 required in the definition of Debt Service Requirements.

31 Section 28. REFUNDING OBLIGATIONS. The provisions of Section 27 of

1 this Bond Parameters Ordinance are subject to the following exceptions:

2 (A) PRIVILEGE OF ISSUING REFUNDING OBLIGATIONS. If at
3 any time while System Obligations remain Outstanding, the Water Authority desires
4 to refund any Outstanding System Obligations or other obligations payable from Net
5 Revenues, those System Obligations or other obligations, or any part thereof, may
6 be refunded regardless of whether the priority of the lien for the payment of the
7 refunding System Obligations on the Net Revenues is changed (except as provided
8 in paragraphs B and C of this Section).

9 (B) LIMITATIONS UPON ISSUANCE OF REFUNDING SENIOR
10 OBLIGATIONS. No senior refunding bonds or other senior refunding obligations
11 shall be issued as Senior Obligations unless:

12 (1) The refunding does not increase the maximum combined
13 annual Debt Service Requirements of the Senior Obligations, or

14 (2) The refunding Senior Obligations are issued in
15 compliance with Section 27.(B).

16 (C) LIMITATIONS UPON ISSUANCE OF REFUNDING
17 SUBORDINATE OBLIGATIONS. No subordinate refunding bonds or other
18 subordinate refunding obligations shall be issued as Subordinate Obligations unless:

19 (1) The refunding does not increase the maximum combined
20 annual Debt Service Requirements of the Subordinate Obligations, or

21 (2) The refunding Subordinate Obligations are issued in
22 compliance with Section 27.(C).

23 (D) LIMITATIONS UPON ISSUANCE OF ANY REFUNDING
24 SYSTEM OBLIGATIONS. Any refunding System Obligations shall be issued with
25 such details as the Board may provide by appropriate proceedings but without
26 impairment of any contractual obligation imposed upon the Water Authority by any
27 proceedings authorizing the issuance of any unrefunded portion of the series of
28 System Obligations to which the refunding was applicable.

29 Section 29. PROTECTIVE COVENANTS. The Water Authority hereby
30 covenants and agrees with the Owners:

31 (A) USE OF THE BOND PROCEEDS. The Water Authority will

1 promptly apply the proceeds of the Bonds to the Project and for the other purposes
2 permitted by this Bond Parameters Ordinance.

3 (B) PAYMENT OF THE BONDS. The Water Authority will promptly
4 pay the Debt Service Requirements on the Bonds at the place, on the dates and in
5 the manner specified in the Bond Legislation and the Bonds.

6 (C) RATE COVENANTS.

7 (1) Rate Covenant for Senior Lien Obligations. The Water
8 Authority will charge all purchasers of services of the System, including the Water
9 Authority, the City and the County, such reasonable and just rates as are sufficient
10 to produce Net Revenues annually to pay 133% of the annual Debt Service
11 Requirements on the Outstanding Senior Obligations (excluding accumulation of any
12 reserves therefor).

13 (2) Rate Covenant for Subordinate Lien Obligations. The
14 Water Authority will charge all purchasers of services of the System, including the
15 Water Authority, the City and the County, such reasonable and just rates as are
16 sufficient to produce Net Revenues annually to pay 120% of the annual Debt Service
17 Requirements on the Outstanding Senior Obligations and the Outstanding
18 Subordinate Obligations (excluding accumulation of any reserves therefor).

19 (3) Quarterly, the Water Authority shall determine that the
20 Net Revenues are sufficient to satisfy the Rate Covenants. If the Net Revenues are
21 not sufficient to satisfy the Rate Covenant upon the approval of the annual audit for
22 a Fiscal Year, the Water Authority will either: (i) promptly increase the rates for use
23 of the Services of the System in order to generate sufficient Net Revenues to satisfy
24 the Rate Covenants or (ii) employ a consultant or manager for the System who shall
25 have a favorable national reputation for skill and experience in the management,
26 operation and financial affairs of water and sanitary sewer systems and who is not
27 an employee or officer of the Water Authority. The Water Authority will request that
28 consultant or manager to make its recommendations, if any, as to revisions of the
29 Water Authority's rate structure and other charges for use of the System, its
30 Operation and Maintenance Expenses and the method of operation of the System in
31 order to satisfy the Rate Covenants as soon as practicable. Copies of any such

1 requests and recommendations of the consultant or manager shall be filed with the
2 Board. So long as the Water Authority substantially complies with the
3 recommendations of the consultant or manager on a timely basis, the Water
4 Authority will not be deemed to have defaulted in satisfying the Rate Covenants
5 even if the resulting Net Revenues are not sufficient to be in compliance with the
6 Rate Covenants, if there is no other default under the Bond Legislation.

7 (4) No free service, facilities or commodities shall be
8 furnished by the System. If the Water Authority, the City or the County elects to use
9 water supplied by, or the sanitary sewer facilities of, the System or in any other
10 manner use the System, such use of the System by such entity shall be paid from
11 lawfully available money of such entity at the reasonable value of the use made,
12 service rendered or facility or commodity supplied as is charged to other similar
13 users of the System.

14 (5) Nothing contained in this paragraph C shall be
15 interpreted to require the Water Authority to take any action in violation of any
16 applicable requirement imposed by law.

17 (D) LIEN ON LANDS SERVICED BY SYSTEM. To the extent
18 permitted by law, the Water Authority will cause a lien to be perfected upon each lot
19 or parcel of land for delinquent charges imposed for water and sanitary sewer
20 services supplied by the System to the owner of such lot or parcel. The Water
21 Authority will take all necessary steps to enforce the lien against any parcel of
22 property the owner of which is delinquent for more than six months in the payment of
23 charges imposed by the Water Authority.

24 (E) LEVY OF CHARGES. The Water Authority will promptly fix,
25 establish and levy the rates and charges which are required by Section 29.(C). No
26 reduction in any initial or existing rate schedule for the System may be made unless:

27 (1) the Water Authority has fully complied with the provisions
28 of Section 21 of this Bond Parameters Ordinance for any 12 consecutive months out
29 of the 16 calendar months immediately preceding the reduction of the rate schedule,
30 and

31 (2) the audit required by Section 29.(I) or a separate

1 certificate by an Independent Accountant for or relating to any 12 consecutive
2 months out of the 16 calendar months immediately preceding any reduction
3 discloses that the estimated Net Revenues resulting from the proposed reduced rate
4 schedule would have been sufficient to meet the applicable Rate Covenant during
5 the applicable 12-month period.

6 (F) EFFICIENT OPERATION. The Water Authority will maintain the
7 System in efficient operating condition and make such improvements, extensions,
8 enlargements, repairs and betterments to the System as may be necessary or
9 advisable for its economical and efficient operation at all times and to supply
10 reasonable public and private demands for System services within the area served
11 by the Water Authority.

12 (G) RECORDS. So long as the Bonds remain Outstanding, the
13 Water Authority will keep, or cause to be kept, proper books of record and account,
14 separate from all other records and accounts, showing complete and correct entries
15 of all transactions relating to the System.

16 (H) RIGHT TO INSPECT. Owners, or their duly authorized agents,
17 shall have the right to inspect at all reasonable times all records, accounts and data
18 relating to the System; however, pursuant to Section 6-14-10(E) NMSA 1978,
19 records with regard to the ownership or pledge of the Bonds are not subject to
20 inspection or copying.

21 (I) AUDITS. So long as the Bonds are Outstanding, within 270
22 days following the close of each Fiscal Year, the Water Authority will cause an audit
23 of the books and accounts of the System to be made by an Independent Accountant.
24 Each audit of the System shall include those matters determined to be proper by the
25 Independent Accountant.

26 (J) BILLING PROCEDURE. Bills for water, water services or
27 facilities, sanitary sewer service or facilities, or any combination thereof, furnished by
28 or through the System shall be provided to customers on a regular basis each month
29 following the month in which the service was rendered and shall be due as required
30 by Water Authority ordinance. If permitted by law, if a bill is not paid within the
31 period of time required by Water Authority ordinance, water and sanitary sewer

1 services shall be discontinued as required by Water Authority ordinance, and the
2 rates and charges due shall be collected in a lawful manner, including but not limited
3 to the cost of disconnection and reconnection.

4 (K) CHARGES AND LIENS UPON SYSTEM. The Water Authority
5 will pay when due from Gross Revenues or other legally available funds all taxes
6 and assessments or other municipal or governmental charges, lawfully levied or
7 assessed upon the System and will observe and comply with all valid requirements
8 of any municipal or governmental authority relating to the System. The Water
9 Authority will not create or permit any lien or charge upon the System or the Gross
10 Revenues or Net Revenues except as permitted by this Bond Parameters
11 Ordinance, or it will make adequate provisions to satisfy and discharge within 60
12 days after the same accrue, all lawful claims and demands for labor, materials,
13 supplies or other objects, which, if unpaid, might by law become a lien upon the
14 System, the Gross Revenues or the Net Revenues. However, the Water Authority
15 shall not be required to pay or cause to be discharged, or make provision for any tax
16 assessment, lien or charge before the time when payment becomes due or so long
17 as the validity thereof is contested in good faith by appropriate legal proceedings
18 and there is no adverse effect on Owners.

