



Meeting Date: February 26, 2020
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: O-19-3 - Authorizing the Issuance and Sale of Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) Senior Lien Joint Water and Sewer System Revenue Bonds, Series 2020 in the Aggregate Principal Amount not to exceed \$86,000,000 (the “SERIES 2020 BONDS or THE BONDS”) to be Issued in One Series for the Purpose of Acquiring Additional System Assets, Extending, Repairing, Replacing and Improving the Water Authority’s Joint Water and Sewer System (“THE 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; Delegating Authority to the Delegate to execute and deliver a Bond Purchase Agreement for the sale of Bonds to the underwriters pursuant to the Supplemental Public Securities Act; and ratifying action previously taken

ACTION: Recommend Approval

SUMMARY:

This Bond Ordinance is for the proposed Senior Lien Joint Water and Sewer System Revenue Bonds, Series 2020. It was prepared by the Modrall Law Firm as Bond Counsel for this transaction. 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.

The purpose of the Bond Ordinance is to provide for \$86 million in CIP Funding. The Water Authority’s current Senior Lien Bonds are rated Aa2/AAA/AA by Moody’s, Standard and Poor’s and Fitch Ratings respectively. The Water Authority’s subordinate lien is rated Aa3/AA+/AA by Moody’s, Standard and Poor’s and Fitch Ratings respectively. Rating presentations to Moody’s and Standard and Poor’s are planned for the 2nd week of January 2020. A Confirming Resolution and final approval of the Bond Ordinance and other matters with respect to the Bonds will be considered for final adoption at the Water Authority’s February 26, 2020 meeting. The Bond Ordinance delegates’ final approval of the pricing terms to the Chief Financial Officer subject to parameters set out in the Ordinance. The proposed financing is set to price on or near February 12, 2020. A report and summary of the pricing terms and financing is expected to be delivered to the Board at its regularly scheduled meeting in March 2020.

COMMENTS:

Approval of the Bond Ordinance is required for the issuance of the proposed bonds. Final action is expected at the Water Authority's January Board meeting. Subject to market conditions, a report and summary of the pricing terms and financing will be delivered to the Board at its regularly scheduled meeting March 2020. This Ordinance authorizes the financing necessary to carry out the Capital Improvements Plan outlined in the Decade Plan and the 2020 Finance Plan. It is anticipated that the financing would be completed by March 4, 2020.

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

FISCAL IMPACT:

Based upon current market conditions the new money financing will have a 12 year final maturity (July 1, 2032) with annual debt service of approximately \$8.92 million beginning in fiscal year 2022. There will be interest only payment in fiscal year 2021. 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.

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

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

	Amount
<u>Senior Obligations</u>	<u>Outstanding</u>
6	
7	
8 Series 2013A&B Bonds	\$ 65,245,000
9 Series 2014A Bonds	\$ 71,355,000
10 Series 2015 Bonds	\$184,095,000
11 Series 2017 Bonds	\$ 80,050,000
12 Series 2018 Bonds	\$ 75,085,000
13 Drinking Water State Revolving Fund Loan Agreement (2009)	\$ 623,706
14 Public Project Revolving Fund Loan Agreement (2011)	\$ 28,200,000
15 Drinking Water State Revolving Fund Loan Agreement (2018-4202)	\$ 1,000,000
16 Drinking Water State Revolving Fund Loan Agreement (2019-4877)	\$ 3,430,081

17 and

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, and superior to the lien of the Super
21 Subordinated Obligations, Outstanding on the date of the adoption of this Bond
22 Ordinance in the following principal amounts:

	Amount
<u>Subordinate Obligations</u>	<u>Outstanding</u>
23	
24	
25 Series 2014B Bonds	\$ 50,660,000
26 Drinking Water State Revolving Fund Loan Agreement (2008)	\$ 6,372,743

27 and

28 WHEREAS, the Water Authority does not have any Super Subordinated
29 Obligations, payable from Net Revenues with a lien on the Net Revenues
30 subordinated to the Senior Obligations and the Subordinate Obligations,
31 Outstanding on the date of the adoption of this Bond Ordinance; and

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

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

WHEREAS, the Board hereby determines that (i) the Project may be financed with a portion of the proceeds of the Bonds and (ii) it is necessary and in the best interests of the Water Authority and the residents of the geographic area served by the Water Authority that the Bonds be authorized pursuant to the Act; and

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

WHEREAS, the Water Authority intends to use the proceeds of the Bonds for the purpose of acquiring additional System assets, and extending, repairing, replacing and improving the System; and

WHEREAS, it is in the best interests of the Water Authority to sell the Bonds to the Underwriters in a negotiated sale upon the terms as set forth in the Bond Purchase Agreement and the Sale Certificate; and

WHEREAS, there have been presented to the Board for approval the Preliminary Official Statement, and the form of Continuing Disclosure Undertaking, and form of the Bond Purchase Agreement; and

WHEREAS, the Water Authority expects to receive an offer from the Underwriters to purchase the Bonds pursuant to the Bond Purchase Agreement to be executed by the Delegate pursuant to Section 6-14-10.2 NMSA 1978, all within the parameters set forth in this Bond Ordinance; and

WHEREAS, all required authorizations, consents or approvals of any governmental body, agency or authority in connection with charging the current rates for services of the System and for the authorization, execution and delivery of the Bonds which are required to have been obtained by the date of this Bond Ordinance

1 or which will be required to be obtained prior to the date of issuance of the Bonds
2 have been or will have been obtained by such dates.

3 BE IT ORDAINED BY THE BOARD OF THE WATER AUTHORITY:

4 Section 1. DEFINITIONS AND RULES OF CONSTRUCTION.

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

7 ACT. Section 72-1-10 NMSA 1978, Sections 3-31-1 through 3-31-12
8 NMSA 1978, Sections 4-62-1 to 4-62-10 NMSA 1978, Sections 6-14-8 through 6-14-
9 12 NMSA 1978, Sections 6-18-1 through 6-18-16 NMSA 1978, and enactments of
10 the Board relating to the Bond Legislation.

11 ACQUISITION FUND. The acquisition fund previously established by
12 the Water Authority and continued in Section 20 of this Bond Ordinance.

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

17 AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or
18 integral multiples of \$5,000.

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

22 BASIC CAPITAL PROGRAM. The Water Authority's basic capital
23 program for funding annual capital needs for regular System improvements,
24 expansion, maintenance and upgrades to operate a water and wastewater utility.

25 BENEFICIAL OWNERS. Beneficial Owners as defined in Section
26 7.(C).

27 BOARD. The governing body in which is vested the legislative power
28 of the Water Authority.

29 BOND, BONDS OR SERIES 2020 BONDS. The Albuquerque
30 Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System
31 Improvement Revenue Bonds, Series 2020 issued pursuant to the Bond Legislation.

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

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

7 BOND LEGISLATION. Collectively, the Bond Ordinance, the
8 Confirming Resolution and the Sale Certificate.

9 BOND ORDINANCE. This Ordinance, as amended or supplemented
10 from time to time.

11 BOND PURCHASE AGREEMENT. The Bond Purchase Agreement
12 among the Water Authority and the Underwriters of the Bonds.

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

16 CHAIR. The duly elected Chair of the Board or the Vice Chair of the
17 Board acting in the absence of the Chair.

18 CITY. The City of Albuquerque, in the County of Bernalillo and State
19 of New Mexico.

20 CLOSING DATE. The date of delivery of the Bonds to the
21 Underwriters or their designee.

22 CODE. The Internal Revenue Code of 1986, as amended, the federal
23 income tax regulations of the Treasury Department (whether proposed, temporary or
24 final) and any amendments of, or successor provisions to, the foregoing and any
25 official rulings, announcements, notices, procedures and judicial determinations
26 regarding any of the foregoing, all as and to the extent applicable. Unless otherwise
27 indicated, reference to a section of the Code in this Bond Ordinance means that
28 section of the Code and such applicable regulations, rulings, announcements,
29 notices, procedures and determinations pertinent to that section.

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

4 CONFIRMING RESOLUTION. A resolution adopted on the date of
5 adoption of this Bond Ordinance declaring the necessity of the issuance of the
6 Bonds and confirming the terms hereof for purposes of Section 72-1-10(M) NMSA
7 1978, as amended.

8 CONSULTING ENGINEER. Any registered or licensed professional
9 engineer or firm of engineers, entitled to practice and practicing as such under the
10 laws of the State, retained and compensated by the Water Authority but not in the
11 regular employ of the Water Authority, the City or the County; but, as to any
12 construction drawings and specifications prepared for the System by Water Authority
13 or City employees under the supervision of an engineer employed by the Water
14 Authority or the City, this term may include such engineer.

15 CONTINUING DISCLOSURE UNDERTAKING. The undertaking of
16 the Water Authority pursuant to which the Water Authority will agree for the benefit
17 of Owners that, while the Bonds are Outstanding, the Water Authority will annually
18 provide certain financial information and operating data and audited financial
19 statements and will provide notice of certain events in accordance with Rule 15c2-12
20 promulgated by the United States Securities and Exchange Commission under the
21 Securities Exchange Act of 1934.

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

24 COUNTY. Bernalillo County, New Mexico.

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

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

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

4 DEBT SERVICE FUND. The Debt Service Fund previously established
5 by the Water Authority and continued in Section 20 of this Bond Ordinance.

6 DEBT SERVICE REQUIREMENTS. With respect to System
7 Obligations and for any given period, the sum of: (1) the amount required to pay the
8 interest, or to make reimbursements for payments of interest, becoming due on
9 System Obligations during that period, plus (2) the amount required to pay the
10 principal or to make reimbursements for the payment of principal becoming due on
11 System Obligations during that period, whether at maturity or upon mandatory
12 sinking fund redemption dates, plus (3) the periodic payments required to be made
13 by the Water Authority pursuant to a Qualified Exchange Agreement minus (4) the
14 periodic payments to be received by the Water Authority pursuant to a Qualified
15 Exchange Agreement. No payments required for any System Obligations which may
16 be tendered or otherwise presented for payment at the option or demand of the
17 owners of System Obligations, or which may occur because of the exercise of an
18 option by the Water Authority, or which may otherwise become due by reason of any
19 other circumstance or contingency, including acceleration or early termination
20 payments, which constitute other than regularly scheduled payments of principal,
21 interest or other regularly scheduled payments on System Obligations shall be
22 included in any computation of Debt Service Requirements for that period.

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

28 In any computation of Debt Service Requirements relating to the issuance of
29 additional System Obligations, there shall be excluded from the computation of the
30 Debt Service Requirements amounts and investments which are irrevocably
31 committed to make designated payments on System Obligations during the

1 applicable period, including, without limitation, money on deposit in any Debt Service
2 Account and amounts on deposit in an escrow account irrevocably committed to
3 make designated payments on System Obligations during the applicable period and
4 earnings on such investments which are payable and committed to the payment of
5 such System Obligations during the applicable period.

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

11 (1) During any historical period for which the actual variable
12 interest rate or rates are determinable, the actual variable interest rate shall be used.
13 During any historical period when the actual variable interest rate is not
14 determinable, the variable interest rate shall, for the purpose of determining Debt
15 Service Requirements, be deemed to be the higher of:

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

18 (b) a fixed annual rate equal to the prevailing rate on
19 the Variable Rate Obligations on the date of computation (which, for the purpose of
20 determining the Debt Service Requirements, shall be a date which is no more than
21 60 days prior to the date of issuance of the applicable System Obligations) as
22 certified by the Water Authority's financial advisor, the Underwriters of the System
23 Obligations, an investment banker designated by the Water Authority from time to
24 time or a counterparty with respect to a Qualified Exchange Agreement.

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

29 (a) the average of the daily rates of such System
30 Obligations during the 365 consecutive days (or any lesser period such System
31 Obligations have been Outstanding) next preceding a date which is no more than 60

1 days prior to the date of the issuance of the additional System Obligations; or
2 (b) with respect to System Obligations initially issued
3 or incurred as or being converted to Variable Rate Obligations, the estimated initial
4 rate of interest of such System Obligations upon the date of issuance, exchange or
5 conversion as certified by the Water Authority's financial advisor, another investment
6 banker, as designated by the Water Authority from time to time, or a counterparty
7 with respect to a Qualified Exchange Agreement.

8 DEFEASANCE OBLIGATIONS.

9 (1) Government Obligations; or

10 (2) if permitted by law, other obligations which would result in
11 the defeased Bonds receiving the same rating from any national rating agency then
12 rating such series of bonds as would have been received if the obligations described
13 in clause (1) of this definition had been used.

14 DELEGATE means the Chief Financial Officer or other Authorized
15 Officer of the Water Authority delegated the authority to approve the final terms of
16 the bonds pursuant to Section 6-14-10.2 NMSA 1978.

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

23 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
24 (2008). The loan agreement dated November 7, 2008 between the NMFA and the
25 Water Authority in the original principal amount of \$9,627,877, authorized and
26 approved by Water Authority Ordinance Enactment No. F/S O-08-4 and Resolution
27 Enactment No. F/S R-08-13 as amended by Ordinance No. F/S O-14-2 and the
28 Amendment to the Loan Agreement dated July 24, 2014 constituting a subordinate
29 lien on the Net Revenues.

30 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
31 (2009). The loan agreement between the NMFA and the Water Authority in the

1 original principal amount of \$1,010,000, authorized and approved by Water Authority
2 Ordinance Enactment No. O-09-9 and Resolution Enactment No. R-09-24
3 constituting a senior lien on the Net Revenues.

4 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
5 (2018-4202). The loan agreement between the NMFA and the Water Authority in
6 the original principal amount of \$1,000,000, authorized and approved by Water
7 Authority Ordinance Enactment No. O-18-5 and Resolution Enactment No. R-18-11
8 constituting a senior lien on the Net Revenues.

9 DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT
10 (2019-4877). The loan agreement between the NMFA and the Water Authority in
11 the original principal amount of \$3,430,081, authorized and approved by Water
12 Authority Ordinance Enactment No. O-19-1 and Resolution Enactment No. R-19-4
13 constituting a senior lien on the Net Revenues.

14 ELECTRONIC MEANS. Telephone, telecopy, telegraph, email,
15 facsimile transmission or any other similar means of electronic communication. Any
16 communication by telephone as an Electronic Means shall promptly be confirmed in
17 writing, which may be by one of the other means of electronic communication listed
18 in this definition.

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

21 EXPENSE ACCOUNT. That account continued in Section 20 of this
22 Bond Ordinance for the purpose of paying Expenses and which is a separate
23 account of the Debt Service Fund.

24 EXPENSES. The reasonable and necessary fees, costs and
25 expenses incurred by the Water Authority with respect to the issuance of, including
26 disclosure matters pertaining to, the Bonds, including, without limitation, attorneys'
27 fees and costs, financial advisor's fees and costs, premiums and costs for any Credit
28 Facility, costs of advertising and publication, underwriter's discounts, cost of printing
29 bonds and disclosure documents, fees and costs of the Escrow Agent, legal fees
30 and expenses, bidding agent's fees and costs relating to the initial purchase of
31 securities for deposit with the Escrow Agent, including any fees and costs

1 associated with any verification agent, and expenses of any Independent Accountant
2 and all reasonable and necessary fees and administrative costs of the Water
3 Authority relating to the foregoing.

4 FISCAL YEAR. The twelve-month period beginning on the first day of
5 July of each year and ending on the last day of June of the next succeeding year, or
6 any other consecutive twelve-month period, which the Water Authority designates as
7 its Fiscal Year.

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

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

28 (3) All income derived from the investment of any money in
29 the Acquisition Fund, Joint Water and Sewer Fund, Debt Service Fund and Rate
30 Stabilization Fund and income derived from surplus Net Revenues;

31 (4) Money released from the Rebate Fund to the Water

1 Authority;

2 (5) Money released from the Rate Stabilization Fund to the
3 Water Authority to the extent that the amount released is used to pay Operation and
4 Maintenance Expenses or Debt Service Requirements on System Obligations in the
5 year released; provided that withdrawals from the Rate Stabilization Fund shall not
6 be included in Gross Revenues for the purposes of the Rate Covenant in any two
7 consecutive calendar years;

8 (6) Property insurance proceeds which are not necessary to
9 restore or replace the property lost or damaged and the proceeds of the sale or
10 other disposition of any part of the System; and

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

14 Gross Revenues do not include:

15 (8) any money received as grants or gifts from the United
16 States of America, the State or other sources, or the proceeds of any charge or tax
17 intended as a replacement therefor or other capital contributions from any source
18 which are restricted as to use; and

19 (9) condemnation proceeds or the proceeds of any
20 insurance policy, except any property insurance proceeds described above in clause
21 (4) of this definition or in Section 29(L) or derived in respect of loss of use or
22 business interruption.

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

27 INDEPENDENT ACCOUNTANT. Any certified public accountant,
28 registered accountant, or firm of accountants duly licensed to practice and practicing
29 as such under the laws of the State, appointed and paid by the Water Authority who
30 (a) is, in fact, independent and not under the domination of the Water Authority, the
31 City or the County, (b) does not have any substantial interest, direct or indirect, with

1 the Water Authority, the City or the County, and (c) is not connected with the Water
2 Authority as an officer or employee of the Water Authority, but who may be regularly
3 retained to make annual or similar audits of the books or records of the Water
4 Authority, the City or the County.

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

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

8 INTEREST PAYMENT DATE. January 1 and July 1 of each year (or if
9 such day is not a Business Day, then the next succeeding Business Day) beginning
10 on July 1, 2020 or such other date specified in the Sale Certificate.

11 JOINT WATER AND SEWER FUND. The “City of Albuquerque, New
12 Mexico, Joint Water and Sewer Fund” originally established in Section 16 of City
13 Ordinance No. 18-1984 and continued in Section 20 of this Bond Ordinance as the
14 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer Fund.”

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

20 NMFA. The New Mexico Finance Authority.

21 NMSA 1978. New Mexico Statutes Annotated, 1978 Compilation, as
22 amended and supplemented.

23 NET REVENUES. The Gross Revenues after deducting Operation
24 and Maintenance Expenses.

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

29 OPERATION AND MAINTENANCE EXPENSES. All reasonable and
30 necessary current expenses of the System, paid or accrued, related to operating,

1 maintaining and repairing the System including, without limiting the generality of the
2 foregoing:

3 (10) legal and overhead expenses directly related and
4 reasonably allocable to the administration of the System;

5 (11) insurance premiums for the System, including, without
6 limitation, premiums for property insurance, public liability insurance and workmen's
7 compensation insurance, whether or not self-funded;

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

11 (13) Expenses other than expenses paid from the proceeds of
12 System Obligations;

13 (14) the costs of audits of the books and accounts of the
14 Water Authority and the System;

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

17 (16) salaries, administrative expenses, labor costs, surety
18 bonds and the cost of materials and supplies used for or in connection with the
19 current operation of the System; and

20 (17) franchise tax payments to the City, County or any other
21 local government.

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

28 **OUTSTANDING.** When used in reference to System Obligations, on
29 any particular date, the aggregate of all System Obligations issued and delivered
30 under the applicable Water Authority ordinance authorizing the issuance of, System
31 Obligations except:

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

3 (19) those which have been paid or are deemed to be paid in
4 accordance with the Water Authority ordinance or resolution authorizing the
5 issuance of the applicable System Obligations or otherwise relating thereto, provided
6 that the payment of Insured Obligations with the proceeds of a Bond Insurance
7 Policy shall not result in those Insured Obligations ceasing to be Outstanding;

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

10 (21) those Bonds which have been refunded in accordance
11 with this Bond Ordinance or other ordinances of the Water Authority authorizing the
12 defeasance of such designated System Obligations; and

13 (22) those in lieu of or in exchange or substitution for which
14 other System Obligations shall have been delivered, unless proof satisfactory to the
15 Water Authority and the Paying Agent for the applicable System Obligations is
16 presented that any System Obligation for which a new System Obligation was
17 issued or exchanged is held by a bona fide holder in due course.

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

20 PAYING AGENT. The Chief Financial Officer or successor in function
21 of the Water Authority or any trust company, national or state banking association or
22 financial institution qualified to act, appointed as the paying agent for the Bonds by
23 an Authorized Officer from time to time.

