

---

Meeting Date: June 17, 2015  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE: R-15-9 - Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for Fiscal Year Beginning July 1, 2015 and Ending June 30, 2016**

**ACTION: Recommend Approval**

**SUMMARY:**

This legislation is the Water Authority's proposed budget appropriation for Fiscal Year 2016 beginning July 1, 2015. The FY16 budget was developed utilizing the Water Authority's Five-Year Goals, One-Year Objectives, Performance Plan and the Guiding Principles in determining the costs needed to effectively and efficiently run the utility operations.

**FY 2016 HIGHLIGHTS:**

For FY16, the proposed budget includes an approved 5% rate revenue adjustment, which was previously adopted. The FY16 capital program appropriation totals \$59.3 million. \$46.0 million is appropriated for the level one priority basic capital programs, \$4.0 million for growth related projects, and \$9.3 million is appropriated for special projects. The \$9.3 million for special projects is comprised of \$6.0 million for Odor Control along Yucca and Central streets, \$2.0 million for the Automated Meter Infrastructure (AMI), \$1.0 million for steel water line replacement, and \$0.3 million for various renewable energy projects.

In FY16, revenues are expected to be \$12.3 million over proposed expenditures. The Water Authority will use the majority of the excess revenue to bring the Working Capital or Fund Balance to \$9.4 million at June 30, 2016. Looking forward, the Water Authority must continue to spend the \$250 million to upgrade its sewage treatment plant and adding an additional \$36 million per year in Capital Implementation Program (CIP) funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in a recent asset management study commissioned by the Water Authority. The CIP infrastructure renewal budget is planned to increase by \$3 million per year, starting in Fiscal Year 2015. By Ordinance, the Water Authority will be required to increase its Fund Balance to 1/12 of the annual budgeted expenditures by FY16.

The San Juan-Chama Drinking Water Project provided 60% of water demand in calendar year 2014 and the Water Authority is working to continue this effort in calendar year 2015, but water supply conditions may limit the ability to fully realize this goal. It is

anticipated that the Water Authority will still have more than three years of water storage available at the end of calendar year 2015.

The proposed budget also includes nonrecurring funding for an employee incentive program. This program will reward employees for a decrease in work related losses. Funding for this program is contingent on the Water Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Water Authority's Workers Compensation expenses in over the past two fiscal years.

In FY15, the Financial/Business Services division completed two bond refinancings, in September 2014 and April 2015. The net present value savings from these refinancings on a cash flow basis are \$36.4 million over the life of the bond issues. With the bond refinancings, the Water Authority has maintained its Aa2/AA+/AA bond ratings. In FY16, the division will be submitting to the Government Finance Officers Association (GFOA) the FY16 Approved Budget for the Distinguished Budget Presentation Award, the FY15 Comprehensive Annual Financial Report (CAFR) for the Certificate of Achievement for Excellence in Financial Reporting and, for the first time, the FY15 Popular Annual Financial Report (PAFR) for the Popular Annual Financial Reporting Award. The division believes that all three financial documents meet or exceed the recommended requirements to successfully receive each award and to also be nationally recognized by GFOA for these accomplishments.

The Customer Service division (CSD) and Northwest Service Area (NWSA) have been successfully integrated into one group that handles call center, treasury, billing, new service applications, field operations and meter maintenance functions. CSD, Field Operations, and NWSA Field Operations & Maintenance divisions will work together to implement the Clevest mobile workforce management system, which will provide a bridge for Maximo (Work Order & Asset Management) and Customer Care & Billing (CC&B) in order to create operating procedures for a paperless, real-time work order system, where field activities are dispatched, updated and closed out on a mobile platform. In addition, Clevest will be used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives. In FY16, a reporting matrix where response time, emergency repairs, work order completion percentage, and preventative maintenance will be developed to measure and benchmark against industry leaders.

The Information Technology division (ITD) will continue implementation and system integration of mobile solutions to operations staff for optimization of the work order and asset management process, including Clevest and automation of preventative maintenance on utility equipment and the consolidation of mobile work order functions. Work will also continue on mobile apps such as Kronos and mobile apps for the web. ITD will begin the Maximo system upgrade in FY16. ITD will also assess upgrade alternatives for CC&B and SunGard, the financial/HR/payroll system. In FY16, ITD will complete the Water Authority separation from the City of Albuquerque network and telephony systems resulting in more efficient business processes, better reliability and cost savings.