19 (L) INSURANCE. In its operation of the System, the Water
20 Authority will carry fire and extended coverage insurance. As required by law, the
21 Water Authority will acquire insurance or maintain a self-insurance fund to cover
22 workmen's compensation insurance and public liability insurance. In the event of
23 property loss or damage to the System, insurance proceeds shall be used first for
24 the purpose of restoring or replacing the property lost or damaged and any
25 remainder shall be treated as Gross Revenues.

26 (M) ALIENATING SYSTEM. Except as permitted in this Bond
27 Parameters Ordinance, while any Bonds are Outstanding, the Water Authority will
28 not sell, lease, mortgage, pledge or otherwise encumber, or in any manner dispose
29 of, or otherwise alienate, any part of the System, except that the Water Authority
30 may sell any portion of the property of the System which is replaced by other
31 property of at least equal value, or which ceases to be necessary for the efficient

1 operation of the System. In the event of any sale of System property, the proceeds
2 of such sale which are not used to purchase other System property shall be
3 distributed as Gross Revenues.

4 (N) EXTENDING INTEREST PAYMENTS. To prevent any
5 accumulation of claims for interest after maturity, except as permitted by the Bond
6 Legislation, the Water Authority will not directly or indirectly extend or assent to the
7 extension of the time for the payment of any claim for interest on the Bonds. If the
8 time for payment of interest is extended contrary to the provisions of this Section, the
9 installments of interest extended shall not be entitled, in case of an event of default
10 under the Bond Legislation, to the benefit or security of the Bond Legislation until the
11 prior payment in full of the principal of and interest on all other Bonds then
12 Outstanding.

13 (O) COMPETENT MANAGEMENT. The Water Authority shall
14 employ experienced and competent personnel to manage the System.

15 (P) PERFORMING DUTIES. The Water Authority will faithfully and
16 punctually perform all duties with respect to the System required by State, City and
17 County laws including, but not limited to, making and collecting reasonable and
18 sufficient rates and charges for services rendered or furnished by the System as
19 required by this Section and the proper segregation and application of the Gross
20 Revenues.

21 (Q) OTHER LIENS. Other than as stated in or provided by the
22 Bond Legislation, there are no liens or encumbrances of any nature whatsoever on
23 or against the System or Gross Revenues or Net Revenues.

24 (R) WATER AUTHORITY'S EXISTENCE. The Water Authority will
25 maintain its corporate identity and existence as long as the Bonds remain
26 outstanding.

27 (S) TAX COMPLIANCE. The Water Authority covenants that it will
28 use, and will restrict the use and investment of, the proceeds of the Bonds in such
29 manner and to such extent as may be necessary so that (a) the Bonds will not (i)
30 constitute private activity bonds, arbitrage bonds or hedge bonds under Sections
31 141, 148 or 149 of the Code or (ii) be treated other than as bonds to which Section

1 103(a) of the Code applies, and (b) the interest thereon will not be treated as a
2 preference item under Section 57 of the Code.

3 The Water Authority further covenants (a) that it will take or cause to be taken
4 such actions that may be required of it for the interest on the Bonds to be and to
5 remain excluded from gross income for federal income tax purposes, (b) that it will
6 not take or authorize to be taken any actions that would adversely affect that
7 exclusion, and (c) that it, or persons acting for it, will, among other acts of
8 compliance, (i) apply the proceeds of the Bonds to the governmental purposes of the
9 borrowings, (ii) restrict the yield on investment property, (iii) make timely and
10 adequate rebate payments or payments of alternative amounts in lieu of rebate to
11 the federal government, (iv) maintain books and records and make calculations and
12 reports, and (v) refrain from certain uses of those proceeds and, as applicable, of
13 property financed with such proceeds, all in such manner to the extent necessary to
14 assure such exclusion of that interest under the Code.

15 Authorized Officers are hereby authorized (a) to make or effect any election,
16 selection, designation, choice, consent, approval, or waiver on behalf of the Water
17 Authority as the Water Authority is permitted or required to make or give under the
18 federal income tax laws including, without limitation thereto, any of the elections
19 provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the
20 Code, for the purpose of assuring, enhancing or protecting favorable tax treatment
21 or status of the Bonds or interest thereon or assisting in the compliance with
22 requirements for that purpose, reducing the burden or expense of such compliance,
23 reducing the rebate amount or payments of penalties, or making payments of special
24 amounts in lieu of making computations to determine, or paying, excess earnings as
25 rebate, or obviating those amounts or payments, as determined by that officer, which
26 action shall be in writing and signed by the Authorized Officer, (b) to take any and all
27 other actions, make or obtain calculations, make payments, and make or give
28 reports, covenants and certifications of and on behalf of the Water Authority, as may
29 be appropriate to assure the exclusion of interest from gross income and the
30 intended tax status of the Bonds, and (c) to give one or more appropriate certificates
31 of the Water Authority, for inclusion in the transcripts of the proceedings for the

1 Bonds, setting forth the reasonable expectations of the Water Authority regarding
2 the amount and use of all the proceeds of the Bonds, the facts, circumstances and
3 estimates on which they are based, and other facts and circumstances relevant to
4 the tax treatment of the interest on and the tax status of the Bonds.

5 Section 30. REBATE FUND. A separate account of the Rebate Fund shall
6 not be required for the Bonds provided that the Water Authority shall comply with the
7 provisions of Section 29.(S).

8 Section 31. EVENTS OF DEFAULT. Each of the following events is
9 declared an “event of default” under the Bond Legislation:

10 (A) NONPAYMENT OF PRINCIPAL OR ACCRETED VALUE.
11 Failure to pay the principal or Accreted Value of the Bonds when due and payable,
12 either at maturity or otherwise.

13 (B) NONPAYMENT OF INTEREST. Failure to pay any installment
14 of interest on the Bonds when due and payable.

15 (C) INCAPABLE OF PERFORMING. For any reason, the Water
16 Authority becomes incapable of fulfilling its obligations under the Bond Legislation.

17 (D) DEFAULTS OF ANY OTHER PROVISION. Default by the
18 Water Authority in the due and punctual performance of its covenants, conditions,
19 agreements and provisions contained in System Obligations or in the Water
20 Authority ordinance authorizing those System Obligations and the continuance of
21 such default (other than a default set forth in paragraphs A, B and C of this Section)
22 for 60 days after written notice specifying such default and requiring the same to be
23 remedied has been given to the Water Authority by any Credit Source or the Owners
24 of 25% in principal amount and Accreted Value of the System Obligations then
25 Outstanding.

26 Section 32. REMEDIES UPON DEFAULT. Upon the happening and
27 continuance of any of the events of default stated in Section 31:

28 (1) any applicable Credit Source may proceed with any
29 available remedies under any Credit Facility; and

30 (2) the Owners of not less than 66% in principal amount and
31 Accreted Value of the System Obligations then Outstanding, including but not limited

1 to a trustee or trustees therefor, with the consent of the Credit Source with respect to
2 Insured Obligations, may proceed against the Water Authority or the Board or both
3 to:

4 (a) protect and enforce the rights of the Owners by
5 mandamus or other suit, action or special proceedings in equity or at law, in any
6 court of competent jurisdiction, either for the appointment of a receiver or for the
7 specific performance of any covenant or agreement contained in the Bond
8 Legislation or for the enforcement of any proper legal or equitable remedy as those
9 Owners may deem necessary or desirable to protect and enforce their rights,

10 (b) to enjoin any act or thing which may be unlawful or
11 in violation of any right of any Owner,

12 (c) to require the Board to act as if it were the trustee
13 of an express trust, or

14 (d) any combination of those remedies.

15 All proceedings shall be instituted and maintained for the equal benefit of all
16 Owners of System Obligations then Outstanding, subject to the provisions of Section
17 21 of this Bond Parameters Ordinance, with respect to the use of Gross Revenues.
18 The Owners by purchasing System Obligations consent to the appointment of a
19 receiver to protect the rights of the Owners. The receiver may enter and take
20 possession of and operate and maintain the System and shall prescribe rates, fees
21 or charges and collect, receive and apply all Gross Revenues as required by this
22 Bond Parameters Ordinance. The failure of any Owner to exercise any right granted
23 by this Section shall not relieve the Water Authority of any obligation to perform any
24 duty. Each right or privilege of any Owner (or trustee or receiver therefor) is in
25 addition and cumulative to any other right or privilege and the exercise of any right or
26 privilege by or on behalf of any Owner shall not be deemed a waiver of any other
27 right or privilege of any Owner.