24 PERMITTED INVESTMENTS. Any of the following which at the time
25 of the investment are legal investments for the Water Authority for the money to be
26 invested and any other investments, subject to approval by S&P and Moody's, if
27 then rating the Bonds, which at the time of investment are legal investments of the
28 Water Authority for the money to be invested:

29 (23) United States Government Obligations: Securities
30 backed by the full faith and credit of the U.S. Government including direct obligations
31 of the U.S. Treasury, such as U.S. treasury notes and bills and "Ginnie Mae"

1 mortgage-backed certificates issued by the Government National Mortgage
2 Association;

3 (24) United States Government Obligations: Securities issued
4 or guaranteed by U.S. Government agencies, instrumentalities or sponsored
5 enterprises, but which are not backed by the full faith and credit of the U.S.
6 Government. These securities include Federal Farm Credit Bank “FFCB”, Federal
7 Home Loan Bank “FHLB”, Federal Home Loan Mortgage Corporation “FHLMC” and
8 Federal National Mortgage Association “FNMA” and other entities that qualify as
9 instrumentalities of the U.S. government. Additionally, mortgage-backed certificates,
10 and debentures issued by “Freddie Mac” (Federal Home Loan Mortgage
11 Corporation) and “Fannie Mae” (Federal National Mortgage Association) are
12 allowable;

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

21 (26) Municipal Securities: Obligations, the interest on which is
22 excluded from gross income of the recipient for federal income tax purposes, which
23 comply with State law and the policies of the Board;

24 (27) Money market instruments and other securities of
25 commercial banks, broker-dealers or recognized financial investors, which securities
26 or institutions are rated in the highest Rating Category by S&P or Moody’s, if then
27 rating the Bonds, or which securities are guaranteed by a person or entity whose
28 long-term debt obligations are rated in the highest Rating Category by S&P and
29 Moody’s, if then rating the Bonds, including, without limitation, securities of, or other
30 interests in, any open-end or closed-end management type investment company or
31 investment trust registered under the provisions of 15 U.S.C. Sections 80(a)-1 et.

1 seq., which invest only in, or whose securities are secured only by, obligations of the
2 type set forth in paragraphs (1) and (2) of this definition;

3 (28) The “local government investment pool” described in
4 Section 6-10-10.1 NMSA. 1978 or other similar pooled fund maintained by the State
5 for the investment of public funds of local public bodies of the State; and

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

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

20 PRINCIPAL PAYMENT DATE. July 1st of each year beginning on
21 the date set forth in the Bond Purchase Agreement and Sale Certificate, so long as
22 the Bonds are Outstanding.

23 PROJECT OR IMPROVEMENT PROJECT. Acquiring additional
24 System assets, extending, repairing, replacing and improving the Water Authority’s
25 System and the payment of Expenses associated with the issuance of the Bonds.

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

1 PUBLIC PROJECT REVOLVING FUND LOAN AGREEMENT (2011).
2 The loan agreement dated December 15, 2011 between the NMFA and the Water
3 Authority in the principal amount of \$53,400,000 and approved by Ordinance No. O-
4 11-5 and Resolution No. R-11-17 constituting a senior lien on the Net Revenues.

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

8 RATE COVENANT. The covenants in Section 29.(C) relating to
9 charging rates for use of the System to pay Debt Service Requirements.

10 RATE STABILIZATION FUND. The Rate Stabilization Fund for
11 System Obligations previously established by the Water Authority and continued in
12 Section 20 of this Bond Ordinance.

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

16 REBATE FUND. The Rebate Fund for System Obligations previously
17 established by the Water Authority and continued in Section 20 of this Bond
18 Ordinance.

19 RECORD DATE. The fifteenth day of the calendar month preceding
20 each Interest Payment Date.

21 REGISTRAR. The Chief Financial Officer or successor in function of
22 the Water Authority or any trust company, national or state banking association or
23 financial institution qualified to act, appointed as the registrar for the Bonds by an
24 Authorized Officer from time to time.

25 RESERVE ACCOUNT. The accounts of the Debt Service Fund to be
26 established for Senior Obligations or Subordinate Obligations with a reserve
27 requirement.

28 RESERVE ACCOUNT SURETY BOND. Any policy of insurance or
29 surety bond or other Credit Facility issued to the Water Authority to be deposited in a
30 Reserve Account, the proceeds of which shall be used to prevent deficiencies in the
31 payment of the principal of or interest on a series of System Obligations, written by

1 an insurer whose policies of insurance, or issued by a Credit Source whose Credit
2 Facility, would not adversely affect the rating of the System Obligations by either
3 Moody's or S&P if the Bonds are then rated by Moody's or S&P. At the time of the
4 issuance of such policy, such insurer or the component insurance companies thereof
5 or the obligations thereof shall have received the highest policy claims rating
6 accorded insurers by the A. M. Best Company or any comparable service and either
7 of the two highest rating categories of Moody's or S&P if the Bonds are then rated by
8 Moody's or S&P.

9 S&P. S&P Global Ratings, a division of S&P Global Inc., its
10 successors and their assigns, and, if such corporation does not provide a rating for
11 the Bonds, "S&P" shall be deemed to refer to any other nationally recognized
12 securities agency rating the Bonds.

13 SALE CERTIFICATE. One or more certificates executed by the Chief
14 Financial Officer or other Authorized Officer dated on or before the date of delivery
15 of the Bonds, setting forth the following final terms of the Bonds: (i) the interest and
16 principal payment dates; (ii) the principal amounts, denominations and maturity
17 amortization; (iii) the sale prices; (iv) the interest rate or rates; (v) the interest
18 payment periods; (vi) the redemption and tender provisions; (vii) the creation of any
19 capitalized interest fund, including the size and funding of such fund(s); (viii) the
20 amount of underwriting discount, if any; and (ix) the final terms of agreements, if any,
21 with agents or service providers required for the purchase, sale, issuance and
22 delivery of the Bonds, all subject to the parameters and conditions contained in this
23 Bond Ordinance.

24 SENIOR OBLIGATIONS. The Drinking Water State Revolving Fund
25 Loan Agreement (2009), the Public Project Revolving Fund Loan Agreement (2011),
26 the Series 2013A&B Bonds, the Series 2014A Bonds, the Series 2015 Bonds, the
27 Series 2017 Bonds, the Series 2018 Bonds, the Drinking Water State Revolving
28 Fund Loan Agreement (2018-4202), the Drinking Water State Revolving Fund Loan
29 Agreement (2019-4877), and obligations related thereto designated as Senior
30 Obligations, in any ordinance or resolution of the Water Authority relating to those

1 bonds, and any other System Obligations issued with a lien on the Net Revenues on
2 a parity with the lien of the Outstanding Senior Obligations on Net Revenues.

3 SERIES 2013A&B BONDS. The Senior Obligations designated as the
4 “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer
5 System Improvement Revenue Bonds, Series 2013A” and the “Albuquerque
6 Bernalillo County Water Utility Authority Joint Water and Sewer System Refunding
7 Revenue Bonds, Series 2013B” in the combined original principal amount of
8 \$118,215,000, authorized and issued pursuant to Ordinance No. O-13-2 and
9 Resolution R-13-13 constituting a senior lien on the Net Revenues.

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

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

21 SERIES 2015 BONDS. The Senior Obligations designated as the
22 “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
23 Sewer System Refunding and Improvement Revenue Bonds, Series 2015” in the
24 original principal amount of \$211,940,000, authorized and issued pursuant to
25 Ordinance No. O-15-2 and Resolution F/S R-15-6 constituting a senior lien on the
26 Net Revenues.

27 SERIES 2017 BONDS. The Senior Obligations designated as the
28 “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
29 Sewer System Refunding and Improvement Revenue Bonds, Series 2017” in the
30 original principal amount of \$87,970,000, authorized and issued pursuant to

1 Ordinance No. O-16-2 and Resolution F/S R-16-13 constituting a senior lien on the
2 Net Revenues.

3 SERIES 2018 BONDS. The Senior Obligations designated as the
4 “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
5 Sewer System Improvement Revenue Bonds, Series 2018” in the original principal
6 amount of \$75,085,000, authorized and issued pursuant to Ordinance No. O-18-7
7 and Resolution R-18-20 constituting a senior lien on the Net Revenues.

8 SERIES 2020 BONDS DEBT SERVICE ACCOUNT. An account of the
9 Debt Service Fund established for the deposit of amounts necessary to pay the Debt
10 Service Requirements on the Bonds.

11 SERIES 2020 BONDS ACQUISITION ACCOUNT. An account of the
12 Acquisition Fund established for the deposit of the portion of the proceeds of the
13 Series 2020 Bonds to finance the Project.

14 STATE. The State of New Mexico.

15 SUBORDINATE OBLIGATIONS. The Drinking Water State Revolving
16 Fund Loan Agreement (2008), the Series 2014B Bonds, and all other bonds and
17 other obligations of the Water Authority now or hereafter issued with a lien on the
18 Net Revenues subordinate to the lien of Senior Obligations and superior to the lien
19 of the Super Subordinated Obligations on the Net Revenues.

20 SUPER SUBORDINATED OBLIGATIONS. All other bonds and other
21 obligations of the Water Authority hereafter issued with a lien on the Net Revenues
22 subordinate to the liens of the Senior Obligations and the Subordinate Obligations
23 on the Net Revenues.

24 SYSTEM. The public utility owned by the Water Authority and
25 designated as the Water Authority’s water system and sanitary sewer system
26 (continued as a joint utility system in Section 4 of this Bond Ordinance) consisting of
27 all properties, real, personal, mixed or otherwise, now owned or hereafter acquired
28 by the Water Authority, through purchase, construction or otherwise, including all
29 extensions, enlargements and improvements of or to the water and sanitary sewer
30 system and used in connection therewith or relating thereto, and any other related
31 activity or enterprise of the Water Authority designated by the Board as part of the

1 water and sanitary sewer system, whether situated within or without the
2 geographical limits of the Water Authority.

3 SYSTEM OBLIGATIONS. All bonds and other similar indebtedness
4 payable solely or primarily from Net Revenues, including, without limitation, the
5 Senior Obligations, the Subordinate Obligations and the Super Subordinated
6 Obligations.

7 UNDERWRITERS. J.P. Morgan Securities LLC and Robert W. Baird &
8 Co., collectively, as the original purchasers of the Bonds.

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

12 WATER AUTHORITY. The Albuquerque Bernalillo County Water
13 Utility Authority created by Section 72-1-10 NMSA 1978 operating under the name
14 Albuquerque Bernalillo County Water Utility Authority.

15 RULES OF CONSTRUCTION. For purposes of this Bond Ordinance,
16 unless otherwise expressly provided or unless the context requires otherwise:

17 (30) All references in this Bond Ordinance to designated
18 Sections and other subdivisions are to the designated Section and other
19 subdivisions of this Bond Ordinance.

20 (31) The words “herein”, “hereof”, “hereunder”, and “herewith”
21 and other words of similar import in this Bond Ordinance refer to this Bond
22 Ordinance, as a whole, and not to any particular Section or other subdivision.

23 (32) All accounting terms not otherwise defined in this Bond
24 Ordinance have the meanings assigned to them in accordance with generally
25 accepted accounting principles.

26 (33) Words of the masculine gender shall be deemed and
27 construed to include correlative words of the feminine and neuter genders.

28 (34) The headings used in this Bond Ordinance are for
29 convenience of reference only and shall not define or limit the provisions of this
30 Bond Ordinance.

31 (35) Terms in the singular include the plural and vice versa.

1 Section 2. RATIFICATION. All actions previously taken (not inconsistent
2 with the provisions of this Bond Ordinance) by the Board and the officers of the
3 Water Authority, directed toward the authorization, pledge, collection and distribution
4 of the Net Revenues, the Project, and the authorization, issuance and sale of the
5 Bonds are ratified, approved and confirmed.

6 Section 3. FINDINGS.

7 (A) The Water Authority declares that it has considered all relevant
8 information and data and finds that the issuance of the Bonds in one or more series
9 under the Act in an aggregate principal amount not to exceed \$86,000,000 to
10 finance the Project is necessary and in the interest of the public health, safety and
11 welfare of the residents of the geographic area served by the Water Authority.

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

14 (C) It is economically feasible to accomplish the Project by the
15 issuance of the Bonds.

16 (D) The forms of the Bond Purchase Agreement, Continuing
17 Disclosure Undertaking and Preliminary Official Statement as presented to the
18 Board, and the sale of the Bonds to the Underwriters within the parameters set forth
19 in this Bond Ordinance are hereby approved by the Board with the approval of the
20 final terms of the Bonds to be accepted in the Sale Certificate and final forms of the
21 Bond Purchase Agreement, Preliminary Official Statement, Continuing Disclosure
22 Undertaking delegated to the Delegate or her designee as permitted by Section 6-
23 14-10.2 NMSA 1978. The use and distribution of the Preliminary Official Statement
24 and Official Statement by the Underwriters in connection with the sale of the bonds
25 to the public are hereby ratified, authorized, approved and acknowledged.

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

28 Section 5. LIABILITY FOR OUTSTANDING SYSTEM OBLIGATIONS.

29 The Water Authority hereby confirms that, in accordance with Section 72-1-10
30 NMSA 1978, the Water Authority is solely responsible for paying the Debt Service
31 Requirements for all Outstanding System Obligations.

1 Section 6. AUTHORIZATION OF PROJECT; EXPENSES.

2 (A) PROJECT. The Project is hereby authorized and approved.

3 (B) EXPENSES. The payment of Expenses is authorized and
4 approved.

5 (C) PROCEEDS. The net proceeds of the Bonds will be used
6 exclusively to finance the Project including the payment of Expenses.

7 Section 7. THE BONDS.

8 (A) AUTHORIZATIONS. This Bond Ordinance has been adopted
9 by the affirmative vote of at least a majority of all of the members of the Board. For
10 the purpose of protecting the public health, conserving the property, protecting the
11 general welfare and prosperity of the citizens of the geographic area served by the
12 Water Authority, and completing the Project, it is necessary that the Water Authority
13 issue, and the Water Authority is hereby authorized to issue, pursuant to the Act, its
14 negotiable, fully registered bonds designated as the "Albuquerque Bernalillo County
15 Water Utility Authority Senior Lien Joint Water and Sewer System Improvement
16 Revenue Bonds, Series 2020."

17 The Bonds shall be issued in one or more series in the aggregate principal
18 amount not to exceed \$86,000,000, to be used, with other available moneys of the
19 Water Authority, if any, to finance the Project, including the payment of Expenses.

20 (B) DETAILS OF THE BONDS.

21 (1) General. The Bonds shall be issued as fully registered
22 bonds in one or more series and shall be issued to provide funds, together with other
23 available funds of the Water Authority, if any, to finance the Project and to pay
24 Expenses. The Bonds shall be dated the date of issuance of the Bonds (the "Series
25 Date"), and shall be issued in fully registered form only, without coupons, and when
26 issued will be registered in the name of Cede & Co., as nominee of The Depository
27 Trust Company ("DTC"), New York, New York, as registered owner of the Bonds, all
28 as provided in the Bond Ordinance.

29 (2) Interest Payment Date; Interest Rates; Maturities. The
30 Bonds shall bear interest from the most recent date to which interest has been paid
31 or provided for or if no interest has been paid or provided for from the date of the

1 Bonds until maturity or until redeemed if called for redemption prior to maturity. The
2 Bonds shall bear interest payable on each Interest Payment Date, beginning July 1,
3 2020, at the rates per annum, maturing in the years and amounts, set forth in the
4 Bond Purchase Agreement and the Sale Certificate.

5 (3) Computation of Interest. Interest on Bonds will be
6 computed on the basis of a 360-day year consisting of twelve 30-day months. If,
7 upon presentation at maturity or for prior redemption, payment of the principal
8 amount of any Bond is not made as required by this Bond Ordinance, interest on the
9 unpaid principal amount of such Bond shall continue to accrue at the interest rate
10 stated or described in that Bond until the principal amount of that Bond is paid in full.

11 (4) Priority of Lien on the Net Revenues. The Bonds shall be
12 issued with a lien on the Net Revenues on a parity with the lien of the Senior
13 Obligations on the Net Revenues and a lien superior to the liens of the Subordinate
14 Obligations and the Super Subordinated Obligations on the Net Revenues.

15 (C) BOOK-ENTRY. The Bonds shall be issued or registered in
16 book entry form with no physical distribution of bond certificates made to the public,
17 with a Depository acting as securities depository for the Bonds. A single certificate
18 for each maturity of the Bonds will be delivered to the Depository and immobilized in
19 its custody. The book-entry system will evidence ownership of the Bonds in
20 Authorized Denominations, with transfer of ownership effected on the books of the
21 Depository and its participants ("Participants"). As a condition to delivery of the
22 Bonds, the Underwriters will, immediately after acceptance of delivery thereof,
23 deposit, or cause to be deposited, Bond certificates with the Depository, registered
24 in the name of the Depository or its nominee. Principal of, premium, if any, and
25 interest on the Bonds will be paid to the Depository or its nominee as the registered
26 Owner of the Bonds. The transfer of principal and interest payments to Participants
27 will be the responsibility of the Depository; the transfer of principal and interest
28 payments to the beneficial owners of the Bonds (the "Beneficial Owners") will be the
29 responsibility of such Participants and other nominees of Beneficial Owners
30 maintaining a relationship with Participants (the "Indirect Participants"). The Water
31 Authority will not be responsible or liable for maintaining, supervising or reviewing

1 the records maintained by the Depository, Participants or Indirect Participants.

2 If (i) the Bonds are not eligible for the services of the Depository, (ii) the
3 Depository determines to discontinue providing its services or (iii) the Water
4 Authority determines that a continuation of the system of book-entry transfers
5 through the Depository ceases to be beneficial to the Water Authority or the
6 Beneficial Owners, the Water Authority will either identify another Depository or
7 certificates will be delivered to Beneficial Owners or their nominees and the
8 Beneficial Owners or their nominees, upon authentication of Bonds and registration
9 of the Bonds in the Beneficial Owners' or nominees' names, will become the Owners
10 for all purposes. In either such event, the Water Authority shall mail an appropriate
11 notice to the Depository for notification to Participants, Indirect Participants and
12 Beneficial Owners of the substitute Depository or the issuance of bond certificates to
13 Beneficial Owners or their nominees, as applicable.

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

16 Notwithstanding any other provision of the Bond Legislation to the contrary,
17 so long as all the Bonds are registered in the name of the Depository or its nominee,
18 all payments with respect to principal of, redemption premium, if any, and interest on
19 the Bonds, and all notices, shall be made and given by the Paying Agent or the
20 Water Authority to the Depository as provided in the Bond Legislation and by the
21 Depository to its Participants and by the Participants or Indirect Participants to the
22 Beneficial Owners.

23 (D) PAYMENT OF THE BONDS. The principal of and premium, if
24 any, on the Bonds shall be payable upon presentation and surrender of the Bonds at
25 the principal office of the Paying Agent at or after their maturity or prior redemption
26 dates. Interest on the Bonds shall be payable by check or draft mailed to the owners
27 (or by such other arrangement as may be mutually agreed to by the Paying Agent
28 and an Owner). The Owner shall be deemed to be that person or entity shown on
29 the registration books for the Bonds maintained by the Registrar at the address
30 appearing in the registration books at the close of business on the applicable Record
31 Date. Interest which is not timely paid or provided for shall cease to be payable to

1 the Owner of the applicable Bonds (or of one or more predecessor Bonds) as of the
2 Record Date, but shall be payable to the Owners of those Bonds (or of one or more
3 predecessor Bonds) at the close of business on a special record date for the
4 payment of the overdue interest. The special record date shall be fixed by the
5 Paying Agent and Registrar whenever money becomes available for payment of the
6 overdue interest and notice of the special record date shall be given to the Owners
7 of the Bonds not less than ten days prior to that date. Payment shall be made in the
8 coin or currency of the United States of America that is at the time of payment legal
9 tender for the payment of public and private debts. If the principal amount of any
10 Bond presented for payment remains unpaid at maturity, the unpaid principal shall
11 bear interest at the rate designated in that Bond. Payments of Bonds shall be made
12 without deduction for exchange or collection charges.

13 The Water Authority shall transfer, or cause to be transferred, funds to the
14 Paying Agent on a timely basis so that the Paying Agent may make payments of the
15 principal of, premium, if any, and interest on the Bonds, when due, to the Owners
16 and comply with the requirements of any Credit Source. The Water Authority shall
17 notify the Paying Agent if there is or will be an insufficient amount of money of the
18 Water Authority legally available to pay principal and interest on the Bonds when
19 due.

20 Section 8. APPOINTMENT OF PAYING AGENT AND REGISTRAR. The
21 Chief Financial Officer of the Water Authority is appointed as the initial Paying Agent
22 and Registrar. The Paying Agent, Authenticating Agent and Registrar shall be the
23 same person.

24 Section 9. REDEMPTION OF BONDS.

25 (A) GENERAL. The Bonds may be subject to optional redemption
26 prior to their respective maturities on and after the date specified in the Sale
27 Certificate, at the option of the Water Authority in any order of maturity as
28 determined by the Water Authority, at a redemption price equal to 100% of the
29 principal amount of the Bonds to be redeemed, plus accrued interest to the date of
30 redemption. The Bonds may be subject to mandatory sinking fund redemption as
31 set forth in the Sale Certificate.