The Plant division began a major renovation of the Southside Water Reclamation Plant (SWRP) in FY10 called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Construction of the Preliminary Treatment Facility (PTF) will be completed by the start of FY16. Design and construction of rehabilitation/improvements to the Solids Dewatering Facility will continue in FY16 with completion by the end of FY17. Improvements will also be made to the Anaerobic Digesters, Aeration Basins, plant-wide electrical systems, and other facilities.

Over a third of the active wells are approaching their expected useful life of 60 years and will need to be replaced. The Water Authority's well system was evaluated during FY15 and a list of wells for renewal was prioritized. During FY16, a pilot test will be completed on the Thomas No. 5 Well to study a method of reducing the arsenic concentration in the water. The pilot will involve blocking off the lower section of the well screens with the intention of reducing flow into the well from strata of the aquifer with higher arsenic concentration water. If successful, this method may allow several other Water Authority "high arsenic wells" to be brought back into service. Another project looking into the use of several currently out of service "high arsenic wells" is along the Alameda Trunk, which could provide an additional 30 MGD or more of water supply. With this project, the well water would be conveyed to the San Juan-Chama Water Treatment Plant (SJCWTP) to remove the arsenic, making it suitable for drinking. This project would be especially beneficial during drought periods when there is insufficient flow in the Rio Grande to allow diversions of surface water to the SJCWTP. During such times, instead of having to idle the plant, it could be used to treat the well water. During FY16, pilot studies will be conducted to refine the treatment process for water drawn from these wells. In addition, the Water Authority will continue with design and construction of blending and treatment facilities that will expand the use of existing wells in the Corrales Trunk for water supply.

In FY16, the Conservation division will be conducting a rain water harvesting pilot project at locations all over the service area to determine how much water can be saved with rain water harvesting systems and how much time and money it takes to install them. Water Smart classes will be offered from April thru September and customers who attend both the turf irrigation and drip irrigation classes will receive a \$20 credit on their water bill. The successful student education programs will continue, including the RIO field trips where every fourth-grade student from public schools in the service area attends a full-day field trip to the Rio Grande. In addition, in FY16 more education and outreach programs in the Water Use Compliance division will be implemented. A new program will be rolled out where customers who receive water conservation rebates will be able to choose to donate a portion of that rebate to other conservation programs taking place in the service area.

An additional \$2 million is reserved in the rate reserve fund to offset any future revenue fluctuations based on conservation.

**FISCAL IMPACT:**

This appropriation consists of the Water Authority General Fund which totals \$202,264,000 and the Water Authority's Debt Service Fund which totals \$77,842,000.

**COMMENTS:**

The FY16 budget includes a 5% rate revenue adjustment.

For FY16, General Fund revenue is projected to be \$214.5 million with proposed expenditures of \$202.3 million. Revenues are expected to be \$12.3 million over proposed expenditures. This amount will bring the Working Capital or Fund Balance to \$9.4 million at June 30, 2016. By Ordinance, the Water Authority will be required to increase its Fund Balance to 1/12 of the annual budgeted operating expenditures.