28 Notwithstanding any other provision in the Bond Legislation, no recourse shall
29 be had for the payment of any Bond or for any claim based on any other obligation,
30 covenant or agreement contained in the Bond Legislation against any past, present
31 or future officer, employee or agent of the Water Authority or member of the Board,

1 and all such liability of any such officers, employees, agents or member (as such) is
2 released as a condition of and consideration for the adoption of the Bond Legislation
3 and the issuance of the Bonds.

4 Upon the occurrence and continuance of an Event of Default, so long as the
5 Credit Source, if any, is not in default in its payment obligations under the Bond
6 Insurance Policy, the Credit Source shall be entitled to control and direct the
7 enforcement of all rights and remedies granted to the Owners with respect to
8 Insured Obligations and such Credit Source shall also be entitled to direct and
9 approve all waivers of Events of Default with respect to Insured Obligations.

10 Section 33. DUTIES UPON DEFAULT. Upon the happening of any of the
11 events of default listed in Section 31, the Water Authority will do and perform all
12 proper acts on behalf of and for the Owners necessary to protect and preserve the
13 security created for the payment of the System Obligations and for the payment of
14 the Debt Service Requirements on the System Obligations promptly as the same
15 become due. As long as any of the System Obligations are Outstanding, all Gross
16 Revenues shall be distributed and used for the purpose and with the priorities set
17 forth in Section 21. If the Water Authority fails or refuses to proceed as provided in
18 this Section, the Owners of not less than 66% in principal amount and Accreted
19 Value of the System Obligations then Outstanding, after demand in writing, may
20 proceed to protect and enforce the rights of the Owners as provided in the Bond
21 Legislation.

22 Section 34. DEFEASANCE. When all principal, interest and prior
23 redemption premiums, if any, in connection with all or any part of the Bonds have
24 been paid or provided for (including amounts owed to the Credit Source, if any,
25 under any Bond Insurance Policy), the pledge and lien and all obligations under the
26 Bond Legislation with respect to those Bonds and any Bond Insurance Policy shall
27 be discharged and those Bonds shall no longer be deemed to be Outstanding within
28 the meaning of the Bond Legislation.

29 Without limiting the preceding paragraph, there shall be deemed to be such
30 payment when: (i) the Board has caused to be placed in escrow and in trust with an
31 escrow agent located within or without the State and exercising trust powers, an

1 amount sufficient (including the known minimum yield from Defeasance Obligations
2 in which such amount may be initially invested) to pay all requirements of principal,
3 interest and prior redemption premium, if any, on the Bonds to be defeased as the
4 same become due to the final maturities or upon designated prior redemption dates,
5 and (ii) any Bonds to be redeemed prior to maturity shall have been duly called for
6 redemption or irrevocable instructions to call such Bonds for redemption have been
7 given to the Registrar. The escrow agent shall have received evidence satisfactory
8 to it that the cash and Defeasance Obligations delivered will be sufficient to provide
9 for the payment of the Bonds to be defeased as stated above. Neither the
10 Defeasance Obligations nor money deposited with the escrow agent shall be
11 withdrawn or used for any purpose other than as provided in the escrow agreement
12 and the Defeasance Obligations and money shall be segregated and held in trust for
13 the payment of the principal and premium, if any, and interest on the Bonds with
14 respect to which such deposit has been made. The Defeasance Obligations shall
15 become due prior to the respective times at which the proceeds are needed in
16 accordance with a schedule established and agreed upon between the Board and
17 the escrow agent at the time of the creation of the escrow, or the Defeasance
18 Obligations shall be subject to redemption but only at the option of the holders or
19 owners thereof to assure the availability of the proceeds as needed to meet the
20 schedule.

21 Until reimbursement is made by the Water Authority to the applicable Credit
22 Source, if the principal and/or interest due on Insured Obligations is paid by a Credit
23 Source pursuant to a Credit Facility, the applicable Insured Obligations shall remain
24 Outstanding, shall not be defeased or otherwise satisfied and shall not be
25 considered to be paid by the Water Authority. In such case, the assignment and
26 pledge of the Net Revenues for the payment of the Insured Obligations paid by the
27 Credit Source and all covenants, agreements and other obligations of the Water
28 Authority to the Owners of those Insured Obligations shall continue to exist and shall
29 run to the benefit of that Credit Source and that Credit Source shall be subrogated to
30 the rights of the owners of those Insured Obligations, until all obligations of the
31 Water Authority to that Credit Source have been paid.

1 Notwithstanding the foregoing, any provisions of the Bond Legislation
2 which relate to indemnification and the payment of fees and expenses, the payment
3 of the principal of and premium of Bonds at maturity or on a prior redemption date,
4 interest payments and dates thereof, exchange, registration of transfer and
5 registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the
6 safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of
7 money in trust, the obligations set forth in the Bond Legislation regarding rebate, and
8 the duties of the Registrar, Authenticating Agent and Paying Agent in connection
9 with all of the foregoing shall remain in effect and be binding upon the Owners, the
10 Registrar, Authenticating Agent and Paying Agent notwithstanding the release and
11 discharge of the Bond Legislation. The provisions of this Section shall survive the
12 release, discharge and satisfaction of the Bond Legislation.

13 Section 35. **BONDS NOT PRESENTED WHEN DUE.** If any Bonds are not
14 duly presented for payment when due at maturity or on any prior redemption date,
15 and if money sufficient for the payment of those Bonds is on deposit with the Paying
16 Agent, and, in the case of the Bonds to be redeemed, if notice of redemption has
17 been given as provided in the Bond Legislation, all liability of the Water Authority to
18 the Owners of those Bonds shall be discharged, those Bonds shall no longer be
19 Outstanding and it shall be the duty of the Paying Agent to segregate and to hold
20 such money in trust, without liability for interest thereon, for the benefit of the
21 Owners of those Bonds.

22 Section 36. **DELEGATED POWERS.** The officers of the Water Authority
23 are authorized and directed to take all action from time to time which is necessary or
24 appropriate to effectuate the provisions of the Bond Legislation and the Bonds,
25 including, without limitation, the execution of any credit facility, any liquidity
26 agreement, any remarketing agreement, any qualified exchange agreement, the
27 delivery of a “deemed final” certificate relating to the disclosure document for the
28 Bonds, the publication of a summary of this Bond Parameters Ordinance
29 substantially in the form set out in Section 43, the distribution of material related to
30 the Bonds, the printing of the Bonds and the execution of related documents and
31 certificates pertaining to the System, the Bonds, and the delivery of and security for

1 the Bonds, as may be reasonably required by the Purchaser. The officers of the
2 Water Authority are authorized and directed to take all action from time to time which
3 is desirable or necessary for the Water Authority with respect to arbitrage rebate
4 requirements under Section 148(f) of the Code.

5 The Executive Director of the Water Authority, or successor in interest, is
6 hereby authorized and directed to make such changes or corrections to the
7 procedures established in the Bond Legislation relating to the times of day or the
8 days on which actions are required to be taken, or the persons responsible for
9 particular actions, the form of notice of the occurrence of events, the types and
10 forms of actions required and other similar administrative matters which, in the
11 judgment of the Executive Director, are necessary and appropriate to accomplish the
12 purposes of the Bond Legislation and to provide for the efficient administration of the
13 System and the Bonds. Notice of any such changes or corrections shall be given to
14 all persons affected thereby.

15 Section 37. AMENDMENT OF BOND PARAMETERS ORDINANCE.

16 (A) LIMITATIONS UPON AMENDMENTS. The Bond Legislation
17 may be amended by ordinance or resolution of the Board without the consent of
18 Owners but with the consent of any Credit Source providing a Credit Facility which is
19 in effect and which pertains to the Bonds and is affected by the amendment if the
20 Credit Source is not in default in its obligations under the Credit Facility:

21 (1) To cure any ambiguity, or to cure, correct or supplement
22 any defect or inconsistent provision contained in the Bond Legislation;

23 (2) To grant to the Owners any additional rights, remedies,
24 powers or authority that may lawfully be granted to them;

25 (3) To obtain or maintain a rating on the Bonds from any
26 rating agency if the amendment, in the judgment of Bond Counsel, does not
27 materially adversely affect the Owners of the Bonds;

28 (4) To achieve compliance with federal securities or tax
29 laws; and

30 (5) To make any other changes in the Bond Legislation
31 which, in the opinion of Bond Counsel, are not materially adverse to the Owners.