1 (B) REDEMPTION CONDITIONAL. Unless money sufficient to pay
2 the principal of and interest on the Bonds to be redeemed at the option of the Water
3 Authority is received by the Paying Agent prior to the giving of notice of redemption
4 in accordance with Section 9.(E), that notice shall state that the redemption is
5 conditional upon the receipt of that money by the Paying Agent by 2:00 p.m. on the
6 redemption date. If an amount sufficient to redeem all Bonds called for redemption
7 is not received by that time (i) the Paying Agent shall redeem only those Bonds for
8 which the redemption price was received and the Bonds to be redeemed shall be
9 selected in the manner set forth in Section 9.(D) and (ii) the redemption notice shall
10 have no effect with respect to those Bonds for which the redemption price was not
11 received and those Bonds shall not be redeemed. The Registrar shall give notice to
12 the Owners of the Bonds which will not be redeemed in the manner in which the
13 notice of redemption was given, identifying the Bonds which will not be redeemed,
14 stating that the redemption did not take place with respect to those Bonds, and the
15 Registrar shall promptly return those Bonds to the Owners thereof as shown on the
16 Bonds register.

17 (C) CANCELLATION AND CREDIT. At its option, to be exercised
18 on or before the 45th day next preceding any mandatory sinking fund redemption
19 date, the Water Authority may irrevocably elect to (a) deliver to the Paying Agent for
20 cancellation Bonds of the same series, interest rate and maturity in any aggregate
21 principal amount and/or (b) receive a credit in respect of its sinking fund redemption
22 obligation for any Bonds of the same series, interest rate and maturity which, prior to
23 said date, have been redeemed (other than through the operation of the sinking
24 fund) and canceled by the Paying Agent and not theretofore applied as a credit
25 against any sinking fund redemption obligation. Each Bond delivered or previously
26 redeemed shall be credited by the Paying Agent as directed by the Water Authority
27 at the principal amount thereof in Authorized Denominations against the amounts
28 required to be paid by the Water Authority on the designated mandatory sinking fund
29 redemption date, and the principal amount of Bonds to be redeemed by operation of
30 such sinking fund on such date shall be reduced by that principal amount.

31 (D) PARTIAL REDEMPTION. If less than all of the Bonds subject

1 to redemption are to be redeemed at any one time, the Bonds to be redeemed shall
2 be selected by the Registrar in the manner and from the maturities designated by
3 the Water Authority. If less than all of the Bonds of a given maturity are redeemed,
4 the Bonds to be redeemed within that maturity shall be selected by lot in such
5 manner as determined by the Registrar. Part of a Bond may be redeemed in an
6 Authorized Denomination if the amount of that Bond which remains outstanding is
7 also in an Authorized Denomination.

8 (E) NOTICE OF REDEMPTION. Notice of redemption of Bonds
9 shall be given by the Registrar by sending a copy of such notice by Electronic
10 Means or by first-class, postage prepaid mail not less than 30 days prior to the
11 redemption date to the Owner of each Bond, or portion thereof, to be redeemed at
12 the address shown as of the fifth day prior to the mailing of notice on the registration
13 books kept by the Registrar and to the Credit Source for the Bonds, if any. The
14 Water Authority shall give the Registrar notice of Bonds to be called for optional
15 redemption at least fifteen (15) days prior to the date that the Registrar is required to
16 give Owners notice of redemption specifying the Bonds or the principal amount
17 thereof to be called for redemption and the applicable redemption date. If the Water
18 Authority has not designated the Bonds to be called for redemption on the dates
19 specified above, the Registrar shall select the Bonds to be redeemed by lot. Neither
20 the Water Authority's failure to give such notice, the Registrar's failure to give such
21 notice to the registered Owner of any Bonds or to any Credit Source, or any defect
22 thereon, nor the failure of the Depository to notify a Participant or any Participant or
23 Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect
24 the validity of the proceedings for the redemption of any Bonds for which proper
25 notice was given.

26 Notices shall specify the CUSIP numbers and maturity date or dates of the
27 Bonds to be redeemed (if less than all Bonds are to be redeemed), the date of or
28 principal amounts of any Bonds to be redeemed in part, the date fixed for
29 redemption, and shall further state that, subject to the terms of Section 9.(B), if
30 applicable, on such redemption date there will become and be due and payable
31 upon each Bond or part thereof to be redeemed at the office of the Paying Agent the

1 principal amount thereof to be redeemed plus accrued interest, if any, to the
2 redemption date and the stipulated premium, if any, and that from and after such
3 date, interest will cease to accrue on those Bonds. In addition to the foregoing
4 notice, the notice of redemption given by the Registrar shall include such additional
5 information, and the Registrar shall comply with any other terms regarding
6 redemption, as are required by any applicable agreement with a Depository.

7 Notice having been given in the manner provided above, subject to the terms
8 of Section 9.(B), the Bonds or part thereof called for redemption shall become due
9 and payable on the redemption date designated and the Bonds or part thereof to be
10 redeemed, for which there was sufficient money on deposit with the Paying Agent,
11 shall not be deemed to be Outstanding and shall cease to bear or accrue interest
12 from and after such redemption date. Upon presentation of a Bond to be redeemed
13 at the office of the Paying Agent on or after the redemption date or, so long as the
14 book-entry system is used for determining beneficial ownership of Bonds, upon
15 satisfaction of the terms of any other arrangement between the Paying Agent and
16 the Depository, the Paying Agent will pay such Bond, or portion thereof called for
17 redemption.

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

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

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

28 Section 10. REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP
29 OF BONDS.

30 (A) REGISTRATION AND EXCHANGE. The Water Authority shall
31 cause books for registration, transfer and exchange of the Bonds to be kept at the

1 principal office of the Registrar. Upon surrender for transfer or exchange of any
2 Bonds at the principal office of the Registrar duly endorsed by the Owner or his
3 attorney duly authorized in writing, or accompanied by a written instrument or
4 instruments of transfer or exchange in form satisfactory to the Registrar and properly
5 executed, the Water Authority shall execute and the Registrar shall authenticate and
6 deliver in the name of the transferee or Owner replacement Bonds of the same
7 maturity, interest rate and aggregate principal amount in Authorized Denominations.

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

15 (C) LOST BONDS. If any Bond is lost, stolen, destroyed or
16 mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and the
17 evidence, information or indemnity which the Registrar may reasonably require, if
18 lost, stolen, or destroyed, authenticate and deliver a replacement Bond of the same
19 aggregate principal amount, maturity and interest rate, bearing a number or numbers
20 not then outstanding. If any lost, stolen, destroyed or mutilated Bond has matured or
21 been called for redemption, the Registrar may direct the Paying Agent to pay that
22 Bond in lieu of replacement.

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

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

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

7 Section 12. EXECUTION AND CUSTODY OF BONDS.

8 (A) EXECUTION. The Bonds shall be signed with the facsimile or
9 manual signature of the Chair and the manual or facsimile signature of the Secretary
10 of the Water Authority. Bonds when authenticated and bearing the manual or
11 facsimile signatures of the officers in office at the time of their signing shall be valid
12 and binding obligations of the Water Authority, notwithstanding that before delivery
13 of those Bonds, any or all of the persons who executed those Bonds shall have
14 ceased to fill their respective offices. The Chair, Vice Chair, Executive Director and
15 Board Secretary, at the time of the execution of the Bonds and the signature
16 certificate, each may adopt as and for his or her own facsimile signature, the
17 facsimile signature of his or her predecessor in office if such facsimile signature
18 appears upon any of the Bonds or certificates pertaining to the Bonds. No manual
19 or facsimile signature of an officer of the Water Authority or an Authenticating Agent
20 shall be required if the Bonds are issued in book-entry form without the delivery of
21 any physical securities.

22 (B) CUSTODY. The Authenticating Agent or its designee shall hold
23 in custody all Bonds signed and attested by the Chair, Vice Chair and Executive
24 Director or Secretary until ready for delivery to the Underwriters, transferee or
25 Owner. The Water Authority shall, from time to time, at the written request of the
26 Authenticating Agent, provide the Authenticating Agent an adequate supply of
27 Bonds.

28 (C) AUTHENTICATION. No Bond shall be valid or obligatory for
29 any purpose unless the certificate of authentication has been duly executed by the
30 Authenticating Agent. The Authenticating Agent's certificate of authentication shall
31 be deemed to have been duly executed if manually signed by an Authorized Officer

1 of the Authenticating Agent, but it shall not be necessary that the same officer sign
2 the certificate of authentication on all Bonds.

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

10 Section 14. SPECIAL LIMITED OBLIGATIONS. All of the Bonds and all
11 payments of principal of, premium, if any, and interest on Bonds, and the fees, costs,
12 expenses and other obligations of the Water Authority under the Bond Legislation,
13 the Continuing Disclosure Undertaking, the Bond Purchase Agreement, or any
14 Credit Facility, together with the interest accruing thereon, shall be special limited
15 obligations of the Water Authority and shall be payable, collectible or reimbursable
16 solely from the Net Revenues, Bond proceeds, the earnings thereon and, if a Bond
17 Insurance Policy is issued for the payment of the Bonds, from the proceeds of the
18 policy. The Owners, any Credit Source and obligees under the Bond Legislation or
19 any Credit Facility may not look to any general or other municipal fund for the
20 payment of the principal of, premium, if any, or interest on such obligations or such
21 fees, costs and expenses, except the designated special funds specifically pledged
22 for the Bonds as set forth in or permitted by this Section. None of the Bonds, the
23 Bond Legislation, the Continuing Disclosure Undertaking, or any Credit Facility or
24 such costs, fees and expenses of the Water Authority shall constitute an
25 indebtedness of the Water Authority within the meaning of any constitutional, charter
26 or statutory provision or limitation, nor shall they be considered or held to be general
27 obligations of the Water Authority, and each Bond shall recite that it is payable and
28 collectible solely from the Net Revenues, the proceeds of the Bonds, and, if a Bond
29 Insurance Policy is issued for the payment of the Bonds, from the proceeds of that
30 policy and that the Owners may not look to any general funds of the Water Authority
31 or any City or County fund for the payment of the principal of, premium, if any, or

1 interest on the Bonds.

2 Section 15. SALE OF BONDS; DELEGATION OF AUTHORITY TO
3 APPROVE FINAL TERMS WITHIN THE PARAMETERS SET FORTH HEREIN.

4 The sale of the Bonds in a negotiated sale to the Underwriters within the parameters
5 set forth below and as described in the Sale Certificate and Bond Purchase
6 Agreement is hereby approved. After the Bonds have been duly executed and
7 authenticated and upon receipt of the purchase price therefor, the Bonds shall be
8 delivered to the Underwriters by an Authorized Officer in accordance with the Bond
9 Purchase Agreement. The final terms of the Bonds shall be within the parameters
10 set forth below:

- 11 (a) The proceeds of the Bonds shall be used for the Project.
- 12 (b) The maximum par amount of the Bonds shall not be more than
13 \$86,000,000.
- 14 (c) The final maturity of the Bonds shall be no later than July 1, 2033.
- 15 (d) The maximum interest rate on the Bonds shall be no greater than 12%
16 per annum.
- 17 (e) The Bonds shall be secured by a senior lien on and shall be payable
18 solely from the Net Revenues of the System.
- 19 (f) The Bonds shall be sold pursuant to a negotiated sale with the
20 Underwriters.
- 21 (g) The Underwriters' discount shall not exceed 1% of the aggregate
22 principal amount of the Bonds.
- 23 (h) The Bonds may be subject to optional and/or mandatory sinking fund
24 redemption as set forth in the Sale Certificate.
- 25 (i) The Bonds and Bond Purchase Agreement shall be in substantially the
26 forms submitted to the Board with the adoption of this Ordinance.

27 The Delegate is hereby authorized pursuant to this Ordinance to determine
28 the final terms of the Bonds as permitted by Section 6-14-10.2 NMSA 1978 and to
29 execute a Sale Certificate and a Bond Purchase Agreement with the Underwriters in
30 conformance with these parameters.

31 Section 16. FORM OF BONDS. The form of the Bonds shall be

1 substantially as set forth herein, with such terms and provisions as are not
2 inconsistent with the Bond Legislation.

3
4 **[Form of Bond]**

5 **UNITED STATES OF AMERICA**

STATE OF NEW MEXICO

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

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

27
28 **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

29 **SENIOR LIEN JOINT WATER AND SEWER SYSTEM**

30 **IMPROVEMENT REVENUE BONDS**

31 **SERIES 2020**

1 **Bond No. R-**_____ **\$**_____

2 **INTEREST RATE** **MATURITY DATE** **DATE OF BOND** **CUSIP**

3 _____% per annum _____, 20____ _____, 20____ _____

4

5 The Albuquerque Bernalillo County Water Utility Authority (the “Water
6 Authority”), a legally and regularly created, established, organized and existing
7 municipal utility under the general laws of the State of New Mexico, for value
8 received, hereby promises to pay, solely from the special funds available for the
9 purpose as hereinafter set forth, to Cede & Co. or registered assigns, no later than
10 the Maturity Date stated above (unless this bond is called for prior redemption, in
11 which case on such redemption date), upon presentation and surrender hereof at
12 the principal office of the Chief Financial Officer of the Water Authority as paying
13 agent, or any successor paying agent (the “Paying Agent”), the sum of
14 _____ DOLLARS (\$_____) and to pay from said sources interest on the
15 unpaid principal amount at the Interest Rate stated above on July 1, 2020, and on
16 July 1 and January 1 of each year (each an “Interest Payment Date”) thereafter to its
17 maturity, or until redeemed if called for redemption prior to maturity. This bond will
18 bear interest from the most recent date to which interest has been paid or provided
19 for or, if no interest has been paid or provided for, from its date. Interest on this
20 bond is payable by check mailed to the registered owner hereof (or by such other
21 arrangement as may be mutually agreed to by the Paying Agent and the registered
22 owner) as shown on the registration books for this issue maintained by the Chief
23 Financial Officer of the Water Authority as registrar, or any successor registrar (the
24 “Registrar”) at the address appearing therein at the close of business on the fifteenth
25 day of the calendar month next preceding the Interest Payment Date (the “Record
26 Date”). Any interest which is not timely paid or duly provided for shall cease to be
27 payable to the owner hereof as of the Record Date but shall be payable to the owner
28 hereof at the close of business on a special record date to be fixed by the Paying
29 Agent for the payment of interest. The special record date shall be fixed by the
30 Paying Agent whenever moneys become available for payment of the overdue
31 interest, and notice of the special record date shall be given to owner of the Bonds

1 (defined below) as then shown on the Registrar's registration books not less than ten
2 days prior to the special record date. If, upon presentation at maturity or
3 redemption, payment of this bond is not made as herein provided, interest hereon
4 shall continue at the Interest Rate stated above until the principal hereof is paid in
5 full. The principal, premium, if any, and interest on this bond are payable in lawful
6 money of the United States of America, without deduction for the services of the
7 Paying Agent or the Registrar.

8 This bond is one of a duly authorized issue of fully registered bonds of the
9 Water Authority in the principal amount of \$86,000,000, issued in denominations of
10 \$5,000 or integral multiples thereof, designated as Albuquerque Bernalillo County
11 Water Utility Authority Senior Lien Joint Water and Sewer System Improvement
12 Revenue Bonds, Series 2020 (the "Bonds"), issued under and pursuant to
13 Ordinance No. F/S O-19-3 adopted February 26, 2020, Confirming Resolution No.
14 F/S R-19-26 adopted February 26, 2020, and the Sale Certificate dated February __,
15 2020 (collectively, the "Bond Legislation").

16 The Bonds are subject to prior redemption as more particularly described
17 below:

18 Optional Redemption. Bonds maturing on and after July 1, __ are subject to
19 redemption on any date, in whole or in part, at the option of the Water Authority,
20 prior to their respective maturities on or after July 1, ___ at a price equal to 100% of
21 the principal amount of the Bonds redeemed, plus accrued interest to the date of
22 redemption.

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

1 amount having been deposited and notice having been given, interest will cease to
2 accrue.

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

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

29 If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar will,
30 upon receipt of such Bond, if mutilated, and such evidence, information or indemnity
31 relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed,

1 authenticate and deliver a replacement Bond or Bonds of a like aggregate principal
2 amount and of the same maturity and interest rate, bearing a number or numbers
3 not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated
4 Bond shall have matured or have been called for redemption, the Registrar may
5 direct the Paying Agent to pay such Bond in lieu of replacement.

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

16 The Bonds are issued to provide funds for (i) acquiring additional System
17 assets, and extending, repairing, replacing and improving the Water Authority's
18 System and (ii) the payment of Expenses relating to the issuance of the Bonds.

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

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

27 It is hereby certified that all acts and conditions necessary to be done or
28 performed by the Water Authority or to have happened precedent to and in the
29 issuance of the Bonds to make them legal, valid and binding special obligations of
30 the Water Authority, have been performed and have happened as required by law,

1 and that the Bonds do not exceed or violate any constitutional or statutory limitation
2 of or pertaining to the Water Authority.

3 This bond shall not be valid or obligatory for any purpose until the
4 Authenticating Agent shall have manually signed the Certificate of Authentication of
5 this bond.

6 **IN WITNESS WHEREOF**, the Water Authority has caused this bond to be
7 signed and executed on the Water Authority’s behalf with the manual or facsimile
8 signature of the Chair of the Board and to be countersigned with the manual or
9 facsimile signature of the Secretary, all as of the Date of Bond.

10 **ALBUQUERQUE BERNALILLO COUNTY**
11 **WATER UTILITY AUTHORITY**

12
13 **By:** _____
14 **Chair**

15
16 **ATTEST:**

17 **By:** _____
18 **Secretary**

19
20 **[FORM OF CERTIFICATE OF AUTHENTICATION]**

21
22 This is one of the Bonds described in the Bond Legislation, and this bond has
23 been registered on the registration books kept by the undersigned as Registrar for
24 the Bonds.

25 **CHIEF FINANCIAL OFFICER,**
26 **ALBUQUERQUE BERNALILLO COUNTY**
27 **WATER UTILITY AUTHORITY, AS**
28 **REGISTRAR**

29
30 **Dated:** _____

31 **By:** _____
Authorized Signature

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[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers
unto

(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.

1 **[END OF FORM OF BOND]**

2 Section 17. PERIOD OF IMPROVEMENT PROJECT'S USEFULNESS.

3 The useful life of the Improvement Project exceeds the final maturity date of the
4 Bonds.

5 Section 18. USE OF PROCEEDS; UNDERWRITERS NOT RESPONSIBLE.

6 (A) USE OF PROCEEDS.

7 (1) The Board, having been informed of and having
8 considered all pertinent facts and circumstances, does hereby find and determine
9 and declare that proceeds from the sale of the Bonds shall be appropriated and
10 deposited as follows:

11 (a) Proceeds of the Bonds in an amount set forth in
12 the Sale Certificate will be deposited into the Expense Account to pay Expenses
13 associated with the Bonds, with any amounts not expended within ninety (90) days
14 to be deposited into the Series 2020 Bonds Debt Service Account.

15 (b) Proceeds of the Bonds designated in the Sale
16 Certificate for the payment of interest will be deposited into the Series 2020 Bonds
17 Debt Service Account.

18 (c) Proceeds of the Bonds in an amount set forth in
19 the Sale Certificate will be deposited to the Series 2020 Acquisition Account within
20 the Acquisition Fund continued herein and shall be applied to the Improvement
21 Project. Any amounts remaining in the Series 2020 Bonds Acquisition Account after
22 the Completion Date shall be transferred to the Series 2020 Bonds Debt Service
23 Account and used by the Water Authority for the payment of the principal of or
24 interest next coming due on the Bonds.

25 (d) Proceeds of the Bonds in an amount set forth in
26 the Sale Certificate shall be used to pay and is appropriated for the payment of
27 Underwriters' discount.

28 The Executive Director of the Water Authority is hereby authorized to make
29 any necessary adjustments in the amounts to be deposited in the funds and
30 accounts described in this Section on the date of delivery of the Bonds.

31 (B) UNDERWRITERS NOT RESPONSIBLE. The Underwriters

1 shall not be responsible for the application or use by the Water Authority of the
2 proceeds of Bonds.

3 Section 19. APPROVAL OF DOCUMENTS AND USE OF DISCLOSURE
4 DOCUMENTS.

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

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

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

31 Section 20. FUNDS AND ACCOUNTS.

1 (A) JOINT WATER AND SEWER FUND. The Water Authority shall
2 continue the Joint Water and Sewer Fund as a separate, distinct and segregated
3 fund. As long as the Bonds are outstanding, all Gross Revenues shall continue to be
4 set aside and credited to the Joint Water and Sewer Fund.

5 (B) DEBT SERVICE FUND AND ACCOUNTS. The Water Authority
6 shall continue the Debt Service Fund as a separate, distinct and segregated fund for
7 the deposit of Net Revenues for the payment of System Obligations. The Water
8 Authority shall continue the Expense Account as part of the Debt Service Fund.
9 Money on deposit or credited to the Expense Account shall be used for the purpose
10 of payment of Expenses. The Water Authority shall establish the Series 2020 Bonds
11 Debt Service Account as a separate account of the Debt Service Fund.