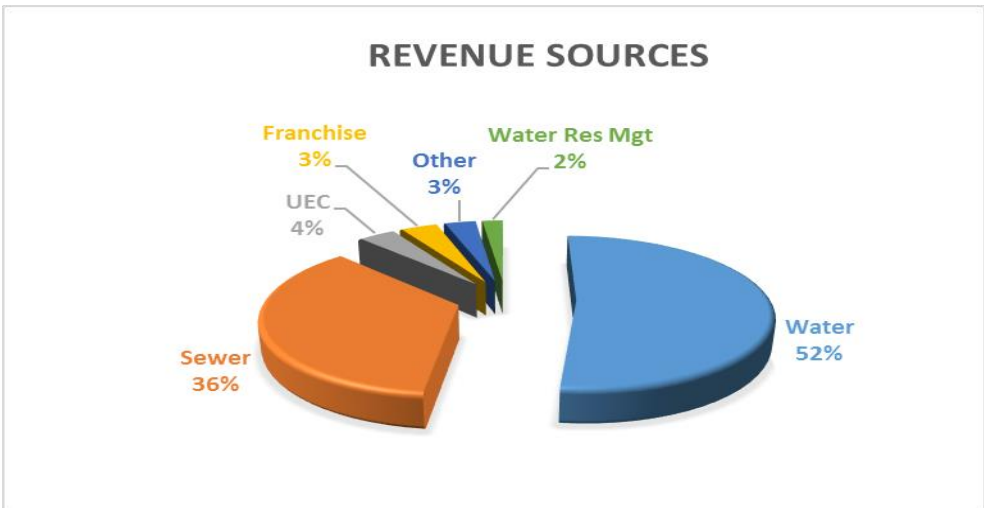
**Revenues**

The revenue table is an estimate of Revenues projected next year. The following is a revenue comparison of the FY14 Audited, FY15 Approved and the FY16 Proposed budgets:

**WATER AUTHORITY GENERAL FUND - 21**

<b>ACCOUNT NAME</b>	<b>AUDITED FY14</b>	<b>BUDGET FY15</b>	<b>BUDGET FY16</b>	<b>DIFFERENCE FY16-FY15</b>
Interest	76	10	10	-
Miscellaneous	2,535	5,500	4,104	(1,396)
Water	108,095	121,477	115,954	(5,523)
Water Resources Management	4,276	4,500	4,500	-
Wastewater	61,127	62,513	79,686	17,173
CIP Employees	593	800	940	140
Solid Waste Billing Fee	1,232	1,323	1,339	16
Franchise Fees	6,729	7,836	7,991	155
<b>FUND TOTAL</b>	<b>184,664</b>	<b>203,959</b>	<b>214,524</b>	<b>10,565</b>

Operating Fund revenue for FY16 is estimated to be \$10.6 above the FY15 approved budget. The increase is due to the projected increase in rate revenue. Revenue in the Debt Service Fund has a \$1.3 million decrease due to a decrease in UEC revenue and in the transfer from operating for debt service payments.



\* Consolidated for Reporting Purposes  
 \*\* Other includes Interest, CIP Employees, SW Admin Fee, Franchise Fee

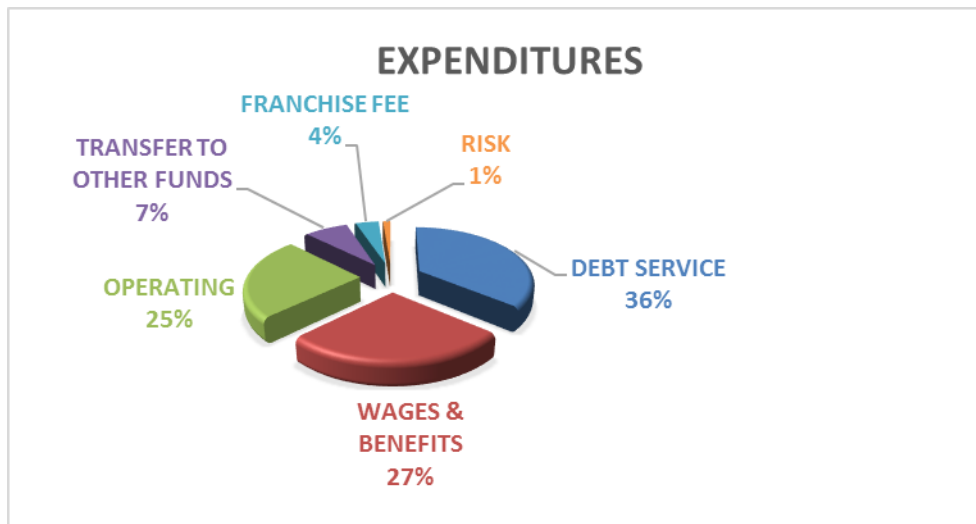
**Expenditures**

The following is the appropriation comparison of the FY14 Audited Actuals, FY15 Approved and the FY16 Proposed budgets:

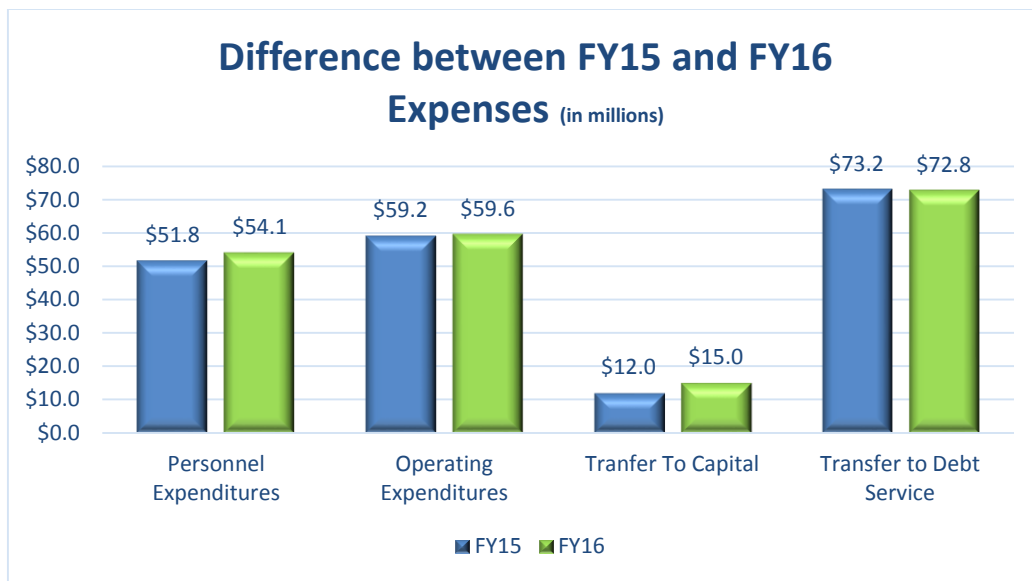
		FY 2014	FY 2015	FY 2016	Difference
AC	ACCOUNT DESCRIPTION	ACTUALS	APPROP	REQUEST	FY16-FY15
51	500101 REGULAR WAGES	32,992,010	32,375,643	33,761,996	1,386,353
	500110 LONGEVITY	402,333	343,452	321,520	(21,932)
	500201 PART TIME	395,796	480,989	532,480	51,491
	500301 OVERTIME	1,968,104	1,526,797	1,628,683	101,886
	514400 PERA	6,159,722	6,499,501	6,615,732	116,231
	514800 FICA	2,574,730	2,601,136	2,650,276	49,140
	515600 OTHER EMP BENEFITS	5,398,789	7,334,901	7,989,300	654,399
	515700 F/B-RETIREE HEALTH	612,471	640,224	648,900	8,676
	516000 EDUCATIONAL INCENT	40,851	-	-	-
	516200 EMPLOYEE INCENTIVE		-	-	-
<b>51</b>	<b>PERSONNEL EXPENDITURES T</b>	<b>50,544,806</b>	<b>51,802,643</b>	<b>54,148,886</b>	<b>2,346,243</b>
52	520500 PROFESSIONAL SERV	1,726,252	1,204,012	-	(1,204,012)
	521000 OTHER SERVICES	39,800	18,500	14,670	(3,830)
	521500 UTILITIES	93,140	253,000	253,000	-
	521510 ELECTRICITY	12,002,156	9,330,528	9,330,528	-
	521520 GAS UTILITY	1,939,919	1,960,500	1,960,500	-
	521530 REFUSE REMOVAL	107,341	129,000	130,700	1,700
	521540/45 TELEPHONE/NETWORK	677,116	472,954	554,909	81,955
	521550 WATER AND SEWER	256,508	155,000	196,000	41,000
	522000 SUPPLIES	1,591,627	1,810,548	1,567,742	(242,806)
	522012 CHEMICALS	5,943,488	6,940,972	6,940,972	-
	522500 TRAVEL	54,920	79,900	77,300	(2,600)
	523000 TRAINING	157,722	159,660	167,610	7,950
	523400 DUES/MEMBERSHIPS	241,418	176,022	254,635	78,613
	523800 REPAIRS AND MAINT	10,244,037	11,275,906	11,742,304	466,398
	523900 VEHICLE MAINT	1,432,928	1,200,586	1,374,007	173,421
	523910 RADIO MAINT	13,858	23,226	23,426	200
	523920 FUELS/LUBE	1,417,086	1,281,792	1,387,634	105,842
	524105 WORKERS COMP	351,186	688,117	352,247	(335,870)
	524107 INS TORT & OTHER LIAB	2,286,206	2,543,727	2,539,097	(4,630)
	525200 FRANCHISE FEES	6,714,628	7,836,000	7,991,000	155,000
	525210 NM WATER CONS FEES	543,198	700,000	700,000	-
	525300 CUST DEPOSITS	179	-	-	-
	525430 INTEREST	336,881	332,000	299,000	(33,000)
	525800 PRINCIPAL	1,038,005	1,070,000	1,103,000	33,000
	527000 ADMIN SVCS-IDOH	926,410	455,992	503,210	47,218
	527500 CONTRACTUAL SVCS	9,179,086	9,112,089	10,171,297	1,059,208
<b>52</b>	<b>OPERATING EXPENDITURES T</b>	<b>59,315,095</b>	<b>59,210,031</b>	<b>59,634,788</b>	<b>424,757</b>