1 (B) ADDITIONAL AMENDMENTS. Except as provided above or in
2 the Confirming Resolution, the Bond Legislation may only be amended or
3 supplemented by ordinance or resolution adopted by the Board in accordance with
4 the laws of the State, without receipt by the Water Authority of any additional
5 consideration, but with the written consent of the Owners of a majority of the
6 principal amount of the Bonds then Outstanding which are affected by the
7 amendment or supplement (not including the Bonds which are then owned by or for
8 the account of the Water Authority) and of any Credit Source providing a Credit
9 Facility which is in effect affected by the amendment or supplement, if the Credit
10 Source is not in default in its obligations under the Credit Facility; provided, however,
11 that no such ordinances or resolutions shall have the effect of permitting:

- 12 (1) An extension of the maturity of any Bond; or
13 (2) A reduction in the principal amount of, premium, if any, or
14 interest rate on any Bond; or
15 (3) The creation of a lien on or a pledge of Net Revenues
16 ranking prior to the lien or pledge of Senior Obligations on Net Revenues; or
17 (4) A reduction of the principal amount of the Bonds required
18 for consent to such amendment or supplement.

19 (C) PROOF OF INSTRUMENTS. The fact and date of the
20 execution of any instrument under the provisions of this Section may be proved by
21 the certificate of any officer in any jurisdiction who by the laws of that jurisdiction is
22 authorized to take acknowledgments of deeds within that jurisdiction that the person
23 signing the instrument acknowledged before him the execution of that instrument, or
24 may be proved by an affidavit of a witness to the execution sworn to before such
25 officer.

26 Section 38. LIMITATION OF RIGHTS. Nothing in the Bond Legislation
27 expressed or implied is intended or shall be construed to give to any Person other
28 than the Owners, the Water Authority and the parties to which such right, remedy or
29 claim is expressly granted by the Bond Legislation any legal or equitable right,
30 remedy or claim under or in respect to the Bond Legislation or any covenant,
31 condition or stipulation of the Bond Legislation, and all covenants, stipulations,

1 promises and agreements in the Bond Legislation shall be for the sole and exclusive
2 benefit of the Water Authority, the Paying Agent, the Registrar and the Owners.

3 Section 39. NOTICES. Except as otherwise specifically required in the
4 Bond Legislation, notice with respect to the Bonds shall be effective when received
5 and it shall be sufficient service of any notice, request, demand or other paper if the
6 same is given: (i) orally, or (ii) by mail, or (iii) by Electronic Means, or (iv) hand
7 delivered; provided that any notice given orally, including notice by telephone, must
8 be confirmed by notice in writing as set forth in clause (ii), (iii) (except by telephone)
9 or (iv) above initiated within one Business Day after oral Notice is given. Notice shall
10 be given as follows:

11 (A) If to the Water Authority:

12 Albuquerque Bernalillo County Water Utility Authority

13 One Civic Plaza, N.W., Room 5012

14 Albuquerque, NM 87102

15 Attention: Executive Director

16 (505) 289-3101

17 (505) 289-3060 (Fax)

18
19 (B) If to the Initial Paying Agent:

20 Albuquerque Bernalillo County Water Authority

21 One Civic Plaza NW, Room 5012

22 Albuquerque, NM 87102

23 Attention: Chief Financial Officer

24 (505) 289-3080

25
26 Any such party may, by notice as set forth above to other parties, designate
27 any further or different address to which subsequent notices, certificates or other
28 communication shall be sent. All notices sent pursuant to the Bond Legislation to
29 any Owner shall also be sent to the Credit Source, if any, of the Bonds.

30 When the Bond Legislation provides for notice to the Owners of Bonds of any
31 event, such notice shall be sufficiently given (unless otherwise expressly provided in

1 the Bond Legislation) if in writing and given in accordance with this Section to each
2 Owner of Bonds affected by such event, at his address as it appears on the register
3 for the Bonds. In any case where notice to an Owner of Bonds is given by Electronic
4 Means or by mail, neither the failure to send such notice nor any defect in any notice
5 sent to any particular Owner of Bonds shall affect the sufficiency of such notice with
6 respect to any other Owner, and any notice which is sent in the manner provided in
7 this paragraph shall conclusively be presumed to have been duly given.

8 Where the Bond Legislation provides for notice upon the occurrence of any
9 event, that notice may be waived by the person entitled to receive that notice, either
10 before or after the event, and such waiver shall be the equivalent of notice.

11 The Paying Agent shall provide Moody's, S&P, and Fitch if the Bonds are
12 then rated by Moody's, S&P, and Fitch as applicable, with prior written notice of any
13 amendments to the Bond Legislation and the optional redemption of Bonds pursuant
14 to Section 9.(A) or defeasance pursuant to Section 34. Such notice shall be sent (a)
15 to Moody's at: Moody's Investors Service, Public Finance Department – Structured
16 Finance Group, 99 Church Street, New York, New York 10007, (b) to S&P at:
17 Standard & Poor's Corporation, Attention: Municipal Finance Department –
18 Structured Finance Group, 25 Broadway, 20th Floor, New York, New York 10004,
19 and (c) to Fitch at: Fitch Ratings, One State Street Plaza, New York, NY 10004.

20 Section 40. BOND PARAMETERS ORDINANCE IRREPEALABLE AS TO
21 THE BONDS. After any of the Bonds are issued, this Bond Parameters Ordinance
22 shall be and remain irrepealable until the Debt Service Requirements on all the
23 Bonds are fully paid and discharged and the Bonds are canceled, as provided in this
24 Bond Parameters Ordinance, or there has been defeasance of all the Bonds as
25 provided in this Bond Parameters Ordinance.

26 Section 41. SEVERABILITY CLAUSE. If any section, paragraph, clause or
27 provision of this Bond Parameters Ordinance shall for any reason be held to be
28 invalid or unenforceable, the invalidity or unenforceability of that section, paragraph,
29 clause or provision shall not affect any of the remaining provisions of this Bond
30 Parameters Ordinance.

31 Section 42. REPEALER CLAUSE. All bylaws, orders, resolutions and

1 ordinances, or parts thereof, inconsistent with this Bond Parameters Ordinance are
2 repealed to the extent only of such inconsistency. This repealer shall not be
3 construed to revive any bylaw, order, resolution or Ordinance, or part thereof,
4 previously repealed.

5 Section 43. GENERAL SUMMARY FOR PUBLICATION. The title and a
6 general summary of the subject matter contained in the Bond Parameters Ordinance
7 shall be published in substantially the following form:

8 **(Form of Summary of Ordinance for Publication)**

9 **Albuquerque Bernalillo County Water Utility Authority**

10 **Notice of Adoption of Ordinance**

11 NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 6-14-6
12 NMSA 1978, that on February 25, 2015, the Board of Albuquerque Bernalillo County
13 Water Utility Authority (the "Water Authority") adopted Water Authority Ordinance
14 No. O-15-2 (the "Bond Parameters Ordinance"), an ordinance which authorizes the
15 issuance of the Water Authority's Senior Lien Joint Water and Sewer System
16 Refunding and Improvement Revenue Bonds, Series 2015 in an aggregate principal
17 amount not to exceed \$275,000,000 to refund a portion of certain outstanding
18 System Obligations of the Water Authority's joint water and sewer system (the
19 "System") and to make improvements to the Water Authority's System.

20 The title of the Bond Parameters Ordinance is:

21 **ORDINANCE**

22 **AUTHORIZING THE ISSUANCE AND SALE OF ALBUQUERQUE BERNALILLO**
23 **COUNTY WATER UTILITY AUTHORITY (THE "WATER AUTHORITY") SENIOR**
24 **LIEN JOINT WATER AND SEWER SYSTEM REFUNDING AND IMPROVEMENT**
25 **REVENUE BONDS, SERIES 2015 IN AN AGGREGATE PRINCIPAL AMOUNT**
26 **NOT TO EXCEED \$275,000,000 (THE "SERIES 2015 BONDS" OR THE**
27 **"BONDS") TO BE ISSUED IN ONE OR MORE SERIES FOR THE PURPOSE OF**
28 **REFUNDING, REFINANCING AND DEFEASING CERTAIN OUTSTANDING**
29 **OBLIGATIONS OF THE WATER AUTHORITY AND FOR THE PURPOSE OF**
30 **ACQUIRING ADDITIONAL SYSTEM ASSETS, EXTENDING, REPAIRING,**
31 **REPLACING AND IMPROVING THE WATER AUTHORITY'S JOINT WATER AND**

1 SEWER SYSTEM; PROVIDING FOR THE DISPOSITION OF, AND OTHER
2 DETAILS RELATING TO, THE REVENUES FROM THE OPERATION OF THE
3 SYSTEM INCLUDING THE PAYMENT OF DEBT SERVICE ON SYSTEM
4 OBLIGATIONS; DETERMINING CERTAIN TERMS AND THE METHOD OF
5 DETERMINING OTHER TERMS CONCERNING THE BONDS; PROVIDING FOR
6 THE APPROVAL OF VARIOUS AGREEMENTS AND DISCLOSURE
7 DOCUMENTS RELATING TO THE BONDS; AND RATIFYING ACTION
8 PREVIOUSLY TAKEN.