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

15 (D) ACQUISITION FUND. The Water Authority shall continue the
16 Acquisition Fund as a separate, distinct and segregated fund. The Water Authority
17 shall establish the Series 2020 Bonds Acquisition Account as a separate account in
18 the Acquisition Fund for the deposit of a portion of the proceeds of the Bonds to
19 finance the Improvement Project. The Water Authority may establish separate
20 subaccounts in the Acquisition Fund for the payment of Improvement Project costs
21 and capitalized interest, if any, and for other purposes permitted by the Bond
22 Legislation.

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

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

28 (1) Operation And Maintenance Expenses. A sufficient
29 amount of Gross Revenues shall be set aside each month to be used to pay the
30 current Operation and Maintenance Expenses as they become due.

31 (2) Debt Service Accounts for Senior Obligations. Net

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

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

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

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

29 (6) Super Subordinated Obligations. Net Revenues shall be
30 used to pay Debt Service Requirements on Super Subordinated Obligations, and to
31 fund any Reserve Requirement for Super Subordinated Obligations.

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

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

9 (9) Accumulation Of Revenues. Net Revenues need not be
10 retained for any use or in any fund or account described in Section 21.(A) in excess
11 of the Net Revenues required for any current use or deposit. For the purposes of
12 this subparagraph, the term “current” shall mean the month during which the Net
13 Revenues are being distributed and the immediately following month.

14 (B) SERIES 2020 BONDS DEBT SERVICE ACCOUNT. Net
15 Revenues shall be transferred to the Series 2020 Bonds Debt Service Account
16 sufficient to pay when due the Debt Service Requirements on the Bonds.

17 (1) Except as stated in this Section 21.(B)(1) and in Section
18 21.(D), substantially equal monthly deposits of Net Revenues shall be made to the
19 Series 2020 Bonds Debt Service Account beginning six months before each Interest
20 Payment Date in order to make the next payment of interest on the Bonds when
21 due. However, if the first Interest Payment Date for the Bonds is less than six
22 months after the date of the original issuance of the Bonds, substantially equal
23 monthly deposits of Net Revenues before the first Interest Payment Date shall begin
24 in the first full month following the date of issuance of the Bonds in order to make the
25 first payment of interest on the Bonds when due.

26 (2) Except as stated in this Section 21.(B)(2) and in Section
27 21.(D), substantially equal monthly deposits of Net Revenues shall be made to the
28 Series 2020 Bonds Debt Service Account beginning 12 months before each
29 Principal Payment Date for the Bonds payable from such account in order to make
30 the next scheduled payment of principal on the Bonds when due at maturity.
31 However, if the first principal payment date for the Bonds is less than thirteen

1 months after the date of the original issuance of the Bonds, substantially equal
2 monthly deposits of Net Revenues before the first principal payment date shall begin
3 in the first full month following the date of issuance of the Bonds in order to make the
4 first payment of principal on the Bonds when due at maturity.

5 If in the month immediately preceding any payment date for the Bonds, the
6 Water Authority determines that there are not sufficient funds accumulated in the
7 Series 2020 Bonds Debt Service Account to pay the amount becoming due on that
8 payment date, the Water Authority shall promptly deposit any available Net
9 Revenues in the Series 2020 Bonds Debt Service Account in an amount equal to the
10 deficiency. If, prior to any payment date for the Bonds, there has accumulated in the
11 Series 2020 Bonds Debt Service Account the entire amount necessary to pay the
12 amount becoming due on the Bonds payable from such account on that payment
13 date, no additional Net Revenues need be deposited in the Series 2020 Bonds Debt
14 Service Account prior to that payment date. In making the determinations permitted
15 by this paragraph, the Water Authority may take into account the amount on deposit
16 in any other fund or account or escrow relating to the Bonds irrevocably set aside for
17 the next payment of the Bonds.

18 Amounts on deposit in the Series 2020 Bonds Debt Service Account shall be
19 applied first to the payment of interest and then to pay or satisfy any payment of
20 principal on the respective Bonds. Except as provided in Section 21.(D), money in
21 the Series 2020 Bonds Debt Service Account shall be used only to pay the Debt
22 Service Requirements on the Bonds. Transfers of amounts equal to the periodic
23 Debt Service Requirements on the Bonds shall be made by the Water Authority on a
24 timely basis to the Paying Agent.

25 (C) RESERVE ACCOUNT FOR BONDS. At the time of initial
26 delivery of the Bonds, no Reserve Account will be established with respect to the
27 Bonds.

28 (D) TERMINATION UPON DEPOSITS RELATING TO THE BONDS
29 TO MATURITY. No payments need be made into the Series 2020 Bonds Debt
30 Service Account if the amount in the Series 2020 Bonds Debt Service Account is not
31 less than the Debt Service Requirements due and to become due on and before the

1 final maturity date of the Bonds, both accrued and not accrued, and all proceeds
2 paid under any Credit Facility for the Bonds have been reimbursed. The money
3 retained in that account shall be used only to pay the Debt Service Requirements on
4 the Bonds when due except that any money on deposit in the Series 2020 Bonds
5 Debt Service Account which is not necessary to pay such Debt Service
6 Requirements shall be used as surplus Net Revenues in accordance with Section
7 21.(A)(8) of this Bond Ordinance.

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

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

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

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

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

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

6 (A) TRANSFER TO PAYING AGENT. The Water Authority shall
7 transfer the funds set aside pursuant to Section 21 for the payments of Debt Service
8 Requirements on the Bonds to the Paying Agent on or before the date on which
9 each such payment is due.

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

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

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

27 (B) DEPOSITS OF FUNDS. The money and investments which are
28 part of the funds and accounts designated in Sections 20 and 21 shall be maintained
29 and kept in an Insured Bank or Banks, or otherwise in Permitted Investments or may
30 be held in book-entry form in the name of the Water Authority by an agent or
31 custodian of or for the Water Authority for the benefit of the Water Authority, as

1 permitted by State law. Each payment or deposit shall be made into and credited to
2 the proper fund or account at the designated time, except that when the designated
3 time is not a Business Day, then the payment shall be made on the next succeeding
4 Business Day unless otherwise required in the Bond Legislation or related
5 documents. The Water Authority may establish one or more accounts in Insured
6 Banks for all of the funds and accounts or combine such funds and accounts with
7 any other Insured Bank account or accounts for other funds and accounts of the
8 Water Authority.

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

14 Section 24. CREDIT FACILITY.

15 (A) CREDIT FACILITY FOR PAYMENT OF THE BONDS. Payments of all or any part of the principal of and interest on the Bonds may be
16 guaranteed by a Credit Source.
17

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

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

25 (D) ADVERSE EFFECT ON OWNERS. In determining whether the
26 rights of the Owners will be adversely affected by any action taken pursuant to the
27 terms and provisions of the Bond Legislation, the Water Authority shall consider the
28 effect on the Owners as if there were no Bond Insurance Policy or Reserve Account
29 Surety Bond in effect.

30 (E) CREDIT FACILITY. The rights and obligations of any Credit
31 Source under any Credit Facility shall be as set forth in the Bond Legislation or the

1 Credit Facility but shall not exceed any of the limitations included in the Bond
2 Legislation. The Water Authority shall promptly notify any rating agency then rating
3 the Bonds of changes to the terms of a Credit Facility.

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

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

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

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

19 Section 27. ADDITIONAL SYSTEM OBLIGATIONS.

20 (A) LIMITATIONS UPON ISSUANCE OF SYSTEM OBLIGATIONS.

21 Subject to the limitations of this Section and Section 28, nothing in this Bond
22 Ordinance shall be construed to prevent the issuance by the Water Authority of
23 additional System Obligations.

24 (B) ADDITIONAL PARITY SENIOR OBLIGATIONS. The tests

25 required in this Section 27.(B) shall be performed without adjustment for payments
26 to or withdrawals from the Rate Stabilization Fund or interest accrued in an
27 acquisition account for any Outstanding System Obligations. Except as permitted by
28 Section 28, prior to the issuance of additional Senior Obligations, the Water
29 Authority shall be current in making all deposits required by Section 21 and the
30 following test shall be satisfied:

- 31 (1) The Net Revenues for the Historic Test Period shall have

1 been sufficient to pay an amount representing at least 133% of the maximum
2 combined annual Debt Service Requirements of only the Outstanding Senior
3 Obligations and the terms of either subparagraph 2(a) or 2(b) of this Section 27.(B)
4 shall be satisfied.

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

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

24 (C) ADDITIONAL SUBORDINATE OBLIGATIONS. The tests
25 required in this Section 27.(C) shall be performed without adjustment for payments
26 to or withdrawals from the Rate Stabilization Fund or interest accrued in an
27 acquisition account for Outstanding System Obligations. So long as the Series
28 2013A&B Bonds, Drinking Water State Revolving Fund Loan Agreement (2009), and
29 Public Project Revolving Fund Loan Agreement (2011) are Outstanding, the Water
30 Authority shall be required to meet all three tests established in this paragraph; after
31 such Senior Obligations listed above are no longer Outstanding, the Water Authority

1 shall be required to only meet the tests set forth in (i) and (iii) of the following
2 sentence, and the test set forth in (ii) of the following sentence shall have no further
3 force or effect when additional Subordinate Obligations are issued by the Water
4 Authority. Except as permitted by Section 28, prior to the issuance of additional
5 Subordinate Obligations, the Water Authority (i) shall be current in making all
6 deposits required by Section 21, (ii) shall satisfy the test set forth in paragraph (B) of
7 this Section 27 related to the issuance of additional Senior Obligations, and (iii) shall
8 satisfy the following test:

9 (1) The Net Revenues for the Historic Test Period shall have
10 been sufficient to pay an amount representing at least 120% of the maximum
11 combined annual Debt Service Requirements of only the Outstanding Senior
12 Obligations and the Outstanding Subordinate Obligations and the terms of either
13 subparagraph 2(a) or 2(b) of this Section 27.(C) shall be satisfied.

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

22 (b) The projected Net Revenues for the Prospective
23 Test Period shall be sufficient to pay an amount representing at least 120% of the
24 maximum combined annual Debt Service Requirements on the Outstanding Senior
25 Obligations and the Outstanding Subordinate Obligations and the Subordinate
26 Obligations proposed to be issued. To determine if the annual Net Revenues are
27 sufficient for the purposes of the preceding sentence, the Net Revenues projected
28 for the applicable Prospective Test Period shall be determined by applying the rates
29 for use of the System approved by the Board at the time of computation to be in
30 effect during the Prospective Test Period to the proposed number of connections to
31 the System after giving effect to the purchase, expansion or improvement of the

1 System or the acquisition of an existing water and sanitary sewer system.

2 (D) CERTIFICATES. In determining whether additional Senior
3 Obligations may be issued pursuant to Section 27.(B) or additional Subordinate
4 Obligations may be issued pursuant to Section 27.(C), a written certificate or opinion
5 of an Independent Accountant or an Authorized Officer that states in substance that
6 the Net Revenues are sufficient to pay the amounts required shall be conclusively
7 presumed to be accurate in determining the right of the Water Authority to authorize,
8 issue, sell and deliver such additional Senior Obligations or additional Subordinate
9 Obligations, respectively. Also, an opinion of a Consulting Engineer as to the
10 estimated Completion Date of the project to be financed by the proposed System
11 Obligations and the estimated Net Revenues for the Prospective Test Period
12 referred to in Section 27.(B)(2)(b) and Section 27.(C)(2)(b) shall be conclusively
13 presumed to be accurate, and the Independent Accountant or Authorized Officer, as
14 the case may be, may conclusively rely upon the written opinion of the Consulting
15 Engineer in making the determinations required by Section 27. (B)(2)(b) and Section
16 27. (C)(2)(b)

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

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

25 (G) SUPERIOR OBLIGATIONS PROHIBITED. As long as Senior
26 Obligations are outstanding, the Water Authority shall not issue additional System
27 Obligations having a lien on the Net Revenues prior and superior to the lien of the
28 Senior Obligations on Net Revenues.

29 Section 28. REFUNDING OBLIGATIONS. The provisions of Section 27 of
30 this Bond Ordinance are subject to the following exceptions:

31 (A) PRIVILEGE OF ISSUING REFUNDING OBLIGATIONS. If at

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

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

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

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

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

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

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

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

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

29 (A) USE OF THE BOND PROCEEDS. The Water Authority will
30 promptly apply the proceeds of the Bonds to the Project and for the other purposes
31 permitted by this Bond Ordinance.

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

4 (C) RATE COVENANTS.

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

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

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

1 recommendations of the consultant or manager on a timely basis, the Water
2 Authority will not be deemed to have defaulted in satisfying the Rate Covenants
3 even if the resulting Net Revenues are not sufficient to be in compliance with the
4 Rate Covenants, if there is no other default under the Bond Legislation.

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

12 (5) Nothing contained in this Section 29.(C) shall be
13 interpreted to require the Water Authority to take any action in violation of any
14 applicable requirement imposed by law.

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

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

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

28 (2) the audit required by Section 29.(I) or a separate
29 certificate by an Independent Accountant for or relating to any 12 consecutive
30 months out of the 16 calendar months immediately preceding any reduction
31 discloses that the estimated Net Revenues resulting from the proposed reduced rate

1 schedule would have been sufficient to meet the applicable Rate Covenant during
2 the applicable 12-month period.

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

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

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

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

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

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

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

23 (M) ALIENATING SYSTEM. Except as permitted in this Bond
24 Ordinance, while any Bonds are Outstanding, the Water Authority will not sell, lease,
25 mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise
26 alienate, any part of the System, except that the Water Authority may sell any
27 portion of the property of the System which is replaced by other property of at least
28 equal value, or which ceases to be necessary for the efficient operation of the
29 System. In the event of any sale of System property, the proceeds of such sale
30 which are not used to purchase other System property shall be distributed as Gross
31 Revenues.

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

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

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

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

21 (R) WATER AUTHORITY'S EXISTENCE. The Water Authority will
22 maintain its corporate identity, existence, and Board governance structure and
23 determination of Board members as long as the Bonds remain outstanding.

24 (S) TAX COMPLIANCE. The Water Authority covenants that it will
25 use, and will restrict the use and investment of, the proceeds of the Bonds in such
26 manner and to such extent as may be necessary so that (a) the Bonds will not (i)
27 constitute private activity bonds, arbitrage bonds or hedge bonds under Sections
28 141, 148 or 149 of the Code or (ii) be treated other than as bonds to which Section
29 103(a) of the Code applies, and (b) the interest thereon will not be treated as a
30 preference item under Section 57 of the Code.

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

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

1 estimates on which they are based, and other facts and circumstances relevant to
2 the tax treatment of the interest on and the tax status of the Bonds.

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

6 Section 31. EVENTS OF DEFAULT. Each of the following events is
7 declared an "event of default" under the Bond Legislation:

8 (A) NONPAYMENT OF PRINCIPAL. Failure to pay the principal of
9 the Bonds when due and payable, either at maturity or otherwise.

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

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

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

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

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

26 (2) the Owners of not less than 66% in principal amount of
27 the System Obligations then Outstanding, including but not limited to a trustee or
28 trustees therefor, with the consent of the Credit Source with respect to Insured
29 Obligations, may proceed against the Water Authority or the Board or both to:

30 (a) protect and enforce the rights of the Owners by
31 mandamus or other suit, action or special proceedings in equity or at law, in any

1 court of competent jurisdiction, either for the appointment of a receiver or for the
2 specific performance of any covenant or agreement contained in the Bond
3 Legislation or for the enforcement of any proper legal or equitable remedy as those
4 Owners may deem necessary or desirable to protect and enforce their rights,

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

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

9 (d) any combination of those remedies.

10 All proceedings shall be instituted and maintained for the equal benefit of all
11 Owners of System Obligations then Outstanding, subject to the provisions of Section
12 21 of this Bond Ordinance, with respect to the use of Gross Revenues. The Owners
13 by purchasing System Obligations consent to the appointment of a receiver to
14 protect the rights of the Owners. The receiver may enter and take possession of
15 and operate and maintain the System and shall prescribe rates, fees or charges and
16 collect, receive and apply all Gross Revenues as required by this Bond Ordinance.
17 The failure of any Owner to exercise any right granted by this Section shall not
18 relieve the Water Authority of any obligation to perform any duty. Each right or
19 privilege of any Owner (or trustee or receiver therefor) is in addition and cumulative
20 to any other right or privilege and the exercise of any right or privilege by or on
21 behalf of any Owner shall not be deemed a waiver of any other right or privilege of
22 any Owner.

23 Notwithstanding any other provision in the Bond Legislation, no recourse shall
24 be had for the payment of any Bond or for any claim based on any other obligation,
25 covenant or agreement contained in the Bond Legislation against any past, present
26 or future officer, employee or agent of the Water Authority or member of the Board,
27 and all such liability of any such officers, employees, agents or member (as such) is
28 released as a condition of and consideration for the adoption of the Bond Legislation
29 and the issuance of the Bonds.

30 Upon the occurrence and continuance of an Event of Default, so long as the
31 Credit Source, if any, is not in default in its payment obligations under the Bond

1 Insurance Policy, the Credit Source shall be entitled to control and direct the
2 enforcement of all rights and remedies granted to the Owners with respect to
3 Insured Obligations and such Credit Source shall also be entitled to direct and
4 approve all waivers of Events of Default with respect to Insured Obligations.

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

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

23 Without limiting the preceding paragraph, there shall be deemed to be such
24 payment when: (i) the Board has caused to be placed in escrow and in trust with an
25 escrow agent located within or without the State and exercising trust powers, an
26 amount sufficient (including the known minimum yield from Defeasance Obligations
27 in which such amount may be initially invested) to pay all requirements of principal,
28 interest and prior redemption premium, if any, on the Bonds to be defeased as the
29 same become due to the final maturities or upon designated prior redemption dates,
30 and (ii) any Bonds to be redeemed prior to maturity shall have been duly called for
31 redemption or irrevocable instructions to call such Bonds for redemption have been

1 given to the Registrar. The escrow agent shall have received evidence satisfactory
2 to it that the cash and Defeasance Obligations delivered will be sufficient to provide
3 for the payment of the Bonds to be defeased as stated above. Neither the
4 Defeasance Obligations nor money deposited with the escrow agent shall be
5 withdrawn or used for any purpose other than as provided in the escrow agreement
6 and the Defeasance Obligations and money shall be segregated and held in trust for
7 the payment of the principal and premium, if any, and interest on the Bonds with
8 respect to which such deposit has been made. The Defeasance Obligations shall
9 become due prior to the respective times at which the proceeds are needed in
10 accordance with a schedule established and agreed upon between the Board and
11 the escrow agent at the time of the creation of the escrow, or the Defeasance
12 Obligations shall be subject to redemption but only at the option of the holders or
13 owners thereof to assure the availability of the proceeds as needed to meet the
14 schedule.

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

26 Notwithstanding the foregoing, any provisions of the Bond Legislation
27 which relate to indemnification and the payment of fees and expenses, the payment
28 of the principal of and premium of Bonds at maturity or on a prior redemption date,
29 interest payments and dates thereof, exchange, registration of transfer and
30 registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the
31 safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of

1 money in trust, the obligations set forth in the Bond Legislation regarding rebate, and
2 the duties of the Registrar, Authenticating Agent and Paying Agent in connection
3 with all of the foregoing shall remain in effect and be binding upon the Owners, the
4 Registrar, Authenticating Agent and Paying Agent notwithstanding the release and
5 discharge of the Bond Legislation. The provisions of this Section shall survive the
6 release, discharge and satisfaction of the Bond Legislation.