<b>53</b>	532000 NON-STRUCT IMPROV	-	-	-	-
	532500 AUTOMOBILES	360,281	618,326	618,326	-
	533000 MACH/EQUIP NONAUTO	32,665	22,000	20,000	(2,000)
	533500 OFFICE FURNITURE	38,300	-	-	-
<b>53</b>	<b>CAPITAL CHARGES Total</b>	<b>431,246</b>	<b>640,326</b>	<b>638,326</b>	<b>(2,000)</b>
<b>57</b>	581000 BAD DEBT EXPENSE			-	-
	591621 TRF OTHER FUNDS	4,000,000	12,000,000	15,000,000	3,000,000
	595631 INTERFD D/S	72,093,996	73,160,000	72,842,000	(318,000)
<b>57</b>	<b>INTERNAL SERVICE CHARGES</b>	<b>76,093,996</b>	<b>85,160,000</b>	<b>87,842,000</b>	<b>2,682,000</b>
<b>Grand Total</b>		<b>186,385,143</b>	<b>196,813,000</b>	<b>202,264,000</b>	<b>5,451,000</b>

The FY16 proposed operating expenditures contain a net increase of \$5.5 million from FY15 Approved Budget. This includes an increase of \$2.3 million in salaries and benefits, an increase in general operating expenses of \$0.42 million and an increase in internal services charges of \$2.7 million.



\* Consolidated for Reporting Purposes



The proposed operating expenditures contain a net increase of \$5.5 million from FY15. This includes an increase of \$2.3 million in salaries and benefits, an increase in operating expenses of \$425,000, and an increase in interfund transfers of \$2.7 million for the transfer to capital.

Personnel expenditures include a 2% increase in benefits primarily due to the Affordable Health Care Act as well as a 2% step increase in wages. Total personnel costs have increased by \$2.3 million as compared to FY15. One net new mid-year position was added in FY15 and an additional 2 new positions are requested per this budget. The positions added are an Administrative Specialist and two (2) Customer Care Associates. Total general operating costs increase \$425,000. Capital costs decrease by \$2,000. The interfund transfers increase by \$2.7 million which include a decrease to the debt service transfer of \$318,000 (due to the bond refundings in FY15) and a \$3.0 million increase in the transfer to the capital fund.

The Working Capital balance at June 30, 2016 is estimated to be \$9.4 million. By Ordinance, the Water Authority will be required to increase its Fund Balance to 1/12 of the annual budgeted expenditures by FY16.

The Water Authority's goals and objectives focus on improving the Utility's operations and improving customer conditions. The Budget Ordinance requires the Water Authority's operating budget be consistent with the goals and objectives, and that they be major factors in determining funding for Water Authority programs and improvements in both the operating and capital Implementation budgets. Many of the objectives also reflect policy direction. With the establishment of goals and objectives that have policy as well as budgetary implications, the Water Authority must actively manage the daily operations of the Utility.