9

10 The title contains a general summary of the subject matter contained in the
11 Bond Parameters Ordinance.

12 WITNESS my hand as of February 25, 2015.

13

14

Executive Director

15

(End of Summary of Ordinance for Publication)

16

1 PASSED AND ADOPTED THIS 25TH DAY OF FEBRUARY, 2015.
2 BY A VOTE OF ___ FOR AND ___ AGAINST.

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Chair

7 ATTEST:

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11

Secretary

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14

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15



MEMORANDUM

Date: January 21, 2015
To: Albuquerque Bernalillo County Water Utility Authority Governing Board
From: RBC Capital Markets
Re: Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2015A
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2015B

Overview of Series 2015A and 2015B

Series 2015A - Refunding: The Authority has the opportunity to generate present value savings based on continued historically low interest rates. The Authority's 2007 PPRF, Series 2008A and Series 2009A-1 Bonds are callable on July 1, 2017, July 1, 2018 and July 1, 2019 at par, respectively, which makes the refundings "advanced". The Authority's Debt Policy requires that advance refundings generate present value savings in excess of certain thresholds. The refunding assumes a 2.72% average borrowing rate based upon interest rates provided by the Authority's selected senior manager, JP Morgan, on January 20, 2015.

Series 2015B - New Money: The Authority has \$78 million of net new money for basic needs to be issued in 2015. The assumptions for the analysis are as follows: 12 year final maturity for all current and future new money basic needs borrowings and assuming a 2.03% average borrowing rate based upon interest rates provided by the Authority's selected senior manager, JP Morgan, on January 20, 2015.

Compliance of Debt Policy

2015A – Refunding: The refunding must be evaluated on both a present value basis based upon the years to call date and the years from the call date to the maturity date.

The refunding efficiency which compares the negative arbitrage to the present values savings on an aggregate basis and on a maturity by maturity basis was also met for all of the callable bonds

All of the callable bonds related to the 2007 PPRF, 2008A Bonds and 2009A-1 Bonds provided present value savings thresholds that meets or exceeds the Authority's debt policy requirements.

The term or length of the bond will not be extended. The refunding is being issued on a matched maturity basis.

2015B - New Money: The Authority's Debt Policy requires a 12 year final maturity for all basic needs new money debt. The Series 2015B Bonds are structured with a 12 year final maturity.

Savings update as of 1/20/2015

The following table sets forth, the Net Present Value of the refunding in dollars, as a percentage of the debt refunded, the negative arbitrage generated by the refunding, the efficiency of the refunding and the sensitivity of interest rates rising or falling by 1 basis point.

	2007 PPRF	2008A	2009A-1	Total
	Current	Current	Current	Current
1. Net PV Savings	\$4,275,947	\$6,040,226	\$6,857,990	\$17,174,163
2. % Savings	11.365%	10.858%	8.968%	10.119%
3. Negative Arbitrage	\$1,337,828	\$2,379,180	\$3,467,233	\$7,184,242
4. Refunding Efficiency	76.2%	71.7%	66.4%	70.5%
5. PV of 1 bp change	\$24,720	\$53,543	\$67,652	\$145,914

Time Schedule

The following sets forth the proposed time schedule for the closing of the bond issues.

Date	Action
Tuesday, 1/20/2015	Bond Parameters Ordinance and Confirming Resolution Distributed for Board packets
Wednesday, 1/28/2015	First Reading of Bond Parameters Ordinance and Confirming Resolution
Friday, 1/30/2015	Distribute Draft Preliminary Official Statement and Continuing Disclosure Undertaking
Friday, 1/30/2015	Distribute Draft Bond Purchase Agreement
Week of February 9th, 2015	Due Diligence and Document Review Meeting
Week of February 16th or February 23rd	Rating Presentations
Wednesday, 2/25/2015	ABCWUA Governing Board adopts Bond Parameters Ordinance and Confirming Resolution
Tuesday, 3/3/2015	Post Preliminary Official Statement for electronic distribution
Tuesday, 3/17/2015	Bond Pricing and Escrow Verification
Wednesday, 3/18/2015	ABCWUA Governing Board adopts Sale Resolution, approves and signs Bond Purchase Agreement
Tuesday, 3/31/2015	Pre-Closing / Document Signing
Thursday, 4/2/2015	Closing - Defeasance of Refunded Bonds

FINANCING SCHEDULE
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2015A
and
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2015B

JANUARY 2015						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

FEBRUARY 2015						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

MARCH 2015						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

APRIL 2015						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

MAY 2015						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

ABCWUA Board Meetings 5:00 p.m.

DATE	ACTION	RESPONSIBLE PARTIES
Monday, January 12, 2015	Distribute Revised Financing Schedule	Modrall

DATE	ACTION	RESPONSIBLE PARTIES
Thursday, January 15, 2015	Distribute Draft Bond Parameters Ordinance and Confirming Resolution	Modrall
Monday, January 19, 2015	Comments due on Draft Bond Parameters Ordinance and Confirming Resolution	All
Tuesday, January 20, 2015	Bond Parameters Ordinance and Confirming Resolution Distributed for Board packets	ABCWUA Modrall
Wednesday, January 28, 2015	First Reading of Bond Parameters Ordinance and Confirming Resolution	ABCWUA Modrall RBC
Friday, January 30, 2015	Distribute Draft Preliminary Official Statement and Continuing Disclosure Undertaking	Modrall
Friday, January 30, 2015	Distribute Draft Bond Purchase Agreement	Underwriter's Counsel
Week of February 2nd, 2015 or February 9th, 2015	Rating Presentations	ABCWUA RBC
Thursday, February 5, 2015	Submit Notice of Meeting and Intent to Adopt Ordinance to the <i>Albuquerque Journal</i> for publication on Monday, February 9, 2015	Modrall
Monday, February 9, 2015	Publish Notice of Meeting and Intent to Adopt Ordinance in the <i>Albuquerque Journal</i>	Newspaper
Week of February 9 th , 2015	Due Diligence and Document Review Meeting	All

DATE	ACTION	RESPONSIBLE PARTIES
Friday, February 13, 2015	Comments due on Draft of Preliminary Official Statement, Continuing Disclosure Undertaking, Bond Parameters Ordinance, Confirming Resolution and Bond Purchase Agreement	All
Tuesday, February 17, 2015	Distribute revised Draft of Bond Parameters Ordinance and Confirming Resolution for Board packets Include POS and Disclosure Memo in Board Packets	Modrall
Wednesday, February 25, 2015	ABCWUA Governing Board adopts Bond Parameters Ordinance and Confirming Resolution	ABCWUA
Thursday, February 26, 2015	Submit Notice of Adoption of Ordinance and Resolution to the <i>Albuquerque Journal</i> for publication on Monday, March 2, 2015	Modrall
Thursday, February 26, 2015	Distribute Revised Draft of POS and Drafts of Sale Resolution, Escrow Agreement, Bond Purchase Agreement, and Continuing Disclosure Undertaking	Modrall Underwriter's Counsel
Monday, March 2, 2015	Publish Notice of Adoption of Ordinance and Resolution in the <i>Albuquerque Journal</i>	Newspaper
Monday March 2, 2015	Sign off Call for Preliminary Official Statement	All
Tuesday, March 3, 2015	Post Preliminary Official Statement for electronic distribution	Modrall
Friday, March 13, 2015 & Monday, March 16, 2015	Market Update and Pre-Pricing Calls	Underwriters ABCWUA RBC

DATE	ACTION	RESPONSIBLE PARTIES
Monday, March 16, 2015	Pre-pricing call at 2:00 p.m.	Underwriters ABCWUA RBC
Tuesday March 17, 2015	Bond Pricing and Escrow Verification	ABCWUA RBC Underwriters Causey
Tuesday, March 17, 2015	Distribute final Sale Resolution and Bond Purchase Agreement and form of Escrow Agreement	Modrall
Wednesday, March 18, 2015 at 5:00 p.m.	ABCWUA Governing Board adopts Sale Resolution, approves and signs Bond Purchase Agreement	ABCWUA Modrall RBC Underwriters
Thursday, March 19, 2015	Submit Notice of Adoption of Sale Resolution to the <i>Albuquerque Journal</i> for publication on Monday, March 23, 2015	Modrall
Friday, March 20, 2015	Distribute Draft of Official Statement to working group	Modrall
Monday, March 23, 2015	Publish Notice of Adoption of Sale Resolution	Newspaper
Tuesday, March 24, 2015	Comments due on Official Statement and Final Official Statement to Printer for electronic distribution	All
Tuesday March 24, 2015	Distribute Draft Closing Documents	Modrall
Friday, March 27, 2015	Comments due on Closing Documents	All