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

16 Section 36. DELEGATED POWERS. The officers of the Water Authority
17 are authorized and directed to take all action from time to time which is necessary or
18 appropriate to effectuate the provisions of the Bond Legislation and the Bonds,
19 including, without limitation, the execution of any credit facility, any liquidity
20 agreement, any remarketing agreement, any qualified exchange agreement, the
21 delivery of a "deemed final" certificate relating to the disclosure document for the
22 Bonds, the publication of a summary of this Bond Ordinance substantially in the form
23 set out in Section 44, the distribution of material related to the Bonds, the printing of
24 the Bonds and the execution of related documents and certificates pertaining to the
25 System, the Bonds, and the delivery of and security for the Bonds, as may be
26 reasonably required by the Underwriters. The officers of the Water Authority are
27 authorized and directed to take all action from time to time which is desirable or
28 necessary for the Water Authority with respect to arbitrage rebate requirements
29 under Section 148(f) of the Code. Pursuant to Section 6-14-10.2 NMSA 1978 and
30 the provisions of this Bond Ordinance, the Delegate is delegated the authority to
31 approve the final terms of the Bonds and to execute the Sale Certificate and Bond

1 Purchase Agreement all within the parameters set forth in this Bond Ordinance.

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

12 Section 37. AMENDMENT OF BOND ORDINANCE.

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

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

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

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

25 (4) To achieve compliance with federal securities or tax laws;
26 and

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

29 (B) ADDITIONAL AMENDMENTS. Except as provided above or in
30 the Confirming Resolution, the Bond Legislation may only be amended or
31 supplemented by ordinance or resolution adopted by the Board in accordance with

1 the laws of the State, without receipt by the Water Authority of any additional
2 consideration, but with the written consent of the Owners of a majority of the
3 principal amount of the Bonds then Outstanding which are affected by the
4 amendment or supplement (not including the Bonds which are then owned by or for
5 the account of the Water Authority) and of any Credit Source providing a Credit
6 Facility which is in effect affected by the amendment or supplement, if the Credit
7 Source is not in default in its obligations under the Credit Facility; provided, however,
8 that no such ordinances or resolutions shall have the effect of permitting:

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

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

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

31 Section 39. NOTICES. Except as otherwise specifically required in the

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

8 (A) If to the Water Authority:

9 Albuquerque Bernalillo County Water Utility Authority

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

11 Albuquerque, NM 87102

12 Attention: Executive Director

13 (505) 289-3101

14 (505) 289-3060 (Fax)

15
16 (B) If to the Initial Paying Agent:

17 Albuquerque Bernalillo County Water Utility Authority

18 One Civic Plaza NW, Room 5012

19 Albuquerque, NM 87102

20 Attention: Chief Financial Officer

21 (505) 289-3080

22
23 Any such party may, by notice as set forth above to other parties, designate
24 any further or different address to which subsequent notices, certificates or other
25 communication shall be sent. All notices sent pursuant to the Bond Legislation to
26 any Owner shall also be sent to the Credit Source, if any, of the Bonds.

27 When the Bond Legislation provides for notice to the Owners of Bonds of any
28 event, such notice shall be sufficiently given (unless otherwise expressly provided in
29 the Bond Legislation) if in writing and given in accordance with this Section to each
30 Owner of Bonds affected by such event, at his address as it appears on the register
31 for the Bonds. In any case where notice to an Owner of Bonds is given by Electronic

1 Means or by mail, neither the failure to send such notice nor any defect in any notice
2 sent to any particular Owner of Bonds shall affect the sufficiency of such notice with
3 respect to any other Owner, and any notice which is sent in the manner provided in
4 this paragraph shall conclusively be presumed to have been duly given.

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

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

16 Section 40. BOND ORDINANCE IRREPEALABLE AS TO THE BONDS.
17 After any of the Bonds are issued, this Bond Ordinance shall be and remain
18 irrepeatable until the Debt Service Requirements on all the Bonds are fully paid and
19 discharged and the Bonds are canceled, as provided in this Bond Ordinance, or
20 there has been defeasance of all the Bonds as provided in this Bond Ordinance.

21 Section 41. SEVERABILITY CLAUSE. If any section, paragraph, clause or
22 provision of this Bond Ordinance shall for any reason be held to be invalid or
23 unenforceable, the invalidity or unenforceability of that section, paragraph, clause or
24 provision shall not affect any of the remaining provisions of this Bond Ordinance.

25 Section 42. REPEALER CLAUSE. All bylaws, orders, resolutions and
26 ordinances, or parts thereof, inconsistent with this Bond Ordinance are repealed to
27 the extent only of such inconsistency. This repealer shall not be construed to revive
28 any bylaw, order, resolution or Ordinance, or part thereof, previously repealed.

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

1 **SUPPLEMENTAL PUBLIC SECURITIES ACT; AND RATIFYING ACTION**
2 **PREVIOUSLY TAKEN.**

3 The title contains a general summary of the subject matter contained in the
4 Bond Ordinance.

5 This notice constitutes compliance with § 6-14-6 NMSA 1978.

6 WITNESS my hand as of February 26, 2020.

7 _____

8 Executive Director

9 (End of Summary of Ordinance for Publication)

10

11 PASSED AND ADOPTED THIS 26TH DAY OF FEBRUARY, 2020.

12 BY A VOTE OF ___ FOR AND ___ AGAINST.

13

14

15

16

Chair

17 ATTEST:

18

19

20

21 Secretary

22

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

§ _____

**SENIOR LIEN JOINT WATER AND
SEWER SYSTEM IMPROVEMENT
REVENUE BONDS, SERIES 2020**

PURCHASE CONTRACT

February 27, 2020

Water Utility Authority Board
One Civic Plaza, N.W., Room 5012
Albuquerque, New Mexico 87102

Water Utility Authority Board:

The undersigned, J.P. Morgan Securities LLC (the *Representative*), acting on its own behalf and on behalf of the other underwriters listed on the signature page hereto (collectively, the *Underwriters*), and not acting as a fiduciary or agent for you, offers to enter into this Purchase Contract (this *Contract*), with the Water Utility Authority Board (the *Board*) of Albuquerque Bernalillo County Water Utility Authority (the *Authority*), which, upon the Authority's written acceptance of this offer, will be binding upon the Authority and upon the Underwriters. This offer is made subject to the Board's written acceptance hereof on or before 9:00 p.m., Mountain time, on the date set forth above, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority.

Terms not otherwise defined in this Contract shall have the same meanings set forth in the Ordinance (as defined herein) or in the Official Statement (as defined herein).

The undersigned, on behalf of J.P. Morgan Securities LLC, represents that it has been duly authorized to execute this Contract and has been duly authorized to act hereunder as the Representative. All actions which may be taken hereunder by the Underwriters may be taken by the Representative alone. In as much as this purchase and sale represents a negotiated transaction, the Authority understands, and hereby confirm, that the Underwriters are not acting as fiduciaries of the Authority, but rather are acting solely in their individual capacities as underwriters for their own accounts as further described in Section 11 hereof.

1. **Purchase and Sale of the Obligations; Authorization and Use of Proceeds.**

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree, jointly and severally, to purchase from the Authority, and the Authority hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Authority's \$_____ Senior Lien Joint Water and Sewer System Improvement Revenue Obligations, Series 2020 (the *Obligations*). The purchase price for the Obligations shall be \$_____ (representing the par amount of the Obligations, plus a [net] reoffering premium on the Obligations of \$_____, less an underwriting discount of \$_____), and no accrued interest.

(b) The principal amount of the Obligations to be issued, the dated date therefor, the maturities, redemption provisions and interest rates per annum are set forth in Schedule I hereto. On February 26, 2020, the Board adopted an ordinance as supplemented by the Sale Certificate executed on February 27, 2020 (collectively, the *Bond Ordinance*) authorizing the issuance of the Obligations, and a confirming resolution (the *Confirming Resolution*, and together with the Bond Ordinance, the *Ordinance*) declaring the necessity of the issuance of the Obligations and confirming the terms thereof for purposes of Section 72-1-10(M) NMSA 1978, as amended, and delegating certain matters to a delegate (the *Delegate*) of the Authority. Pursuant to this delegation, the Delegate executed documentation evidencing final terms of sale of the Obligations, including this Contract, on February 27, 2020, the pertinent pricing terms of which are included in the Sale Certificate as Schedule I. As specified in the Ordinance, the Obligations are special, limited obligations of the Authority, payable solely from and secured by a lien on and pledge of the Net Revenues of the water and sewer system (the *System*) of the Authority, which lien and pledge exist at such level of priority as specified in the Ordinance.

The Obligations are issued to pay the costs of (i) acquiring additional System assets, and extending, repairing, replacing and improving the System, and (ii) issuing the Obligations.

2. **Public Offering and Establishment of Issue Price.**

(a) The Underwriters agree to make a bona fide public offering of all of the Obligations, and the Representative shall, on behalf of the Underwriters, at or before closing, execute and deliver to Modrall, Sperling, Roehl, Harris & Sisk, P.A. (*Bond Counsel*), an issue price certificate for the Obligations, prepared by Bond Counsel in substantially the form attached hereto as Exhibit D and in accordance with paragraph (b) below (the *Issue Price Certificate*).

(b) Notwithstanding any provision of this Contract to the contrary, the following provisions related to the establishment of the issue price of the Obligations apply:

(1) For purposes of this Section, the following definitions apply:

(i) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than a Participating Underwriter or a Related Party to a Participating Underwriter.

(ii) *Participating Underwriter* means (A) any person that agrees pursuant to a written contract with the Authority (or with the Underwriters to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the public).

(iii) *Related Party* means any two or more persons who are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another) or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iv) *Sale Date* means the date of execution of this Contract by all parties.

(2) The Representative, on behalf of the Participating Underwriters, agrees to assist the Authority in establishing the issue price of the Obligations and shall execute and deliver to the Authority at Closing the Issue Price Certificate, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Authority and Bond Counsel, to accurately reflect, as applicable, the initial offering price (the *Initial Offering Price*) or prices or the sales price or prices to the Public of the Obligations. Delivery of the Issue Price Certificate to Bond Counsel shall constitute delivery of the same to the Authority.

(3) The Authority will treat the Initial Offering Price at which at least ten percent (a *Substantial Amount*) in principal amount of each maturity of the Obligations is sold to the Public as of the Sale Date (the *Substantial Amount Test*) as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the Substantial Amount Test). Those maturities of the Obligations which do not satisfy the Substantial Amount Test (the *Hold-the-Price Maturities*) will be identified in the Issue Price Certificate and will be subject to the Hold-the-Price Restriction (as hereinafter defined). At or promptly after the execution of this Contract (but in any event, on the same day of execution), the Representative shall report to the Authority the price or prices at which the Underwriters have offered and sold to the Public each maturity of the Obligations.

(4) The Underwriters agree that the Underwriters will neither offer nor sell any of the unsold Hold-the-Price Maturities to any person at a price that is higher than the applicable Initial Offering Price for any such Hold-the-Price Maturity during the period starting on the Sale Date and ending on the earlier of the following: (i) the close of the fifth business day after the Sale Date; or (ii) the date on which the Underwriters have sold a Substantial Amount of such Hold-the-Price Maturity to the Public at a price that is no higher than the Initial Offering Price of such Hold-the-Price Maturity. The restriction described in this subparagraph (4) is herein referred to as the Hold-the-Price Restriction.

The Representative shall promptly advise the Authority when the Underwriters have sold a Substantial Amount of each such Hold-the-Price Maturity to the Public at a price that is no higher than the applicable Initial Offering Price of such Hold-the-Price Maturity, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

The Authority acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Participating Underwriter to comply with the Hold-the-Price Restriction, as set forth in an agreement among underwriters (if any) and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Obligations to the Public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Price Restriction, as set forth in a selling group agreement and the related pricing wires and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Price Restriction, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that each Participating Underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Price Restriction and that no Participating Underwriter shall be liable for the failure of any other Participating Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the Hold-the-Price Restriction as applicable to the Obligations.

(5) The Representative confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Obligations to the Public, together with the related pricing wires, contains or will contain language obligating each Participating Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Obligations of each maturity allotted to it until it is notified by the Representative that either the Substantial Amount Test has been satisfied as to the Obligations of that maturity or all Obligations of that maturity have been sold to the Public and (B) comply with the Hold-the-Price Restriction, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires; and (ii) any agreement among Underwriters relating to the initial sale of the Obligations to the Public, together with the related pricing wires, contains or will contain language obligating each Participating Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the

Obligations to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Obligations of each maturity allotted to it until it is notified by the Representative or the applicable Participating Underwriter that either the Substantial Amount Test has been satisfied as to the Obligations of that maturity or all Obligations of that maturity have been sold to the Public and (B) comply with the Hold-the-Price Restriction, if applicable, in each case if and for so long as directed by the Representative or the applicable Participating Underwriter and as set forth in the related pricing wires.

(6) The Underwriters acknowledge that sales of any Obligations to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this section.

3. Official Statement; Continuing Disclosure.

(a) The Authority previously has delivered, in the format described below, the Preliminary Official Statement, dated February __, 2020 (the *Preliminary Official Statement*), prepared in connection with the marketing and sale of the Obligations, to the Underwriters. The Authority will prepare a final Official Statement relating to the Obligations, which will be (i) dated the date of this Contract, (ii) complete within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the *Rule*), and (iii) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the execution hereof (exclusive of only the information identified in Subsection (b) below). Such final Official Statement, including the cover page thereto, all exhibits, schedules, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Obligations, is herein referred to as the *Official Statement*. Until the Official Statement has been prepared and is available for distribution, the Authority shall provide to the Underwriters in a “designated electronic format” (as defined in the Municipal Securities Rulemaking Board’s (the *MSRB*) Rule G-32 (*Rule G-32*)) the Preliminary Official Statement, enabling the Underwriters to satisfy their obligations under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared in a “designated electronic format” as described above for use by the Underwriters in connection with the public offering, sale and distribution of the Obligations. The Authority hereby represents and warrants that the Preliminary Official Statement was deemed final by the Obligations as of its date, except for the omission of such information which is dependent upon the final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Authority hereby authorizes the Official Statement and the information therein contained to be used by the Underwriters in connection with the public offering and the sale of the Obligations. The Authority consents to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection

with the public offering of the Obligations. The Authority shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Authority's acceptance of this Contract (but in any event, not later than within seven (7) business days after the Authority's acceptance of this Contract and in sufficient time to accompany any confirmation that requests payment from any customer) the Official Statement (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such number as the Underwriters may reasonably request in order to enable the Underwriters to comply with their obligations set forth in Section (b)(4) of the Rule and the rules of the MSRB.

(d) If, after the date of this Contract to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule the earlier of (i) ninety (90) days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than twenty-five (25) days after the "end of the underwriting period" for the Obligations), the Authority becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Authority will notify the Representative (and for the purposes of this clause provide the Representative with such information as the Representative may from time to time request), and if, in the opinion of the Representative, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish, at the Authority's own expense (in a form and manner approved by the Representative), such amendment or supplement, or cause any such amendment or supplement to be prepared and furnished, to the Underwriters (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Underwriters shall request in order for the Underwriters to comply with Section (b)(4) of Rule 15c2-12 and the rules of the MSRB, so that the statements in the Official Statement as so amended and supplemented will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Authority shall furnish such legal opinions, certificates, instruments and other documents as the Representative may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Representative hereby agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access (EMMA) system. Unless otherwise notified in writing by the Representative, the Authority can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

4. **Representations, Warranties, and Covenants.** The Authority hereby represents and warrants to and covenants with the Underwriters that:

(a) The Authority is a political subdivision located in the State of New Mexico (the *State*), and has the statutory powers provided to all public water and wastewater utilities in the State, pursuant to the laws of the State and the Act. The Authority is authorized to issue the Obligations pursuant to applicable State law, including Section 72-1-10 NMSA 1978, Sections 3-31-1 to 3-31-12 NMSA 1978, Sections 4-61-1 to 4-61-10 NMSA 1978, Section 6-14-1 through 6-14-2 NMSA 1978, Sections 6-18-1 through 6-18-16 NMSA 1978, as amended (collectively, the *Act*), and at the date of the Closing will have full legal right, power and ability under the Act and the Ordinance (i) to enter into, execute and deliver this Contract, the Undertaking (as defined in Subsection 6(i)(4) hereof), and all documents required hereunder and thereunder to be executed and delivered by the Authority (this Contract, the Bond Ordinance, the Confirming Resolution, the Undertaking, and all other documents referred to in this clause (i) are hereinafter referred to as the *Authority Documents*), (ii) to sell, issue, and deliver the Obligations to the Underwriters as provided herein, and (iii) to carry out and consummate the transactions contemplated by the Authority Documents and described in the Official Statement, and the Authority has complied, and will at the Closing be in compliance in all respects, with applicable State law (including the Act) and the Authority Documents as they pertain to such transactions;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized all necessary action to be taken for (i) the adoption of the Ordinance and the issuance and sale of the Obligations, (ii) the approval, execution and delivery of, and the performance by the Authority of the obligations on its part, contained in the Obligations and the Authority Documents, and (iii) the consummation of all other transactions described in the Official Statement, the Authority Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Authority in order to carry out, give effect to, and consummate the transactions contemplated herein and described in the Official Statement;

(c) The Authority Documents constitute legal, valid and binding, special, limited obligations of the Authority, enforceable in accordance with their respective terms and subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Obligations, when issued, delivered and paid for, in accordance with the Ordinance and this Contract, will constitute legal, valid and binding, special, limited obligations of the Authority entitled to the benefits of the Ordinance and enforceable in accordance with their terms (except to the extent that such enforceability may be limited by principles of governmental immunity applicable to political subdivisions, bankruptcy, insolvency, reorganization, and similar laws affecting creditors' rights generally and general principles of equity which permit the exercise of judicial discretion);

(d) The Authority is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the Authority is a party or to which the Authority is or any of its property or assets are otherwise subject, and no

event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Authority under any of the foregoing; and the execution and delivery of the Obligations, the Authority Documents and the adoption of the Ordinance and compliance with the provisions on the Authority's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority to be pledged to secure the Obligations or under the terms of any such law, regulation or instrument, except as provided by the Obligations and the Ordinance;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Authority Documents and the Obligations have been duly obtained or will be obtained prior to the Closing, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Obligations;

(f) The Obligations and the Ordinance conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION", "PLAN OF FINANCING", and "DESCRIPTION OF THE SERIES 2020 BONDS" the proceeds of the sale of the Obligations will be applied generally as described in the Official Statement under the foregoing captions, and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE UNDERTAKING";

(g) Except as otherwise described in the Official Statement, during the last five (5) years the Authority has complied in all material respects with its previous Continuing Disclosure Undertakings made by it in accordance with the Rule;

(h) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Obligations or the collection of Net Revenues pledged to the payment of principal of and interest on the Obligations pursuant to the Ordinance, or in any way contesting or affecting the validity or enforceability of the Obligations or the Authority Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes, or contesting in any way the completeness or accuracy of the

Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Authority or any authority for the issuance of the Obligations, the adoption of the Ordinance or the execution and delivery of the Authority Documents, nor, to the best knowledge of the Authority, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the Authority Documents;

(i) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) At the time of the Authority's acceptance hereof and (unless the Official Statement is amended or supplemented Subsection 3(d) of this Contract) at all times subsequent thereto during the period up to and including twenty-five (25) days subsequent to the "end of the underwriting period," the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to Subsection 3(d) of this Contract, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including twenty-five (25) days subsequent to the "end of the underwriting period", the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The Authority will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Obligations;

(m) The Authority will furnish such information and execute such instruments and take such action in cooperation with the Underwriters as the Representative may reasonably request (1) to (i) qualify the Obligations for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (ii) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions, and (2) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however that the Authority will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Representative immediately of receipt by the Authority of any notification with respect to the suspension of the qualification of the

Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(n) The financial statements of, and other financial information regarding, the Authority in the Official Statement fairly present the financial position, results of operations and condition of the Authority as of the dates and for the periods therein set forth, and other than as described in the Preliminary Official Statement and Official statement there has been no adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Authority since the dates of such statements and information;

(o) The Authority is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Authority, would have a materially adverse effect on the financial condition of the Authority;

(p) Prior to the Closing the Authority will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, relating to the Authority, other than in the ordinary course of business;

(q) the revenues or assets which will secure the Obligations without the prior approval of the Representative;

(r) Any certificate, signed by any official of the Authority authorized to do so in connection with the transactions contemplated by this Contract, shall be deemed a representation and warranty by the Authority to the Underwriters as to the statements made therein; and

(s) The Authority covenants that between the date hereof and the date of the Closing it will take no action which will cause the representations and warranties made in this Section to be untrue as of the Closing.

By delivering the Official Statement to the Representative, the Authority shall be deemed to have reaffirmed, with respect to the Official Statement, the representations, warranties and covenants set forth above with respect to the Preliminary Official Statement.

5. Closing.

(a) At or before 9:00 a.m., Mountain time, on April 2, 2020, or at such other time and date as shall have been mutually agreed upon by the Authority and the Representative (the *Closing*), the Authority will, subject to the terms and conditions hereof, deliver the Obligations to the Underwriters duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriters will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of each series of Obligations as set forth in Section 1 of this Contract in immediately available funds by wire transfer to the account of the Authority as specified by the Executive Director of the Authority (or such other duly authorized Authority representative). Payment for the Obligations as aforesaid shall be made at the offices of the Authority, as paying agent and registrar for the Obligations (the *Paying*

Agent/Registrar or the *Registrar*), or such other place as shall have been mutually agreed upon by the Authority and the Representative.