**ALBUQUERQUE BERNALILLO COUNTY  
WATER UTILITY AUTHORITY**

**BILL NO.    R-15-9**

**RESOLUTION**

**APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO  
COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY  
1, 2015 AND ENDING JUNE 30, 2016.**

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

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

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

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

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

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

**BE IT RESOLVED BY THE WATER AUTHORITY:**

Section 1. That the following amounts are hereby appropriated to the following funds for operating The Albuquerque Bernalillo County Water Utility Authority during Fiscal Year 2016:

<u>GENERAL FUND – 21</u>	202,264,000
--------------------------	-------------

This appropriation is allocated to the following programs:

Administration	1,832,000
Legal/Risk	4,074,000
Human Resources	1,373,000
Finance	3,700,000
Customer Services	8,963,000

1	Information Technology	5,686,000
2	Wastewater Plant	11,298,000
3	San Juan-Chama Water Treatment Plant	2,975,000
4	Groundwater Operations	5,860,000
5	Wastewater Collections	6,236,000
6	Water Field Operations	18,777,000
7	Compliance	5,186,000
8	Water Resources Management	7,199,000
9	Power & Chemicals	18,482,000
10	Taxes	8,691,000
11	Authority Overhead	1,843,000
12	San Juan-Chama	2,247,000
13	Transfers to Other Funds:	
14	Rehab Fund (28)	15,000,000
15	Debt Service Fund (31)	72,842,000
16	<u>DEBT SERVICE FUND – 31</u>	77,842,000
17	This appropriation is allocated to the following programs:	
18	Debt Service	72,842,000
19	Transfer to Other Funds:	
20	Growth Fund (29)	5,000,000

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

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

1           Section 4. The Rate Reserve Fund is augmented by the amount of \$2,000,000.

2           Section 5. In the event that working capital balance exceeds 1/12 of operating  
3 expenses, and debt service payments and debt service coverage are met, the  
4 remaining working capital balance shall be reserved for capital projects.

5           Section 6. The Executive Director is authorized to carry out all appropriations  
6 contained in this budget in accordance with established policies and procedures.

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

***Item 9a***  
***FY16 Proposed***  
***Operating Budget***



Albuquerque Bernalillo County  
Water Utility Authority

# ***FY16 Operating & CIP Budget Highlights***

- A 5% rate revenue adjustment
- Operating working capital of 1/12 of operating expenditures as required by ordinance
- \$2 million is added to the Rate Reserve Fund
- \$59.3 million for capital projects

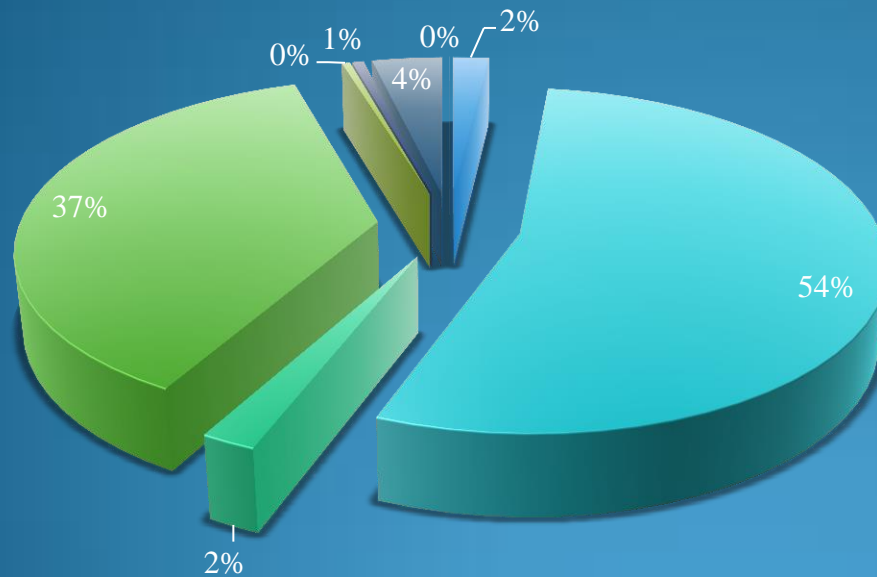
# ***FY16 Budget Assumptions***

- No growth in service area
- Consumption assumed to be at 134 gcpd
- Growth in operating expenses include only essential items
- Continued increased capital spending for rehabilitation work at the Southside Reclamation Plant