DATE	ACTION	RESPONSIBLE PARTIES
Tuesday, March 31, 2015	Pre-Closing / Document Signing	All
Tuesday, March 31, 2015	Send Bonds to DTC for Closing	Modrall
Wednesday, April 1, 2015	30-day Limitation of Action Period expires	ABCWUA
Thursday, April 2, 2015	Closing - Defeasance of Refunded Bonds	All

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Albuquerque Bernalillo County
Water Utility Authority

Governing Board



Albuquerque Bernalillo County
Water Utility Authority

Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2015A
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2015B



RBC Capital Markets

Series 2015 Bond Overview

Series 2015A - Refunding:

The Authority has the opportunity to generate present value savings based on continued historically low interest rates. The Authority's 2007 PPRF, Series 2008A and Series 2009A-1 Bonds are callable on July 1, 2017, July 1, 2018 and July 1, 2019 at par, respectively, which makes the refundings "advanced". The Authority's Debt Policy requires that advance refundings generate present value savings in excess of certain thresholds. The refunding assumes a 2.93% average borrowing rate based upon interest rates provided by the Authority's selected senior manager, JP Morgan, on February 17, 2015. The average borrowing rate of the bonds being refunded is 5.18%.

Series 2015B - New Money:

The Authority has \$78 million of net new money for basic needs to be issued in 2015. The assumptions for the analysis are as follows: 12 year final maturity for all current and future new money basic needs borrowings and assuming a 2.38% average borrowing rate based upon interest rates provided by the Authority's selected senior manager, JP Morgan, on February 17, 2015.

Series 2015 - Compliance of Debt Policy

2015A – Refunding:

The refunding must be evaluated on both a present value basis based upon the years to call date and the years from the call date to the maturity date.

- The refunding efficiency which compares the negative arbitrage to the present values savings on an aggregate basis and on a maturity by maturity basis was also met for all of the callable bonds
- All of the callable bonds related to the 2007 PPRF, 2008A Bonds and 2009A-1 Bonds provided present value savings thresholds that meets or exceeds the Authority's debt policy requirements.
- The term or length of the bond will not be extended. The refunding is being issued on a matched maturity basis.

2015B - New Money:

The Authority's Debt Policy requires a 12 year final maturity for all basic needs new money debt. The Series 2015B Bonds are structured with a 12 year final maturity.

Savings update as of 2/17/2015

The following table sets forth, the Net Present Value of the refunding in dollars, as a percentage of the debt refunded, the negative arbitrage generated by the refunding, the efficiency of the refunding and the sensitivity of interest rates rising or falling by 1 basis point.

2007 PPRF

Net PV Savings	\$3,433,566
% Savings	9.126%
Negative Arbitrage	\$1,499,602
Refunding Efficiency	69.6%
PV of 1 bp change	\$24,368

2008A

Net PV Savings	\$3,591,744
% Savings	6.456%
Negative Arbitrage	\$2,610,284
Refunding Efficiency	57.9%
PV of 1 bp change	\$52,447

2009A-1

Net PV Savings	\$4,400,062
% Savings	5.754%
Negative Arbitrage	\$3,823,414
Refunding Efficiency	53.5%
PV of 1 bp change	\$66,527

Total

Net PV Savings	\$11,425,372
% Savings	6.731%
Negative Arbitrage	\$7,933,300
Refunding Efficiency	59.0%
PV of 1 bp change	\$143,342

Date	Prior Debt Service	Refunding Debt Service	Nominal Savings	Present Value
7/1/2015	\$ 4,415,775	\$ 2,010,609	\$ 2,405,166	\$ 2,394,588
7/1/2016	8,831,550	8,132,800	698,750	689,687
7/1/2017	8,831,550	8,132,800	698,750	672,937
7/1/2018	15,781,550	15,067,800	713,750	696,790
7/1/2019	15,826,675	15,115,400	711,275	677,310
7/1/2020	18,435,275	17,815,000	620,275	557,980
7/1/2021	18,784,625	18,167,500	617,125	542,689
7/1/2022	12,316,163	11,701,750	614,413	527,432
7/1/2023	16,536,225	15,916,500	619,725	532,977
7/1/2024	16,394,088	15,782,500	611,588	512,868
7/1/2025	13,758,038	13,141,000	617,038	496,089
7/1/2026	14,950,250	14,416,500	533,750	406,229
7/1/2027	14,945,925	14,413,500	532,425	395,239
7/1/2028	14,945,275	14,406,750	538,525	389,893
7/1/2029	14,951,725	14,415,250	536,475	378,819
7/1/2030	14,953,450	14,417,000	536,450	369,431
7/1/2031	14,956,413	14,421,000	535,413	359,635
7/1/2032	14,952,988	14,415,750	537,238	351,961
7/1/2033	14,951,888	14,415,250	536,638	342,889
7/1/2034	6,341,313	6,147,750	193,563	120,680
	\$ 275,860,738	\$ 262,452,409	\$ 13,408,329	\$ 11,416,123

PV of savings from cash flow	\$ 11,416,123
Plus: Refunding funds on hand	\$ 9,249
Net PV Savings	\$ 11,425,372

Series 2015 Time Schedule

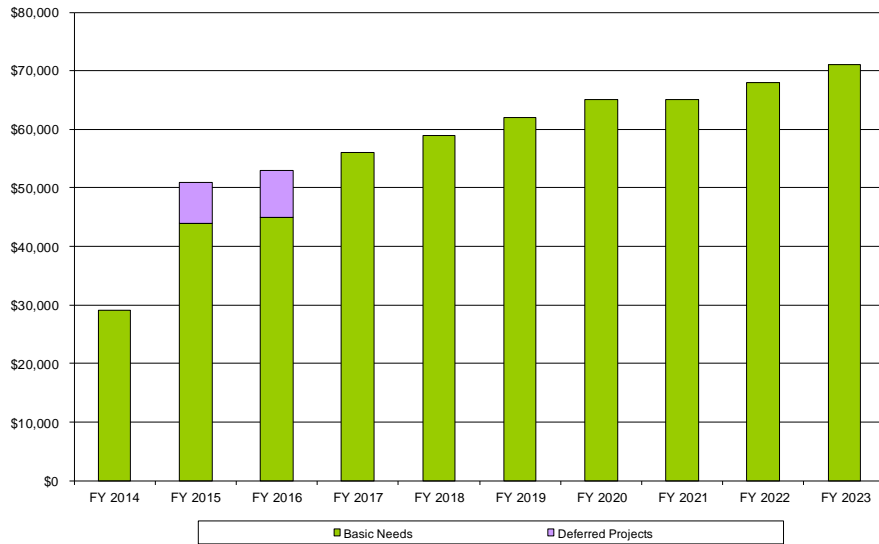
The following sets forth the proposed time schedule for the closing of the bond issues.

Date	Action
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Tuesday, 3/31/2015	Pre-Closing / Document Signing
Thursday, 4/2/2015	Closing - Defeasance of Refunded Bonds

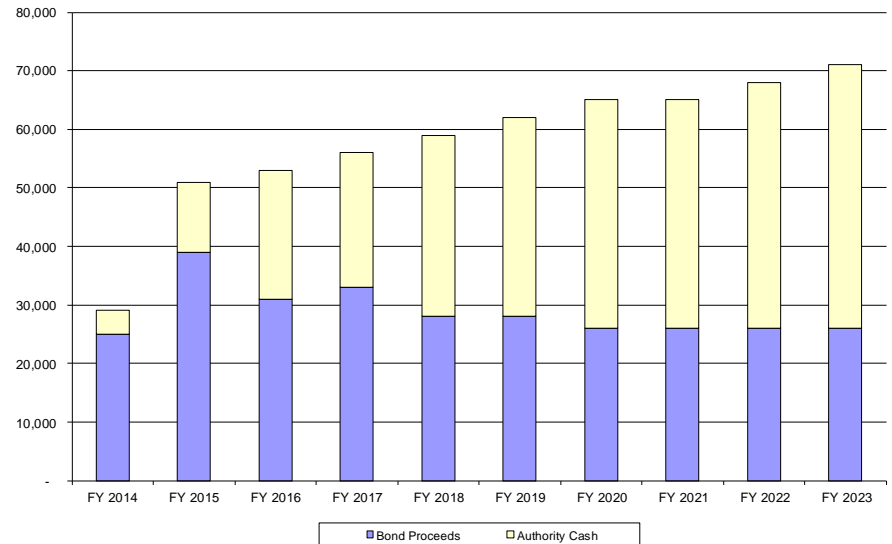
Capital Plan

- Capital assets net of depreciation is \$1.275 billion
- The Authority's capital needs from FY2014 to FY2023 are \$579 million, of which \$291 million is expected to be met by using non-borrowed sources and \$288 million in debt financing.
- The Authority plans to issue its next new money borrowing in April 2015 to generate approximately \$78.0 million in net proceeds