(b) The Obligations shall be issued in the definitive form of one typewritten or printed obligation for each maturity, registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York (*DTC*) in the same aggregate principal amount of each series of Obligations. Delivery of the definitive Obligations as aforesaid shall be made at the place in New York, New York, designated by *DTC* or to the Paying Agent/Registrar, acting on behalf of *DTC*. The definitive Obligations shall be in fully registered form, bear proper CUSIP numbers, and be in authorized denominations and registered in such names and in such amounts as the Representative may request. The definitive Obligations shall be made available to the Underwriters for checking and packaging not less than two full business days prior to the Closing. The Paying Agent/Registrar shall release or authorize the release of such Obligations at the Closing from safe custody to the Underwriters upon receipt by the Authority of payment for the Obligations as provided herein. In addition, the Authority and the Underwriters agree that there shall be a preliminary Closing held at such place as the Authority and the Representative shall mutually agree, commencing at least 24 hours prior to the Closing; provided, however, that such preliminary Closing shall not be required if Bond Counsel provides a complete transcript of proceedings acceptable to the Representative relating to the Obligations to counsel for the Underwriters at least 24 hours prior to the Closing. Drafts of all documents to be delivered at the Closing shall be prepared and distributed to the parties and their counsel for review at least two business days prior to the Closing.

6. **Closing Conditions.** The Underwriters have entered into this Contract in reliance upon the representations, warranties and agreements of the Authority contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligation under this Contract to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the Authority of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions including the delivery by the Authority of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Representative:

(a) The representations and warranties of the Authority contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Authority shall have performed and complied with all agreements and conditions required by this Contract to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Authority Documents and the Obligations shall be in full force and effect in the form heretofore approved by the

Representative and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; (ii) the net proceeds of the sale of the Obligations and any funds to be provided by the Authority shall be deposited and applied as described in the Official Statement and in the Ordinance and (iii) all actions of the Authority required to be taken by the Authority shall be performed in order for Bond Counsel, the General Counsel to the Authority, and counsel to the Underwriters to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Authority relating to the Obligations, the Authority Documents and the Undertaking shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Ordinance shall have been duly executed and delivered by the Authority and the Authority shall have duly executed and delivered and the Registrar shall have duly authenticated the definitive Obligations;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Authority, from that set forth in the Official Statement that in the judgment of the Representative is material and adverse and that makes it, in the judgment of the Representative, impracticable to market the Obligations on the terms and in the manner contemplated in the Official Statement;

(g) The Authority shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Contract shall be reasonably satisfactory in legal form and effect to the Representative;

(i) At or prior to the Closing, the Representative shall have received copies of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Representative;

(2) The Bond Ordinance, having been duly adopted by the Authority as being in full force and effect, with such supplements or amendments to any of the foregoing as only may have been agreed to by the Representative;

(3) An executed copy of the Confirming Resolution;

(4) The undertaking of the Authority which satisfies the requirements of Section (b)(5)(i) of Rule 15c2-12 (the *Undertaking*);

(5) The approving opinion of Bond Counsel with respect to the Obligations in substantially the form attached to the Official Statement as Appendix D;

(6) A supplemental opinion of Bond Counsel, dated the date of the Closing and addressed to the Authority and the Underwriters, in substantially the form attached hereto as Exhibit A;

(7) An opinion of Bond Counsel, also serving in the capacity of Disclosure Counsel, dated the date of the Closing and addressed to the Authority and the Underwriters, that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(8) An opinion of counsel for the Underwriters, dated the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit B;

(9) An opinion of General Counsel to the Authority, dated the date of the Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit C;

(10) A certificate, dated the date of the Closing, of an appropriate official of the Authority to the effect that (i) the Authority is a political subdivision of the State which operates under the laws of the State, including particularly the Act; (ii) all official action of the Authority under applicable State law relating to the Obligations, the Authority Documents and the Official Statement have been duly adopted by the Authority, are in full force and effect, and have not been amended, modified, supplemented or repealed; (iii) the representations and warranties of the Authority contained herein, or in any certificate or document delivered by the Authority pursuant to the provisions hereof, are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (iv) no litigation or proceeding against the Authority is pending or, to his or her knowledge, threatened in any court or administrative body, nor is there a basis for litigation, which would (a) contest the right of the members or officials of the Board to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Authority, (c) contest the validity, due authorization and execution of the Obligations or the Authority Documents, or (d) attempt to limit, enjoin or otherwise restrict or prevent the Authority from functioning and collecting revenues, including payments on the Obligations, pursuant to the Ordinance, and other income or the collection of the Net Revenues pledged to pay the principal of and interest on the Obligations, or the pledge thereof; (v) all agreements or conditions to be performed or complied with by the Authority hereunder on or prior to the date of the Closing have been performed or complied with; (vi) except as disclosed in the Preliminary Official Statement and the Official Statement,

there has not been any materially adverse change or any development involving a prospective change in the financial condition or otherwise of the Authority since June 30, 2019, the latest date as of which audited financial information is available; and (vii) to his or her knowledge, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the date of the Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(11) A certificate or certificates signed by appropriate officials of the Authority, in form and substance satisfactory to Bond Counsel and counsel to the Underwriters (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the *Code*), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the Authority there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate(s);

(12) Evidence of an unenhanced rating assigned to the Obligations of “___” by S&P Global Ratings and “___” by Moody’s Investors Service, Inc.; and

(13) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel, the Representative or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Authority’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Authority.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Obligations contained in this Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Contract, this Contract

shall terminate and neither the Underwriters nor the Authority shall be under any further obligation hereunder, except that the respective obligations of the Authority and the Underwriters set forth in Sections 4, 8, and 10 hereof shall continue in full force and effect.

7. **Termination.** The Underwriters shall have the right to cancel their obligation to purchase the Obligations if, between the date of this Contract and the date of the Closing, the market price or marketability of the Obligations or the ability of the Underwriters to enforce contracts for the sale of the Obligations shall be materially adversely affected, or the ability of the Underwriters to enforce for the sale at the established offering prices (or yields) of the Obligations by the Underwriters, in the sole judgment of the Representative, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on bonds, notes, or obligations of the general character of the Obligations or the interest on the Obligations as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the United States Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that bonds, notes, or obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of bonds, notes, or obligations of the general character of the Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities laws as amended and then in effect;

(c) any state Blue Sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Obligations or as to other obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital of, the Underwriters;

(f) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other federal or State authority materially adversely affecting the tax status of the Authority, its property, income, securities (or interest thereon), or the or the collection of Net Revenues pledged to pay principal of and interest on the Obligations;

(g) any event occurring, or information becoming known which, in the judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and in either such event, the Authority refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Obligations or the ability of the Underwriters to enforce contracts for the sale of Obligations;

(h) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the Authority, except for changes which the Official Statement discloses are expected to occur;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Representative, would materially or adversely affect the ability of the Underwriters to market the Obligations;

(j) any fact or event shall exist or have existed that, in the Representative's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement and in either such event, the Authority refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market

price or marketability of the Obligations or the ability of the Underwriters to enforce contracts for the sale of Obligations;

(k) there shall have occurred any downgrading or published negative credit watch or similar published information from a nationally recognized rating agency that at the date of this Contract has published a rating (or has been asked to furnish a rating) on any of the Authority's debt obligations secured in similar manner to the Obligations, including the Obligations, which action reflects a change or possible change in the ratings accorded any such obligations of the Authority (including any ratings to be accorded the Obligations); or

(l) the purchase of and payment for the Obligations by the Underwriters, or the resale of the Obligations by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. **Expenses.**

(a) The Underwriters shall be under no obligation to pay, and the Authority shall pay, any expenses incident to the performance of the Authority's obligations hereunder, including but not limited to (i) the cost of preparation and printing of the Obligations, (ii) the fees and disbursements of Bond Counsel and the Authority's Financial Advisor (who is an independent registered municipal advisor that has been engaged by the Authority as its financial advisor); (iii) the fees and disbursements of any engineers, accountants, and other experts, consultants or advisers retained by the Authority; (iv) the fees, if any, for ratings on the Obligations; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Authority in its capacity as Registrar; (vii) advertising expenses (except any advertising expenses of the Underwriters as set forth below); (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers of the Authority and other Authority officials; (ix) any State-imposed fees related to the issuance of the Obligations; and (x) any other expenses mutually agreed to by the Authority and the Representative to be reasonably considered expenses of the Authority which are incident to the transactions contemplated hereby.

(b) The Underwriters shall pay (i) all advertising expenses in connection with the public offering of the Obligations; and (ii) all other expenses incurred by the Underwriters in connection with the public offering of the Obligations including the fees and disbursements of counsel to the Underwriters.

9. **Notices.** Any notice or other communication to be given to the Authority under this Contract may be given by delivering the same in writing to the Albuquerque Bernalillo County Water Utility Authority, One Civic Plaza, N.W., Room 5012, Albuquerque, New Mexico 87102; and any notice or other communication to be given to the Underwriters under this Contract may be given by delivering the same in writing to J.P. Morgan Securities LLC, 1125 17th Street, Floor 02, Denver, Colorado 80202; Attention: Pedro Ramos.

10. **Parties in Interest; Non-assignability; Survival of Representations.** This Contract as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Authority and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Contract may not be assigned by the Authority. All of the Authority's representations, warranties and agreements contained in this Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Obligations pursuant to this Contract; and (iii) any termination of this Contract.

11. **Status of the Underwriters.** The Authority acknowledges and agrees that (i) the transaction described in this Agreement is an arm's length transaction between the Authority and the Underwriters; (ii) the Underwriters, each as an underwriter, has financial and other interests that differ from those of the Authority; (iii) each Underwriter is acting solely as a principal and the Underwriters are not acting as municipal advisors, financial advisors or fiduciaries to the Authority, (iv) the Underwriters have not assumed any advisory or fiduciary responsibility to the Authority with respect to the transaction described herein and the discussions, undertakings and procedures leading thereto irrespective of whether the Underwriters have provided or are currently providing other services to the Authority on other matters; (v) the only obligations the Underwriters have to the Authority with respect to the transaction described herein expressly are set forth in this Agreement; and (vi) the Underwriters have provided to the Authority prior disclosures under Rule G-17 of the MSRB, which have been received by the Authority. The Authority represents that it has consulted its own financial, municipal, legal, accounting, tax and/or other advisors, as applicable, to the extent it deems appropriate.

12. **Effectiveness.** This Contract shall become effective upon the acceptance hereof by the Authority and shall be valid and enforceable at the time of such acceptance.

13. **Choice of Law.** This Contract shall be governed by and construed in accordance with the law of the State.

14. **No Personal Liability.** None of the members of the Authority, nor any officer, agent, or employee of the Authority, shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term or provision of this Contract, or because of execution or attempted execution, or because of any breach or attempted or alleged breach, of this Contract.

15. **Severability.** If any provision of this Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contract invalid, inoperative or unenforceable to any extent whatever.

16. **Business Day.** For purposes of this Contract, *Business Day* means any day on which the New York Stock Exchange is open for trading.

17. **Section Headings**. Section headings have been inserted in this Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Contract and will not be used in the interpretation of any provisions of this Contract.

18. **Counterparts**. This Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

[Signature page follows.]

If you agree with the foregoing, please sign the enclosed counterpart of this Contract and return it to the Representative. This Contract shall become a binding agreement between the Authority and the Underwriters when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

J.P. MORGAN SECURITIES LLC,
as the Representative of a group of
underwriters that also includes:

ROBERT W. BAIRD & CO.
INCORPORATED

J.P. MORGAN SECURITIES LLC

By: _____

Title: _____

Accepted and agreed to as of ____ a.m./p.m., Mountain time,
on the ____ day of _____, 2020:

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

By: _____

Title: _____

SCHEDULE I
SALE CERTIFICATE

EXHIBIT A

Form of Supplemental Opinion of Bond Counsel

[Letterhead of Modrall, Sperling, Roehl, Harris & Sisk, P.A.]

April 2, 2020

Water Utility Authority Board
One Civic Plaza, N.W., Room 5012
Albuquerque, New Mexico 87102

J.P. Morgan Securities LLC, as the authorized
representative of a group of underwriters
1125 17th Street, Floor 02
Denver, Colorado 80202

Re: Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020

This letter is being delivered in connection with the issuance and sale by the Albuquerque Bernalillo County Water Utility Authority (the *Authority*) of the above-captioned obligations (the *Obligations*). Unless otherwise defined in this letter, all terms defined in the ordinance and resolution of the Authority adopted on February 26, 2020 as supplemented by the Sale Certificate executed on February 27, 2020 authorizing the issuance and sale of the Obligations (collectively, the *Ordinance*), whenever used in this opinion, have the same meanings as in the Ordinance.

We have examined the Ordinance, the Constitution and laws of the State pertaining to the Obligations, applicable bankruptcy and insolvency laws, applicable rules, regulations and interpretations under those acts and laws and such other laws, records, documents, proceedings and matters as we have deemed necessary for this opinion. We have also reviewed the Tax Certificate executed by authorized Authority representatives dated of even date herewith, the Contract, the Continuing Disclosure Undertaking, and the Official Statement dated February 27, 2020 (the *Official Statement*) (collectively, the *Authority Documents*) relating to the Obligations.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. [It is not necessary, in connection with the sale of the Obligations to the public, to register any security under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and the Ordinance is not required to be qualified under the Trust Indenture Act of 1939, as amended.]

2. We are of the opinion that the statements in the Official Statement under the captions “INTRODUCTION”, “PLAN OF FINANCING”, “DESCRIPTION OF THE SERIES 2020 BONDS” (excluding the subsection entitled “Book-Entry Only System”), “SECURITY

AND SOURCES OF PAYMENT” (except for any financial statements, financial, statistical, demographic, economic and numerical information, forecasts, estimates, assumptions and expressions of opinion included therein, as to which we express no view), “LEGAL MATTERS”, “TAX MATTERS”, and “CONTINUING DISCLOSURE UNDERTAKING”, insofar as the statements contained under such captions purport to describe or summarize certain provisions of the Ordinance, present a fair and accurate summary of such provisions. Except as specifically described above, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement.

3. The Ordinance constitutes a valid and binding, special, limited obligation of the Authority enforceable in accordance with its terms; provided, however, that the financial obligations of the Authority under the Authority Documents are payable solely from the Net Revenues of the System.

4. The Authority Documents constitute legal, valid, and binding, special, limited obligations of the Authority, enforceable in accordance with their respective terms.

In rendering the opinion set forth in paragraph [4] above, we have assumed the due authorization, execution and delivery of the Authority Documents by the parties thereto. The opinions stated in paragraphs [3] and [4] above are subject to the reasonable exercise in the future of the State and, its governmental bodies of the public power inherent in the sovereignty of the State and, as to enforcement, to the provisions of any applicable bankruptcy, reorganization, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors’ rights generally or against instrumentalities from time to time in effect. We express no opinion as to the enforceability of any indemnification provisions in the Authority Documents or the Ordinance to the extent that any such provision may be contrary to public policy of the State or limited by federal or State laws as the same may have been or be interpreted by judicial decisions.

The foregoing opinions are limited to matters involving the current federal laws of the United States of America and of the State and we do not express any opinion as to the laws of any other jurisdiction.

We are passing only upon these matters set forth herein and are not passing upon the accuracy, adequacy or completeness of any statement made in connection with any offer or sale of the Obligations, except as specifically addressed above. We assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this letter. No attorney-client relationship has existed or exists between us and anyone other than the Authority in connection with the issuance of the Obligations by virtue of this letter.

This opinion may be relied upon only by you and has been delivered to you on the condition that the opinions expressed herein may not be published or otherwise communicated by you to any other party without our specific prior written approval in each instance.

Respectfully submitted,

Exhibit B

Form of Opinion of Underwriters' Counsel

[Letterhead of Norton Rose Fulbright US LLP]

April 2, 2020

J.P. Morgan Securities LLC, as the authorized
representative of a group of underwriters
1125 17th Street, Floor 02
Denver, Colorado 80202

Re: \$_____ Albuquerque Bernalillo County Water Utility Authority Senior Lien
Joint Water and Sewer System Improvement Revenue Bonds, Series 2020

Ladies and Gentlemen:

We have served as counsel to you (collectively, the *Underwriters*) in connection with your purchase of the above-captioned obligations (the *Obligations*) pursuant to the Purchase Contract, dated February 27, 2020 (the *Contract*), by and between the Albuquerque Bernalillo County Water Utility Authority (the *Authority*) and J.P. Morgan Securities LLC, as representative of a group of underwriters. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Contract.

The Obligations are being issued pursuant to applicable law, including an ordinance (the *Bond Ordinance*) authorizing the issuance of the Obligations, and a confirming resolution (the *Confirming Resolution*, and together with the Bond Ordinance, the *Ordinance*) declaring the necessity of the issuance of the Obligations and confirming the terms thereof.

We have examined a printed copy of the Preliminary Official Statement and the Official Statement and executed copies of the Ordinance, and we have examined and rely upon the certificates and opinions referred to in Section 6(i) of the Contract.

In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents, and the accuracy of the statements contained in such documents.

Based upon the foregoing, and subject to the qualifications and exceptions hereinafter set forth, we are of the opinion that under applicable laws of the United States of America in force and effect on the date hereof:

1. The Obligations are exempted securities within the meaning of the Securities Act of 1933, as amended, and it is not necessary in connection with the offer and sale of the Obligations to the public to register the Obligations under the Securities Act of 1933, as

amended, or to qualify the Obligations or any other instrument or document under the Trust Indenture Act of 1939, as amended. We express no opinion as to any requirements as to the registration of any other security or qualification of any other instrument under such Acts.

2. We have not verified the information contained in the Official Statement. However, as your counsel we have participated in discussions with respect to the Official Statement with representatives of the Authority, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel and Disclosure Counsel to the Authority, and RBC Capital Markets, LLC as Financial Advisor to the Authority, and you, and, as stated above, we have reviewed the Official Statement. In the course of such discussions and review, nothing has come to our attention which leads us to believe that the Official Statement (except with respect to the information concerning any information relating to The Depository Trust Company and its Book-Entry-Only-System, financial statements and other financial and statistical data included therein and in the Appendices thereto, including but not limited to the financial statements appearing in Appendix A thereto, as to which we have not been requested to express an opinion and as to which we express no opinion), contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

In addition, based upon (i) our understanding of Rule 15c2-12 of the United States Securities and Exchange Commission (the *Rule*) and interpretive guidance published by the Securities and Exchange Commission relating thereto; (ii) our review of the continuing disclosure undertaking of the Authority; and (iii) the inclusion in the Official Statement of a description of the specifics of such undertaking, and in reliance on the opinions of Bond Counsel and the General Counsel to the Authority that certain Authority documents has been duly executed by the Authority and constitute valid and legally binding obligation of the Authority enforceable in accordance with its terms, we have no reason to believe that such undertaking does not meet the requirements of paragraph (b)(5)(i) of the Rule and, accordingly, we advise you that such undertaking provides a suitable basis for you, as Representative of the Underwriters and any other broker, dealer, or municipal securities dealer acting as a Participating Underwriter (as defined in the Rule) in connection with the offering of the Obligations, to make a reasonable determination that the Authority has met the qualifications of paragraph (b)(5)(i) of the Rule.

In addition to the limitations set forth in the preceding paragraphs, we have not been requested to review, nor have we reviewed, any records or contracts of the Authority or the basis for any representations made by representatives of the Authority, and the foregoing is subject to the material, statements, and other data contained in the records or contracts of the Authority and any such representations, to the extent they are reflected in the Official Statement, not containing any untrue statement of a material fact or omitting to state a material fact necessary to make the statements contained in the Official Statement, in light of the circumstances under which they were made, not misleading.

We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Obligations.

This legal opinion expresses the professional judgment of this Firm as to the legal issues explicitly addressed herein. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction; nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

This opinion is furnished solely for your benefit and may be relied upon only by the addressees hereof or anyone to whom specific permission is given in writing by us.

Very truly yours,

Exhibit C

[Letterhead of Albuquerque Bernalillo County Water Utility Authority]

April 2, 2020

Water Utility Authority Board
One Civic Plaza, N.W., Room 5012
Albuquerque, New Mexico 87102

J.P. Morgan Securities LLC, as the authorized
representative of a group of underwriters
1125 17th Street, Floor 02
Denver, Colorado 80202

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103

Re: Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water
and Sewer System Improvement Revenue Bonds, Series 2020

We have acted as General Counsel to the Albuquerque Bernalillo County Water Utility Authority (the *Authority*), in connection with the issuance its Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020 (the *Obligations*), issued pursuant to an ordinance as supplemented by a Sale Certificate executed on February 26, 2020 (collectively, the *Bond Ordinance*) authorizing the issuance of the Obligations, and a confirming resolution (the *Confirming Resolution*, and together with the Bond Ordinance, the *Ordinance*) declaring the necessity of the issuance of the Obligations and confirming the terms thereof. All other capitalized terms not otherwise defined in this letter have the meanings assigned in the Contract described below.