# FY16 Projected Revenues

## \$214,524,000

### Revenue Sources



■ INTEREST (\$10,000)

■ MISCELLANEOUS (\$4,104,000)

■ WATER (\$115,954,000)

■ WATER RESOURCES MANAGEMENT (\$4,500,000)

■ WASTEWATER (\$79,686,000)

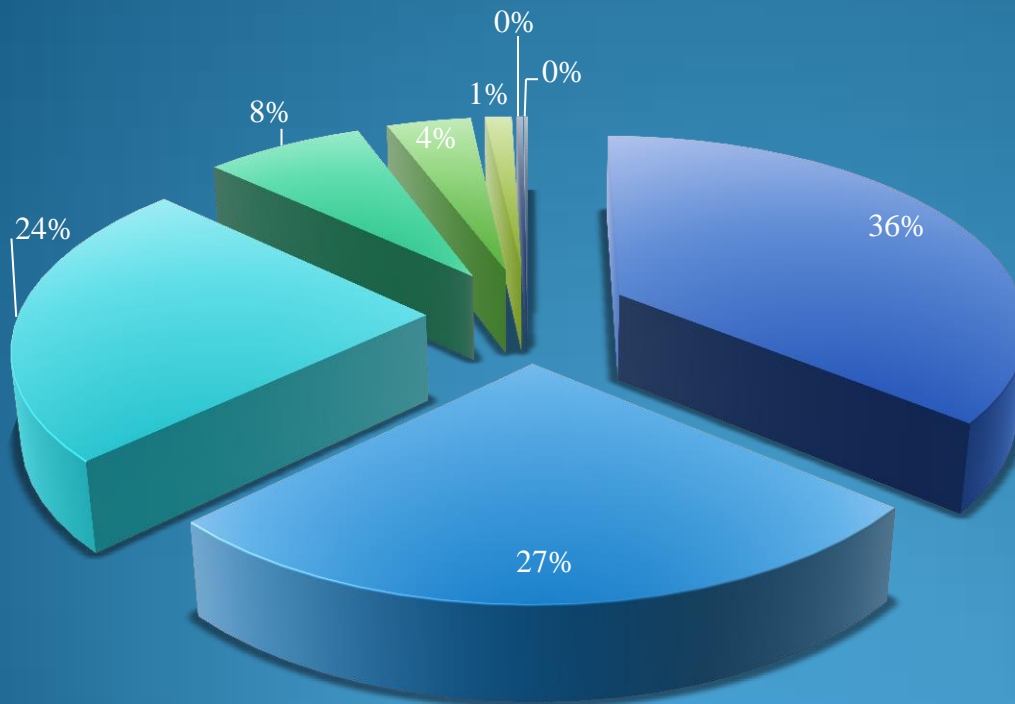
■ CIP EMPLOYEES (\$940,000)

■ SOLID WASTE TRANSFER (\$1,339,000)

■ FRANCHISE FEE (\$7,991,000)

# FY16 Budgeted Expenditures

## \$202,264,000



■ DEBT SERVICE (\$72,842,000)

■ WAGES & BENEFITS  
(\$54,149,000)

■ OPERATING EXPENSE  
(\$48,752,000)

■ TRANSFER TO OTHER FUNDS  
(\$15,000,000)

■ FRANCHISE FEES (\$7,991,000)

■ RISK (\$2,539,000)

■ OTHER CAPITAL (\$638,000)

■ WORKERS COMP (\$352,000)



# Finance Plan Summary

## Operating Fund

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	192,783	213,720	223,509	236,230	242,312	251,502	255,581	265,347	270,327	281,448
Expenditures	193,656	204,355	211,752	218,827	26,646	231,756	237,542	242,327	248,232	259,688
Working Capital Balance	-873	9,365	11,757	17,403	15,666	19,746	18,040	23,020	22,095	21,760
Rate Revenue Adjustment	5%	5%	0%	5%	0%	5%	0%	5%	0%	5%

*in thousands*