Capital Needs by Use



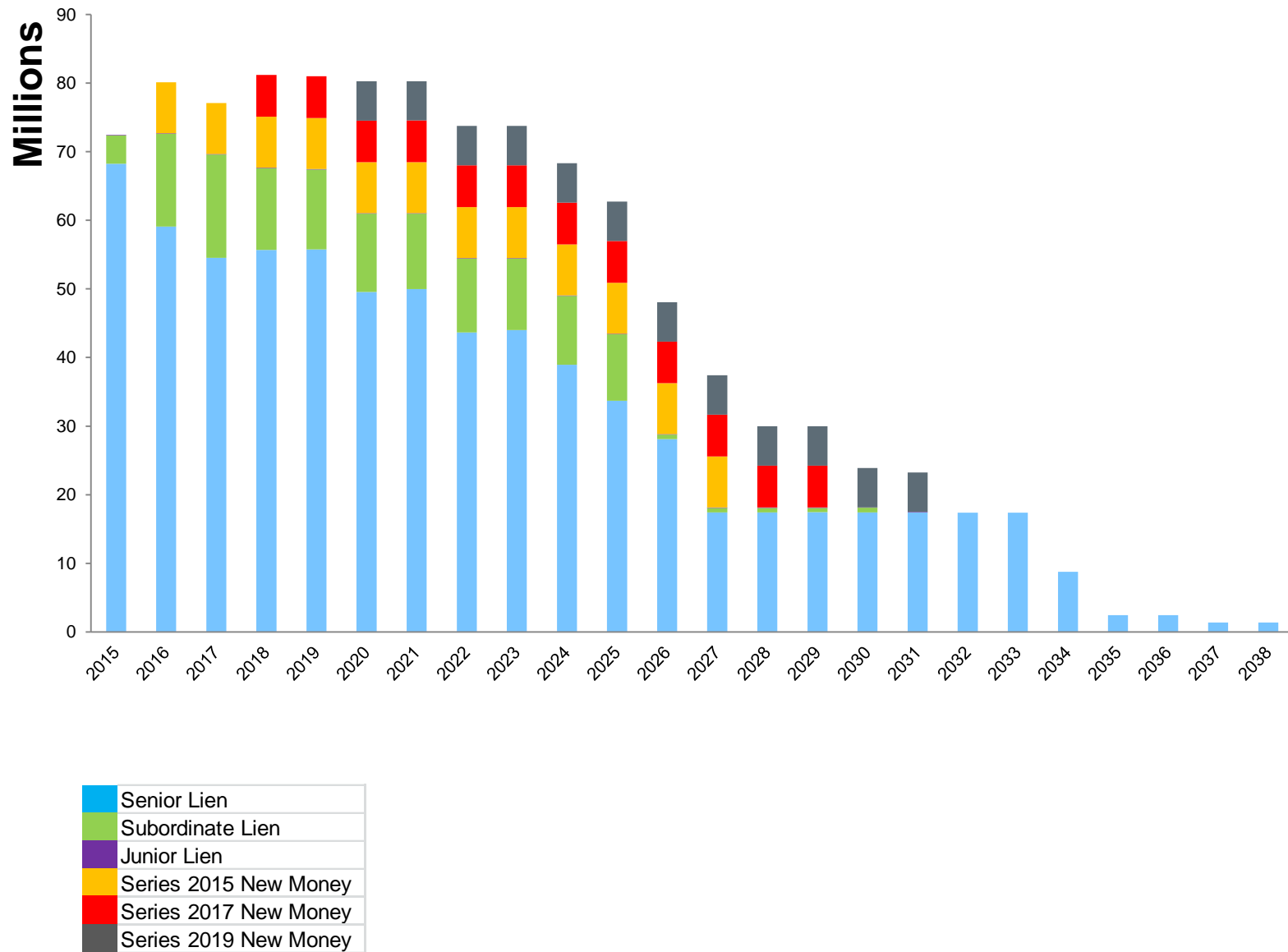
Capital Needs and Funding Sources



Total Capital Needs

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total	%
Capital Needs	\$29,000	\$51,000	\$53,000	\$56,000	\$59,000	\$62,000	\$65,000	\$65,000	\$68,000	\$71,000	\$579,000	100%
Bond Proceeds	25,000	39,000	31,000	33,000	28,000	28,000	26,000	26,000	26,000	26,000	288,000	50%
Grant Proceeds	-	-	-	-	-	-	-	-	-	-	-	0%
Difference Funded with Cash	4,000	12,000	22,000	23,000	31,000	34,000	39,000	39,000	42,000	45,000	291,000	50%

Debt Service After 2015 Refunding with Proposed New Debt*



* Preliminary, subject to change. Based upon, average interest rate of 2.38%, 12 year final maturity and borrowing amount of \$78 million in 2015 and \$56 million in 2017.

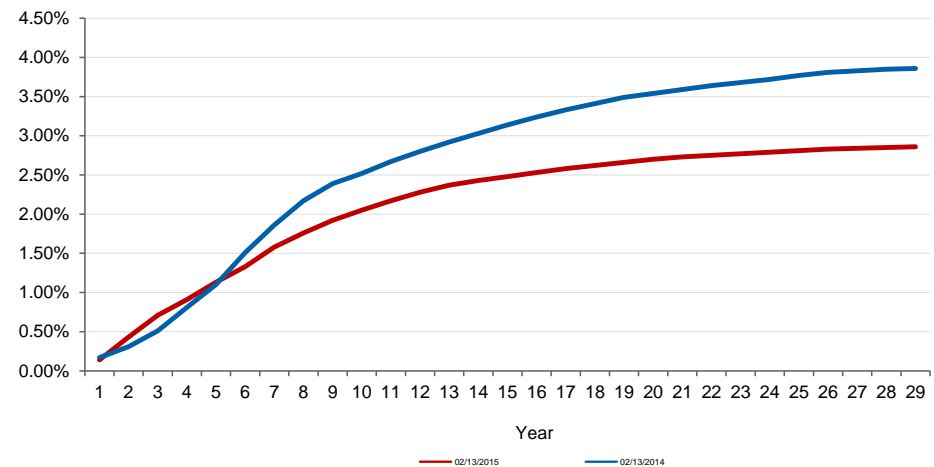
Long-Term Market

Market Overview

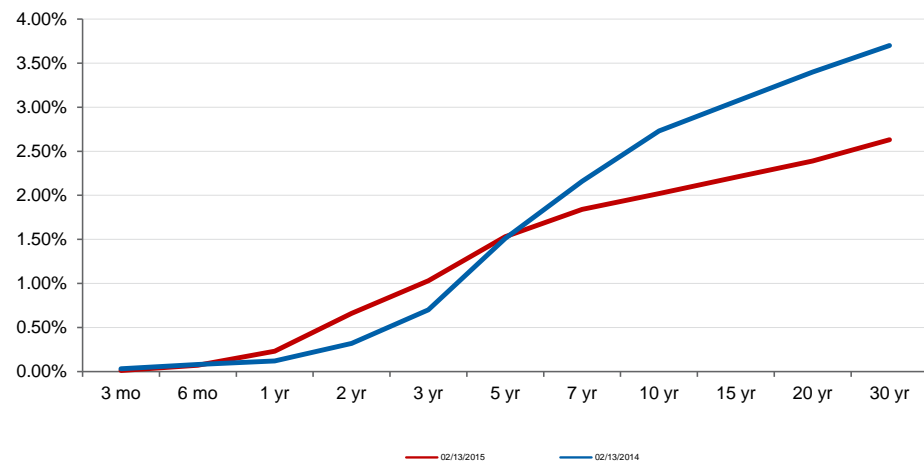
Equity markets in the U.S. continued moving higher last week, with some indices, including the S&P 500 Index, ending Friday at all-time highs. The S&P 500 Index gained 2% on the week, and is up about 5% over the last two weeks combined. The market catalysts last week seemed to include a cease fire in the Ukraine, some decent earnings reports from U.S. companies, and the fact that Greece and its creditors were at least negotiating. Oil prices gained as well during the week, a sign some believe that global oil demand, and by extension global economic growth, is not falling off a cliff like some believed a few short weeks ago. The last point is perhaps one of the main reasons why Treasury yields have increased so much in such a short period. Just two weeks ago (January 30th), the yield on the 10-yr bond was 1.67% and the 30-yr bond yield was 2.24%. By Friday's close yields had increased by nearly 40bps on both, to 2.03% on the 10-yr and 2.63% on the 30-yr. The last week of January saw the recent lows (at least thus far) in the price of a barrel of oil, with many at the time claiming the low price was a function of declining demand. Since that time both oil prices and Treasury yields have increased sharply.