In our capacity as General Counsel to the Authority, we have reviewed the following:

1. The Bond Ordinance as prepared by the Authority's Bond Counsel and as adopted by the Board;
2. The Confirming Resolution as prepared by the Authority's Bond Counsel and as adopted by the Board;
3. The Sale Certificate prepared by the Authority's Bond Counsel and as executed by the Chief Financial Officer on February 27, 2020;
4. Executed counterparts of a Purchase Contract, dated February 27, 2020 (the *Contract*) between the Authority and J.P. Morgan Securities LLC, as representative of the Underwriters identified in the Contract, with respect to the Obligations;
5. The Official Statement, dated February 27, 2020; and

6. Applicable State Law, including Section 72-1-10 NMSA 1978, Sections 3-31-1 to 3-31-12 NMSA 1978, Sections 4-61-1 to 4-61-10 NMSA 1978, Sections 6-14-1 through 6-14-12 NMSA 1978, Sections 6-18-1 through 6-18-16 NMSA 1978, as amended, and such other provisions of the general laws of the State of New Mexico and the United States of America as we believe necessary to enable us to render the opinions herein contained.

We have also examined and relied as to matters of fact upon, certificates of officers of the Board and the Authority and of public officials, and others, the documents delivered to you today in connection with the purchase of the Obligations and the representations and warranties made by the parties in the Contract. We have made such investigations of law and examined such other documents and records as we have deemed necessary and relevant as a basis for the opinion hereinafter expressed. In the course of the foregoing investigations and examinations, we assumed (i) the genuineness of all signatures on, and the authenticity of, all documents and records submitted to us as originals and the conformity to original documents and records of all documents and records submitted to us as copies, (ii) the truthfulness of all statements of fact set forth therein, (iii) the due authorization, execution and delivery by the parties thereto of all documents and instruments examined by us, and (iv) that, to the extent such documents and instruments purport to constitute agreements of such parties, they constitute valid, binding and enforceable obligations of such parties.

Based upon the foregoing and subject to the qualifications, limitations and assumptions set forth herein, and having due regard for such legal considerations as we deem relevant, we are of the opinion that:

1. Except as disclosed in the Preliminary Official Statement and the Official Statement, the execution and delivery of the Contract, the Obligations, and the adoption of the Ordinance, and compliance with the provisions of each of such agreements or instruments do not conflict with or constitute a material breach of or default under any applicable constitutional provision, law or administrative regulation of the State of New Mexico or the United States or any judgment or decree applicable to the Authority known to us after due inquiry or, to our knowledge after due inquiry any material default of any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject that contains provisions that might be breached by the issuance and delivery of any of the Obligations;
2. Except as disclosed in the Preliminary Official Statement and the Official Statement, no litigation is, to our knowledge after due inquiry, pending or threatened against the Authority, the System, or the Board, in any court (a) seeking to restrain or enjoin the issuance or delivery of any of the Obligations or the collection of a material amount of revenues pledged or to be pledged to pay the principal of and interest on the Obligations, or contesting the validity or enforcement of the Obligations, the Ordinance, the Contract, or contesting any authority for the issuance of the Obligations or the adoption of the Ordinance, (b) in which it would reasonably be expected that a final decision would

materially adversely affect the financial condition or results of operations of the System, or (c) contesting in any way the completeness, accuracy or fairness of the Official Statement; and

3. No facts have come to our attention which have caused us to believe that the information in the Preliminary Official Statement as of its date and the date of execution of the Contract, and the Official Statement as of its date and the date hereof, under the captions or sub-captions (as the case may be “INTRODUCTION – Albuquerque Bernalillo County Water Utility Authority”, “JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY”, and “LITIGATION” as it relates to the System and/or the Authority to the extent such information constitutes matters of law, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

The foregoing opinion is, with your concurrence, predicated upon and qualified in its entirety by the following:

- (a) The foregoing opinion is based on and is limited to the laws of the State of New Mexico and the relevant laws of the United States of America.
- (b) Whenever our opinion is based on circumstances “to our knowledge after due inquiry” or “known to us after due inquiry,” we have relied exclusively on certificates of officers (after discussing the contents thereof with such officers) of the Board and the Authority or certificates of others as to the existence or nonexistence of the circumstances upon which our opinion is predicated. We have no reason to believe, however, that any such certificate is untrue or inaccurate in any material respect.

This opinion is solely for the benefit of the addressees hereof and the Underwriters pursuant to Section 6(i)(9) of the Contract, and may not be used or relied upon by them for any other purpose and may not be used or relied upon by any other person or entity for any purpose without our express prior written authorization. Except for the use permitted herein, this opinion may not be quoted, circulated or published, in whole or in part, or otherwise referred to, filed with or furnished to any other person or entity, without our express prior written authorization. The opinion expressed herein is not an opinion with respect to matters of fact or a guarantee and should not be construed or relied upon as such. The opinion expressed herein is as of the date hereof, and we expressly disclaim any responsibility to update our opinion after the date hereof. This opinion is strictly limited to the matters stated herein, and no other or more extensive opinion is intended, implied or to be inferred beyond the matters expressly stated herein.

Yours very truly,

Exhibit D

§ _____
**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SENIOR LIEN JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE
BONDS, SERIES 2020**

FORM ISSUE PRICE CERTIFICATE

The undersigned, on behalf of J.P. Morgan Securities LLC (*JPM*) and the other members of the underwriting syndicate (together, the *Underwriting Group*), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the *Obligations*) of the Albuquerque Bernalillo County Water Utility Authority (the *Issuer*). JPM has implemented processes and procedures internally and among the Underwriters to obtain the information necessary to make the certifications made in this Certificate. Accordingly, the certifications herein made are based upon the information available to and obtained by JPM through these processes and procedures.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the *Initial Offering Prices*) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, the members of the Underwriting Group agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, they would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule.

Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day

after the Sale Date, or (ii) the date on which the Underwriting Group sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is February 27, 2020.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents JPM’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the Issuer from time to time relating to the Obligations. Notwithstanding anything set forth herein, the members of the Underwriting Group are not engaged in the practice of law. Accordingly, the Underwriting Group makes no representation as to the legal sufficiency of the factual matters set forth herein.

[EXECUTION PAGE TO FOLLOW]

J.P. MORGAN SECURITIES LLC

By: _____

Name: _____

Title: _____

Dated: _____

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION



MODRALL SPERLING

L A W Y E R S

To: Board Members, Albuquerque Bernalillo County Water Utility Authority

From: Chris Muirhead & Katherine McKinney, Modrall Sperling Law Firm

Date: February 26, 2020

Re: Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020

Christopher P. Muirhead
Tel: 505.848.1858
Fax: 505.449.2058
chris.muirhead@modrall.com

The attached Preliminary Official Statement (the “POS”) has been prepared in connection with the offering and sale of the Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020 (the “Bonds”). The POS makes various disclosures about the Authority, the Bond Ordinance, and the Bonds. The POS will be reviewed by potential investors in the Bonds, and the final Official Statement will be provided to the bond purchaser after the Bonds are sold to the Underwriters of the Bonds.

The attached POS is similar to the one used when other revenue bonds were issued by the Authority in 2018. The information has been updated by Authority staff. Chris Muirhead and Katherine McKinney, the Authority’s Bond and Disclosure Counsel and Erik Harrigan of RBC Capital Markets, LLC, the Authority’s Financial Advisor, assisted in the disclosure process by assembling the information, attending disclosure conferences and reviewing the financial and economic data in the POS. In connection with the preparation of the POS, Authority staff has participated in due diligence meetings and conference calls. During those meetings and calls Authority staff discussed, confirmed and updated information contained in the POS, examined information for materiality, and identified additional information for inclusion. If you have any questions relating to the disclosure process and preparation of the POS, please contact our office and we are happy to discuss in detail.

The POS is provided to you for review to as a result of enforcement actions by the U.S. Securities and Exchange Commission (the “SEC”) against the board of Supervisors of Orange County, California, and more recently against other issuers throughout the United States. The SEC has stated that:

“Public entities that issue securities are primarily liable for the content of their disclosure documents.... In addition to the government entity issuing municipal securities, public officials of the issuer who have ultimate authority to approve the issuance of securities and related disclosure documents have responsibilities under the federal securities laws as well. In authorizing the

Modrall Sperling
Roehl Harris & Sisk P.A.

500 Fourth Street NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico 87103-2168

Tel: 505.848.1800
www.modrall.com

issuance of the securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may the public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.”

In addition to the Orange County proceedings, the SEC has also pursued enforcement actions in Miami-Dade County in Florida, San Diego, California and New Jersey.

Although Authority staff and the finance and legal team collaborated in preparing the POS, each Authority Board member should review it carefully. The POS is an Authority document, and the Authority and Board are responsible for its accuracy. Please use extra care in reviewing the sections labeled “SECURITY AND SOURCES OF PAYMENT,” “JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY,” and “FINANCIAL INFORMATION.” In conducting your review, focus on whether the POS contains misleading statements of material facts or omits to state material facts. A material fact is one that could influence an investor in making a decision to purchase the Bonds.

After reviewing the POS, please contact Authority staff or our office if you have any reason to believe that the POS contains any inaccurate information or if you know of anything that might make any of the statements made in the POS incomplete or misleading. Thank you for your attention to this important matter.

NOTICE

\$74,430,000*

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020

Preliminary Official Statement
February 19, 2020

The Preliminary Official Statement, dated February 19, 2020 (the “Preliminary Official Statement”), relating to the above-described bonds (the “Series 2020 Bonds” or the “Bonds”) of the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority” or “Authority”), has been posted as a matter of convenience. A copy of the Preliminary Official Statement is available from the Water Authority, One Civic Plaza, N.W., Room 5012, Albuquerque, New Mexico 87102, Attn: Office Coordinator, by electronic mail or upon payment of reasonable copying, handling, and delivery charge. The posted version of the Preliminary Official Statement has been formatted in word-searchable Adobe Portable Document Format. Although this format should replicate the Preliminary Official Statement available from the Water Authority, appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat may cause the Preliminary Official Statement that you view or print to differ in appearance from the Preliminary Official Statement.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Official Statement will be filed with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “APPENDIX E – FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the Water Authority’s undertaking to provide certain information on a continuing basis.

The Preliminary Official Statement and the information contained therein are subject to completion, amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes an “official statement” that the Water Authority has “deemed final” as of its date with respect to the Bonds, except for certain information permitted to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Water Authority since the date of the Preliminary Official Statement.

INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

Preliminary Official Statement dated February 19, 2020

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT
DATED FEBRUARY 19, 2020**

New Issue – Book-Entry Only

**S&P: AAA
Moody's: Aa2
(See "RATINGS" herein.)**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under the existing laws, regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents relating to the Series 2020 Bonds (defined herein) and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2020 Bonds is (a) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code, and (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Series 2020 Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020 Bonds. See "TAX MATTERS" herein.

\$74,430,000*

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds,
Series 2020**

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020 (the "Series 2020 Bonds" or the "Bonds") are issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2020 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2020 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2020 Bonds will be made in book-entry form only, and beneficial owners of the Series 2020 Bonds will not receive physical delivery of bond certificates representing their ownership of the Series 2020 Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2020 Bonds, as more fully described herein.

The Bonds are being issued pursuant to the Constitution of the State of New Mexico (the "State"), the laws of the State, a bond ordinance (the "Bond Ordinance") to be adopted by the Authority Board (the "Board") of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority") on February 26, 2020, and a Confirming Resolution (the "Resolution") also to be adopted on February 26, 2020, delegating the authority to approve final sale terms to an authorized delegate of the Water Authority (the "Delegate").

The Series 2020 Bonds are being issued to provide funds for: (i) acquiring additional water and sewer system (the "System") assets, and extending, repairing, replacing and improving the System, and (ii) the payment of costs of issuance related to the Series 2020 Bonds.

Interest on the Series 2020 Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2020. Payments of principal of and interest on the Series 2020 Bonds will be made directly to DTC or its nominee, Cede & Co., by the Chief Financial Officer of the Water Authority, as Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Principal of the Series 2020 Bonds is payable on the dates and interest is payable at the rates shown on the Maturity Schedule set forth on the inside cover.

SEE MATURITY SCHEDULE ON INSIDE COVER OF THIS OFFICIAL STATEMENT

The Series 2020 Bonds may be subject to redemption as described herein.

The Series 2020 Bonds are special, limited obligations of the Water Authority, payable solely from and secured by the Net Revenues of the Water Authority's System. The lien of the Series 2020 Bonds on the Net Revenues is on parity with the Senior Obligations of the Water Authority (currently outstanding in the aggregate principal amount of \$583,513,787), inclusive of the Series 2020 Bonds. The issuance of the Series 2020 Bonds, or other incidental costs related thereto, shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Water Authority does not have taxing power.

In connection with the issuance of the Series 2020 Bonds, the Water Authority will commit to provide certain annual information and notice of certain significant events as described herein in "APPENDIX E – FORM OF CONTINUING DISCLOSURE UNDERTAKING." The Series 2020 Bonds are offered when, as, and if issued by the Water Authority and purchased by the underwriters identified below (the "Underwriters") and subject to the delivery of approving opinions by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Water Authority by its Contract Counsel, Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A., and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Disclosure Counsel. RBC Capital Markets, LLC serves as Financial Advisor to the Authority. Certain legal matters will be passed on for the Underwriters by their counsel, Norton Rose Fulbright US LLP. Delivery of the Series 2020 Bonds is expected on or about April 2, 2020 through the facilities of DTC, against payment therefor.

**J.P. MORGAN
BAIRD**

*Preliminary, subject to change.

MATURITY SCHEDULE

\$74,430,000*

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds,
Series 2020**

Maturity Date (July 1)	Principal Amount*	Interest Rate	Price or Yield	CUSIP No.⁽¹⁾
2020	--			
2021	--			
2022	\$6,000,000			
2023	6,000,000			
2024	6,940,000			
2025	6,940,000			
2026	6,940,000			
2027	6,935,000			
2028	6,935,000			
2029	6,935,000			
2030	6,935,000			
2031	6,935,000			
2032	6,935,000			

(Interest to accrue from the Date of Delivery of the Bonds)

Redemption Provisions

The Water Authority reserves the option to redeem the Bonds maturing on and after July 1, 20__* in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on July 1, 20__* or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturity are combined into one or more “term” Bonds (the “Term Bonds”) by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance. See “DESCRIPTION OF THE SERIES 2020 BONDS – Redemption Prior to Maturity” herein.

⁽¹⁾ The above referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2020 Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Water Authority, the Financial Advisor, or the Underwriters takes any responsibility for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2020 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

*Preliminary, subject to change

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER UTILITY AUTHORITY BOARD

Commissioner Debbie O'Malley, Chair
Councilor Klarissa J. Peña, Vice-Chair
Mayor Timothy M. Keller
Councilor Trudy E. Jones
Councilor Pat Davis
Commissioner Steven Michael Quezada
Commissioner Charlene Pyskoty
Trustee Pablo R. Rael (ex-officio member)

WATER UTILITY AUTHORITY ADMINISTRATION

Mark Sanchez, Executive Director
John Stomp, P.E., Chief Operating Officer
Stan Allred, Chief Financial Officer
Hobert "H" Warren, Field Division Manager
Charles S. Leder, P.E., Plant Division Manager
David J. Price, P.E., Planning and Engineering Manager
Cody R. Stinson, Chief Information Officer
Peter Auh, Esq., General Counsel
David Morris, Public Affairs Manager
Elizabeth Anderson, Chief Innovation Manager
Judy Bentley, Human Resources Manager
Mark Kelly, P.E., Compliance Manager
Katherine Yuhas, Water Resources Manager

REGISTRAR AND PAYING AGENT

Chief Financial Officer
Albuquerque Bernalillo County Water Utility Authority

BOND AND DISCLOSURE COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

AUTHORITY CONTRACT COUNSEL

Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A.
Albuquerque, New Mexico

FINANCIAL ADVISOR

RBC Capital Markets, LLC
Albuquerque, New Mexico

This Preliminary Official Statement constitutes an “official statement” that has been “deemed final” by the Water Authority for purposes of Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”). The Water Authority has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the SEC or other regulatory body.

No dealer, salesperson or other person has been authorized by the Water Authority or the Underwriters to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2020 Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the Water Authority and from other sources believed by the Water Authority to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Water Authority described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Financial Advisor provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Water Authority and to investors under the federal securities laws as applied to the facts and circumstances of these transactions, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

None of the Water Authority, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its book-entry-only system described under “DESCRIPTION OF THE SERIES 2020 BONDS – Book-Entry Only System” as such information has been provided by DTC.

The Series 2020 Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Series 2020 Bonds in accordance with applicable provisions of the securities law of the states in which the Series 2020 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. None of the SEC or any other federal, state, municipal or other governmental entity, or any agency or department thereof, has passed upon the merits of the Series 2020 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “project,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

THE PRICES AT WHICH THE SERIES 2020 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE WATER AUTHORITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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OFFICIAL STATEMENT

\$74,430,000*

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020

INTRODUCTION

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides certain information in connection with the offer and sale of the Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020 (the “Series 2020 Bonds” or “Bonds”) by the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority” or “Authority”). Capitalized terms used herein and not defined have the meanings specified in Water Authority Ordinance WUA O-20-___ (the “Ordinance”) and Water Authority Resolution No. WUA R-20-___ (the “Resolution”) to be adopted by the Authority on February 26, 2020 (collectively, the “Bond Ordinance”). See “DESCRIPTION OF BOND ORDINANCE – Definitions” in APPENDIX C hereto.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Water Authority, its joint water and wastewater system (the “System”), and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Water Authority, One Civic Plaza, N.W., Room 5012, Albuquerque, New Mexico 87102, Attn: Office Coordinator, by electronic mail or upon payment of reasonable copying, handling, and delivery charge.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Final Official Statement will be filed with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “APPENDIX E – FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the Water Authority’s undertaking to provide certain information on a continuing basis.

Albuquerque Bernalillo County Water Utility Authority

The System is owned and operated by the Water Authority pursuant to Section 72-1-10, NMSA 1978. The Water Authority has the statutory powers provided to all public water and wastewater utilities in the State of New Mexico (the “State”) and is recognized as a political subdivision of the State. On an operational level, the Water Authority’s relationship with the City of Albuquerque is set forth in a Memorandum of Understanding (MOU) dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis. Some of the more prominent aspects of the MOU include the administration of the Water Authority’s group employment insurance program, and the administration of the joint OPEB life insurance trust established during fiscal year 2014. The Water Authority continues to lease space in City-owned buildings; however, the Water Authority has provided notice to the City that it intends to vacate a substantial amount of leased space when construction of its new customer service and operations building is completed. Other than these limited connections, the Water Authority operates independently of the City and Bernalillo County, New Mexico (County).

The Water Authority’s Board (the “Board”) governs the System for all of the City and County. The Board is responsible, among other things, for passing resolutions, adopting the budget, appointing committees and hiring the Water Authority’s Executive Director. The Water Authority’s Executive Director is responsible for carrying out the policies and resolutions of the governing board and for overseeing the day-to-day operations of the Water Authority. The Water Authority’s governing board includes three Bernalillo County Commissioners, three Albuquerque City Councilors, the Mayor of Albuquerque and a Village of Los Ranchos de Albuquerque Trustee as an Ex Officio member. The current members of the governing board are as follows: Commissioner Debbie O’Malley, Chair; Councilor Klarissa J. Peña, Vice-Chair; Mayor Timothy M. Keller; Councilor Pat Davis; Commissioner Steven Michael Quezada; Councilor Trudy E. Jones; Commissioner Charlene Pyskoty and Trustee Pablo R. Rael, Ex-Officio (non-voting). The Executive Director of the Water Authority is Mark Sanchez.

The Water Authority is focused regionally on providing a safe and sustainable water supply to its service area for the next 100-years. The new water supply plan, entitled “Water 2120 Securing our Future,” consists of multiple policies

to guide water resources management for the Water Authority including additional water conservation, reuse for irrigation and indirect potable reuse, protection of watersheds and the environment. The plan also includes preserving and protecting the aquifer for the long-term by adopting a new groundwater management plan that reduces overall use of the aquifer and preserves portions of it for generations to come. The Water Authority utilizes an asset management approach to infrastructure including replacing or renovating existing surface and groundwater treatment and distribution systems and sewer collection and wastewater treatment facilities. In addition, the Water Authority is working towards realizing better management efficiencies for rate payers and providing long range planning and delivery for water and wastewater in the service area.

Joint Water and Sanitary Sewer System

The System provides water services to approximately 683,207 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are water customers of the Water System. As of October 1, 2019, service is provided to approximately 213,091 customer accounts, including 183,942 residential and 29,149 multi-family, commercial, institutional and industrial accounts. Approximately 68% of the water sales are for residential uses.

Groundwater from the middle Rio Grande basin aquifer and the surface water from the San Juan-Chama Drinking Water Project are the primary sources of supply used for the Water System. In calendar year 2019, the Water Authority’s water resources use consisted of 29% from groundwater and 67% from San Juan-Chama surface water and 4% from reuse of treated effluent for irrigation. The groundwater supply is produced from 60 wells grouped in 17 well fields located throughout the City’s metropolitan area and the surface water is diverted from the Rio Grande. Total well production capacity is approximately 255 million gallons per day (“MGD”). Eliminating high arsenic wells (those greater than 10 parts per billion arsenic) results in available production capacity of 176 MGD. Maximum historical peak day demand is 214 MGD. A chlorination station associated with each well field satisfies the total required water treatment needs for the water produced in each well field. See “JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY.”