Muni yields jumped higher again as well during the week, with munis perhaps underperforming Treasuries somewhat by increasing in yield more. This might have been a bit of catch up to Treasuries, as muni did not increase as much in yield as Treasuries the previous week. Muni yields on the Municipal Market Data (MMD) AAA GO curve increased by more than 10bps for maturities of 10 years and longer. This followed a week in which yields were up by more than 20bps for maturities of 10-yrs and longer – so a sharp two-week increase in yields. Standard & Poor's (S&P) downgraded a number of Puerto Rico issues last week, with most revenue bonds as well as the Commonwealth's general obligation (GO) bonds now rated "B". This followed a federal district court decision in the previous week that struck down the island's Recovery Act – that Act had sought to protect GO bonds by allowing public corporations (such as PREPA) to restructure more easily. With that Act no longer operable, it is difficult to see how Puerto Rico will be able to raise needed funds in the coming weeks. Municipal bond mutual funds continued to see strong inflows last week, although less than in the previous week. According to data from Lipper, muni funds saw \$460mm in inflows during the week, down from \$589mm in the previous.

Municipal GO "AAA" MMD Yield Curve Changes

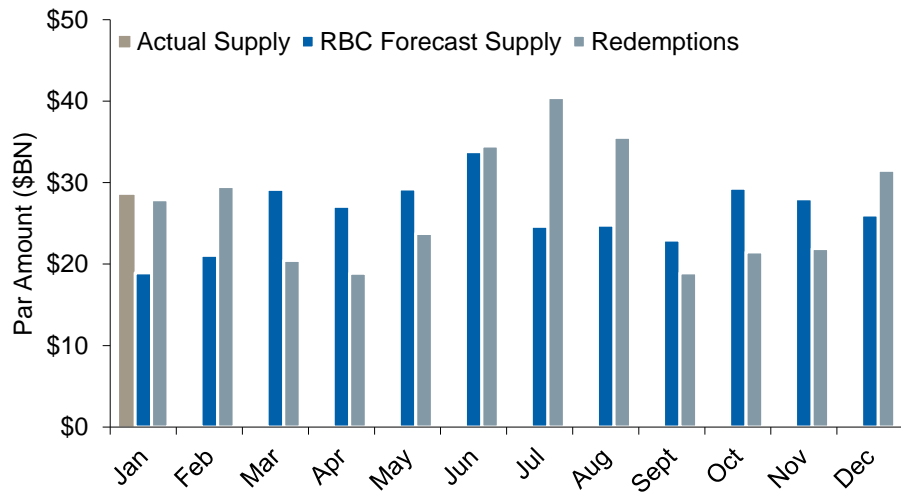


U.S. Treasury Yield Curve Changes

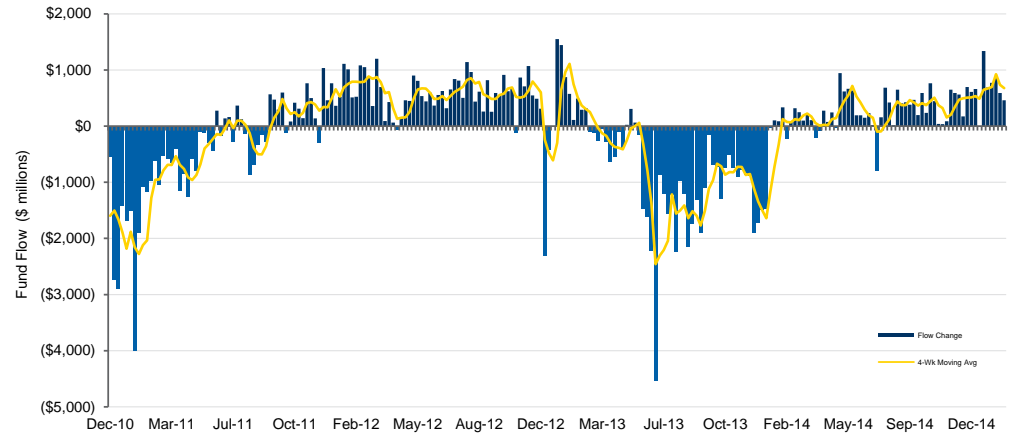


Tax-Exempt Market Dynamics

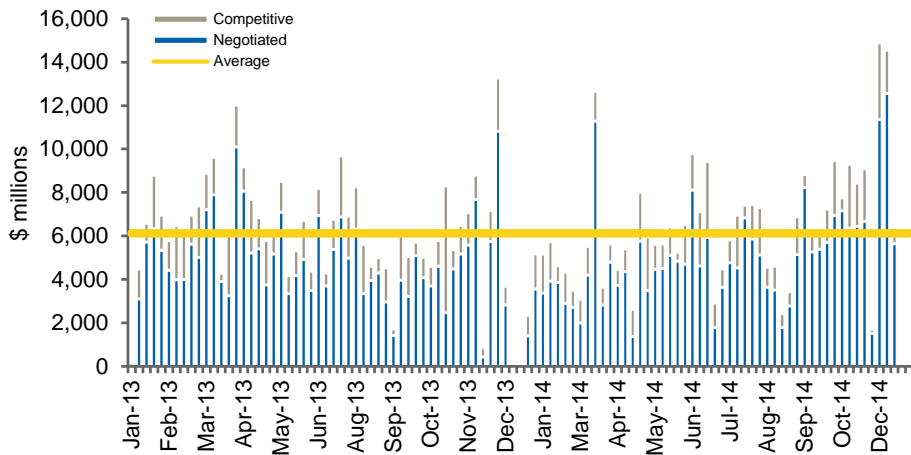
Muni Bonds: 2015 Issuance versus Redemptions



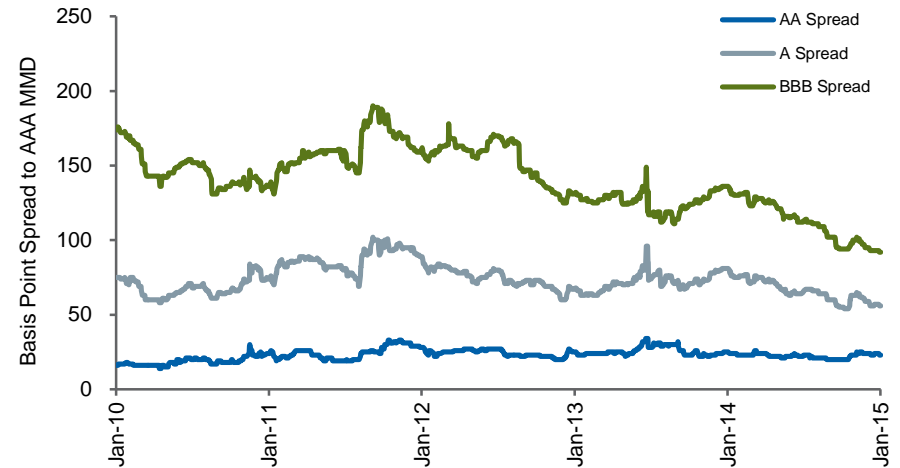
Lipper Municipal Fund Flows



2013 – 2015 Municipal Weekly Volume



Credit Spreads Remain Tight for Highly Rated Issuers



Source: Bloomberg, Lipper and Thomson Municipal Market Data

Bond Buyer Revenue Bond Index

36 Year Historical Perspective

Bond Buyer Revenue Index since September 1979



% of Time in Each Range Since 1979

Yield Range	
Less than 3.50%	0.00%
3.50% - 4.00%	0.00%
4.01% - 4.50%	3.84%
4.51% - 5.00%	13.59%
5.01% - 5.50%	22.09%
5.51% - 6.00%	13.54%
6.01% - 6.50%	9.15%
6.51% - 7.00%	3.84%
7.01% - 7.50%	6.77%
7.51% - 8.00%	5.41%
Greater than 8.00%	21.77%
Total	100.00%

Source: Bloomberg as of February 12, 2015
 Weekly yields and indexes released by the Bond Buyer. Updated every Thursday at approximately 6:00pm EST. 25 Revenue Bond Yield with 30 year maturity, rated A1 by Moody's and A+ by S&P Arithmetic Average of 25 bonds' yield to maturity.

Today's 4.23% level is lower than 99.35% of historical rates since September 1979