The System’s sanitary sewer component consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant. The reclamation plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment for nutrient removal, final clarification, and effluent ultraviolet disinfection prior to discharge in the Rio Grande. See “JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY.”

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The sources and uses of funds to be received in connection with the sale of the Series 2020 Bonds are set forth in the following table.

PRINCIPAL AMOUNT OF SERIES 2020 BONDS	\$
[Net] Reoffering Premium	
TOTAL SOURCES OF BOND PROCEEDS	\$
 USES OF BOND PROCEEDS:	
Deposit to Acquisition Fund.....	
Underwriters’ Discount ⁽¹⁾	
Costs of Issuance ⁽²⁾	
TOTAL USES OF BOND PROCEEDS.....	\$

(1) See “UNDERWRITING”.

(2) This amount includes legal and accounting fees, printing, posting, rating fees, and other miscellaneous costs.

The Project

Proceeds of the Series 2020 Bonds will be allocated to the project as follows (preliminary, subject to change): (i) approximately \$56 million of Bond proceeds will be used for capital projects under the Water Authority's Decade Plan, (ii) approximately \$10 million for special projects including clarifiers, (iii) approximately \$10 million for the Water Authority's consolidated customer services and operations building, (iv) approximately \$2 million for intellectual technology projects, and (v) approximately \$8 million for the solids dewatering and treatment plant. Proceeds of the Series 2020 Bonds will also be used to pay costs of issuance of the Series 2020 Bonds.

DESCRIPTION OF THE SERIES 2020 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2020 Bonds. This summary is qualified in its entirety by reference to the Bond Ordinance and the Series 2020 Bonds. See "DESCRIPTION OF BOND ORDINANCE" in APPENDIX C. Copies of the form of the Bond Ordinance are available from the Water Authority upon request.

The Series 2020 Bonds will be dated the date of initial delivery to the Underwriters. Interest on the Series 2020 Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2020, with a record date of the fifteenth day of the calendar month preceding each January 1 and July 1. The Series 2020 Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover. The Series 2020 Bonds will be issued in denominations of \$5,000 or integral multiples thereof.

Purpose of the Bonds

Proceeds from the sale of the Series 2020 Bonds will be used to provide funds for (i) acquiring additional System assets and extending, repairing, replacing and improving the System, and (ii) payment of costs of issuance of the Series 2020 Bonds. See "PLAN OF FINANCING – The Project."

Authority for Issuance

The Series 2020 Bonds are issued under the authority of and pursuant to the Constitution and laws of the State, the Bond Ordinance, and the Resolution, each to be adopted on February 26, 2020, delegating the authority to approve final sale terms to an authorized delegate of the Water Authority (the "Delegate").

Security and Sources of Payment for the Bonds

Special Limited Obligations . . . The Series 2020 Bonds are special, limited obligations of the Water Authority, payable solely from Net Revenues, money on deposit in certain of the funds and accounts held under the Bond Ordinance, and the earnings thereon. As long as the Series 2020 Bonds are outstanding, the Bond Ordinance prohibits the Water Authority from issuing additional System Obligations with a lien on Net Revenues prior and superior to the lien of the Series 2020 Bonds. System Obligations with a lien on Net Revenues on parity with the Series 2020 Bonds or subordinate thereto may be issued under certain circumstances as set forth in the Bond Ordinance.

Net Revenues . . . Net Revenues are defined in the Bond Ordinance as the Gross Revenues of the System after deducting Operation and Maintenance Expenses. Gross Revenues include all income and revenues directly or indirectly derived by the Water Authority from the operation and use of the System. Operation and Maintenance Expenses include all reasonable and necessary current expenses of the System related to operating, maintaining and repairing the System. See "JOINT WATER AND SANITARY SEWER SYSTEM" and "SECURITY AND SOURCES OF PAYMENT."

Terms of the Bonds

Payments . . . The Series 2020 Bonds will be dated the date of initial delivery to the Underwriters identified on the cover page hereof. Interest on the Series 2020 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2020. The Series 2020 Bonds will mature on July 1 of the years and in the amounts and will bear the interest rates shown on the inside front cover hereof.

Record Date . . . The record date for determining to whom is payable the interest on the Series 2020 Bonds is the fifteenth day of the calendar month preceding each January 1 and July 1.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent (identified herein), if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the register at the close of business on the last business day next preceding the date of mailing of such notice.

Denominations . . . The Series 2020 Bonds will be issued in denominations of \$5,000, or integral multiples thereof.

Redemption Prior to Maturity

Optional Redemption . . . The Series 2020 Bonds maturing on and after July 1, _____ may be optionally redeemed, in whole or in part, at any time, on or after July 1, _____, upon the payment of the principal amount of the Series 2020 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption. Interest on any Series 2020 Bonds called for redemption shall cease to accrue on the redemption date designated in the notice of redemption.

Unless money sufficient to pay the principal of and interest on the Series 2020 Bonds to be redeemed pursuant to the optional redemption provisions of the Bond Ordinance is received by the Paying Agent prior to the giving of notice of redemption in accordance with the Bond Ordinance, the notice will state that redemption is conditional upon the receipt of that money by the Paying Agent by 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Series 2020 Bonds called for redemption is not received by that time, (i) the Paying Agent will redeem only those Series 2020 Bonds for which the redemption price was received and the Series 2020 Bonds to be redeemed will be selected in the manner set forth in the Bond Ordinance, and (ii) the redemption notice will have no effect with respect to those Series 2020 Bonds for which the redemption price was not received and those Series 2020 Bonds will not be redeemed. The Registrar (identified herein) will give notice to the owners of the Series 2020 Bonds not redeemed in the manner in which the notice of redemption was given, identifying the Series 2020 Bonds previously called for redemption which were not redeemed and stating that the redemption did not take place with respect to those Series 2020 Bonds, and the Registrar will promptly return any Series 2020 Bonds not redeemed to the owners thereof.

Mandatory Sinking Fund Redemption . . . The Series 2020 Bonds maturing on July 1, _____ are subject to mandatory sinking fund redemption, by lot, and shall be redeemed on July 1 in the years set forth below in the amount of the corresponding mandatory sinking fund redemption requirement for such Series 2020 Bonds at a redemption price of the principal amount of such Series 2020 Bonds called for redemption plus interest accrued to the date fixed for redemption, without premium, as follows:

\$ _____	Series 2020 Bonds due July 1, _____
<u>Year</u>	<u>Mandatory Sinking Fund Redemption Requirement</u>

*Maturity

Notice of Redemption . . . Notice of redemption shall be given by the Registrar (defined herein) by sending notice thereof to the registered Owner of each Series 2020 Bond, or portion thereof, to be redeemed, at least 30 days prior to the redemption date at the address shown on the registration books of the Registrar as of the close of business on the fifth day prior to the sending of notice, and as otherwise required by law.

Partial Redemption . . . If less than all of the Series 2020 Bonds of a series subject to redemption will be redeemed at any one time, the Series 2020 Bonds to be redeemed will be selected by the Registrar in the manner and from the

series and maturities designated by the Water Authority. If less than all of the Series 2020 Bonds within a maturity will be redeemed, the Series 2020 Bonds to be redeemed within that maturity will be selected by lot in such manner as determined by the Registrar. The portion of any Series 2020 Bond of such series to be redeemed and the portion of that Series 2020 Bond not to be redeemed are both to be in Authorized Denominations.

Defeasance

The Bond Ordinance provides for the defeasance of the Bonds when payment of the principal amounts of the Bonds plus accrued interest on the Bonds to their due date (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the Water Authority will have no further responsibility with respect to amounts available to such paying agent, or other authorized escrow agent, for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent, or other authorized escrow agent, to receive payment when due on the Defeasance Securities. The Bond Ordinance provides that Defeasance Securities means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the Water Authority adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (iv) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. The Delegate may limit these eligible securities as deemed necessary, in connection with the sale of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Defeasance Securities, will be maintained at any particular rating category.

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry only system has been obtained from sources that the Water Authority believes to be reliable, but none of the Water Authority, Financial Advisor, Bond Counsel or the Underwriters or their counsel take responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of Bonds of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global

Ratings rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The Water Authority undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2020 Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2020 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the Water Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Water Authority or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Water Authority. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2020 Bonds are required to be printed and delivered.

The Water Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2020 Bonds will be printed and delivered to the Beneficial Owners.

Outstanding Obligations

Senior Obligations . . . Upon issuance, the Series 2020 Bonds will have a lien on Net Revenues that is on parity with the lien thereon and pledge thereof securing the following series of Outstanding Senior Obligations:

- New Mexico Finance Authority Drinking Water State Revolving Fund Loan Agreement (2009);
- New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2011);
- Joint Water and Sewer System Improvement and Refunding Revenue Bonds, Series 2013A&B;
- Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A;
- Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015;
- Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2017;
- New Mexico Finance Authority Drinking Water State Revolving Fund Loan Agreement #4202 (2018);
- Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2018; and
- New Mexico Finance Authority Drinking Water State Revolving Fund Loan Agreement #4877 (2019).

All the Outstanding Senior Obligations were issued pursuant to ordinances and resolutions adopted by the Authority, and are more fully described in “SECURITY AND SOURCES OF PAYMENT – Outstanding System Obligations – Senior Obligations.” The total principal amount of the Outstanding Senior Obligations after delivery of the Series 2020 Bonds is expected to be approximately \$583,513,787 (preliminary, subject to change).

Subordinate Obligations . . . Upon issuance, the Series 2020 Bonds will have a prior and superior lien on and pledge of Net Revenues that is senior to the lien thereon and pledge thereof securing the following series Outstanding Subordinate Obligations:

- New Mexico Finance Authority Drinking Water State Revolving Fund Loan Agreement (2008); and
- Subordinate Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2014B.

All the Outstanding Subordinate Obligations were issued pursuant to ordinances and resolutions adopted by the Authority, and are more fully described in “SECURITY AND SOURCES OF PAYMENT – Outstanding System Obligations – Subordinate Obligations.” The total principal amount of the Outstanding Subordinate Obligations as of January 1, 2020 was \$57,032,743.

Super Subordinate Obligations . . . The Water Authority has no Outstanding Super Subordinate Obligations.

Other Obligations . . . A Water Rights Contract with the United States Government was entered into by the Water Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama Diversion Project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments, with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2019 is \$5,202,796.

For more information related to the Water Authority and its outstanding obligations, the complete “Comprehensive Annual Financial Report of the Albuquerque Bernalillo County Water Utility Authority – Audited General Purpose Financial Statements – as of and for the Fiscal Year ended June 30, 2019” is available from the New Mexico State Auditor and on the Water Authority website at <http://www.abcwua.org>. An excerpt from the 2019 audit is included in APPENDIX A to this Official Statement.

Issuance of Additional System Obligations

Superior Obligations Prohibited . . . As long as Senior Obligations are outstanding, the Bond Ordinance prohibits the Water Authority from issuing additional System Obligations with a lien on Net Revenues prior and superior to the lien of such Outstanding Senior Obligations.

Senior Obligations . . . The Bond Ordinance permits the Water Authority, subject to the following requirements, to issue additional System Obligations with a lien on Net Revenues on parity to the lien of the Senior Obligations on Net Revenues. See “SECURITY AND SOURCES OF PAYMENT – Outstanding System Obligations – Senior Obligations.”

Except with respect to certain refunding bonds, the Water Authority must meet the following tests prior to the issuance of additional Senior Obligations:

- (1) The Water Authority shall be current in making all deposits relating to Debt Service Requirements and reserve requirements on System Obligations and certain other funds and accounts required by the Bond Ordinance; and
- (2) The Net Revenues for the Historic Test Period (defined below) shall have been sufficient to pay an amount representing at least 133% of the maximum combined annual Debt Service Requirements of only the Outstanding Senior Obligations and the terms of *either* subparagraph 3(a) or 3(b) below shall be satisfied; and
- (3) (a) Using the fees and rates for use of the System on the date of computation, or assuming that any new schedule of fees and rates approved by the Water Authority during or after the Historic Test Period was in effect during the entire Historic Test Period, the Net Revenues which were or would have been received during that Historic Test Period are required to be sufficient to pay an amount representing at least 133% of the maximum combined annual Debt Service Requirements on the Outstanding Senior Obligations and the Senior Obligations proposed to be issued; or (b) the projected Net Revenues for the Prospective Test Period (defined below) shall be sufficient to pay an amount representing at least 133% of the maximum combined annual Debt Service Requirements on the Outstanding Senior Obligations and the Senior Obligations proposed to be issued. To determine if the annual Net Revenues are sufficient for the purposes of the preceding sentence, the Net Revenues projected for the applicable Prospective Test Period shall be determined by applying the rates for use of the System approved by the Board at the time of computation to be in effect during the Prospective Test Period to the proposed number of connections to the System after giving effect to the purchase, expansion or improvement of the System or the acquisition of an existing water and sanitary sewer system.

The required tests described above shall be performed without adjustment for payments to or withdrawals from the Rate Stabilization Fund or for interest accrued in the Acquisition Fund. For purposes of the above tests, the term “*Historic Test Period*” means any period of 12 consecutive months out of the 24 calendar months next preceding the delivery of additional Senior Obligations. The term “*Prospective Test Period*” means the 12-month period commencing on the first day of the month following the estimated Completion Date of the Project for which additional Senior Obligations are proposed to be issued or the first day of the thirty-sixth month following the delivery of such additional Senior Obligations, whichever is earlier. In determining whether additional Senior Obligations may be issued pursuant to the test above, a written certificate or opinion of an Independent Accountant or an Authorized Officer of the Water Authority that states in substance that the Net Revenues are sufficient to pay the amounts required shall be conclusively presumed to be accurate in determining the right of the Water Authority to authorize, issue, sell and deliver such additional Senior Obligations.

No refunding bonds or other refunding obligations may be issued by the Water Authority as Senior Obligations unless:

- (a) The refunding does not increase the maximum combined annual Debt Service Requirements of the Outstanding Senior Obligations, or
- (b) The refunding Senior Obligations are issued in compliance with the tests described above for Senior Obligations.

Subordinate Obligations . . . The Bond Ordinance permits the Water Authority, subject to the following requirements, to issue additional System Obligations with a lien on and pledge of Net Revenues subordinate to the lien thereon and pledge thereof securing the Senior Obligations. See “SECURITY AND SOURCES OF PAYMENT – Outstanding System Obligations – Subordinate Obligations”.

Except with respect to certain refunding obligations, the Water Authority must meet the following tests prior to the issuance of additional Subordinate Obligations:

- (1) The Water Authority (i) shall be current in making all deposits relating to Debt Service Requirements and reserve requirements on System Obligations and certain other funds and accounts required by the Bond Ordinance, (ii) shall satisfy the additional bonds test related to the issuance of additional Senior Obligations⁽¹⁾; and (iii) shall satisfy the test set forth below in subparagraph (2); and
- (2) The Net Revenues for the Historic Test Period (defined below) shall have been sufficient to pay an amount representing at least 120% of the maximum combined annual Debt Service Requirements of only the Outstanding Senior Obligations and the Outstanding Subordinate Obligations and the terms of *either* subparagraph 3(a) or 3(b) below shall be satisfied; and
- (3) (a) Using the fees and rates for use of the System on the date of computation, or assuming that any new schedule of fees and rates approved by the Water Authority during or after the Historic Test Period was in effect during the entire Historic Test Period, the Net Revenues which were or would have been received during that Historic Test Period are required to be sufficient to pay an amount representing at least 120% of the maximum combined annual Debt Service Requirements on the Outstanding Senior Obligations and the Outstanding Subordinate Obligations and the Subordinate Obligations proposed to be issued; or (b) The projected Net Revenues for the Prospective Test Period shall be sufficient to pay an amount representing at least 120% of the maximum combined annual Debt Service Requirements on the Outstanding Senior Obligations and the Outstanding Subordinate Obligations and the Subordinate Obligations proposed to be issued. To determine if the annual Net Revenues are sufficient for the purposes of the preceding sentence, the Net Revenues projected for the applicable Prospective Test Period shall be determined by applying the rates for use of the System approved by the Board at the time of computation to be in effect during the Prospective Test Period to the proposed number of connections to the System after giving effect to the purchase, expansion or improvement of the System or the acquisition of an existing water and sanitary sewer system.

The required tests described above shall be performed without adjustment for payments to or withdrawals from the Rate Stabilization Fund or for interest accrued in the Acquisition Fund. For purposes of the above tests, the term “*Historic Test Period*” means any period of 12 consecutive months out of the 24 calendar months next preceding the delivery of additional Subordinate Obligations. The term “*Prospective Test Period*” means the 12-month period commencing on the first day of the month following the estimated Completion Date of the Project for which additional Subordinate Obligations are proposed to be issued or the first day of the thirty-sixth month following the delivery of such additional Subordinate Obligations, whichever is earlier. In determining whether additional Subordinate Obligations may be issued pursuant to the test above, a written certificate or opinion of an Independent Accountant or an Authorized Officer of the Water Authority that states in substance that the Net Revenues are sufficient to pay the amounts required shall be conclusively presumed to be accurate in determining the right of the Water Authority to authorize, issue, sell and deliver such additional Subordinate Obligations.

No refunding bonds or other refunding obligations may be issued by the Water Authority as Subordinate Obligations unless:

- (a) The refunding does not increase the maximum combined annual Debt Service Requirements of the Outstanding Subordinate Obligations, or

(1) This requirement is applicable only for so long as the Series 2009A-1 Bonds, Series 2013A&B Bonds, Drinking Water State Revolving Loan Agreement (2009), and Public Project Revolving Fund Loan Agreement (2011) are Outstanding. After these Senior Obligations are no longer Outstanding, the Water Authority shall be required to only meet the tests set forth in (i) and (iii) under paragraph (1).

- (b) The refunding Subordinate Obligations are issued in compliance with the tests described above for Subordinate Obligations.

Super Subordinate Obligations . . . The Water Authority may issue Super Subordinate Obligations with a lien on the Net Revenues subordinate to the liens of the Senior Obligations and the Subordinate Obligations. The Water Authority is not required to meet any threshold tests prior to the issuance of Super Subordinate Obligations. In addition, there is no minimum debt service coverage requirement established for Super Subordinate Obligations.

Offering and Delivery of the Bonds

The Series 2020 Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of other conditions. The Bonds will be delivered through the facilities of DTC on or about April 2, 2020.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2020 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond opinion a form of which is included in APPENDIX D hereto. Certain legal matters relating to the Series 2020 Bonds will be passed on for the Water Authority by Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A., Contract Counsel to the Water Authority, and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Norton Rose Fulbright US LLP. See “LEGAL MATTERS.”

RBC Capital Markets, LLC (“RBC” or the “Financial Advisor”) is employed as Financial Advisor to the Water Authority in connection with the issuance of the Series 2020 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2020 Bonds is contingent upon the issuance and delivery of the Series 2020 Bonds. RBC, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or assume responsibility for, the accuracy or completeness of the information in this Official Statement. The Financial Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

References to web site addresses presented herein are for informational purposes only and may be in the form of hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Water Authority and the owners of any of the Series 2020 Bonds.

RISK FACTORS

Each prospective investor in the Series 2020 Bonds should read this Official Statement in its entirety, including the Appendices hereto. The following is a discussion of certain investment considerations that should be considered by any prospective purchaser of the Series 2020 Bonds prior to an investment in the Series 2020 Bonds. For example, the ability of the Water Authority to pay principal of and interest on the Series 2020 Bonds depends primarily upon the receipt by the Water Authority of sufficient Net Revenues. Some of the following events could prevent the Water Authority from receiving a sufficient amount of Net Revenues to enable it to pay the principal of and interest on the Series 2020 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with the other parts of this Official Statement, including the Appendices hereto. Particular attention should be given to the considerations described below which, among others, could affect the receipt of Net Revenues to pay debt

service of the Series 2020 Bonds, and which could also affect the marketability of the Series 2020 Bonds to an extent that cannot be determined.

Limited Obligations

The obligation of the Water Authority to pay debt service on the Series 2020 Bonds is a limited obligation of the Water Authority and is not secured by a legal or equitable pledge or charge or lien upon any property of the Water Authority or any of its income or receipts, except the Net Revenues (as further discussed herein). The obligation of the Water Authority to pay debt service on the Series 2020 Bonds does not constitute an obligation of the Water Authority to levy or pledge any form of taxation or for which the Water Authority has levied or pledged any form of taxation or make any appropriation for their payment. **The Water Authority does not have any taxing power.** The Water Authority is obligated under the Bond Ordinance to pay debt service on the Series 2020 Bonds and other System Obligations solely from Net Revenues.

Factors that can adversely affect the availability of Net Revenues include, among other matters, weather conditions (drought or excessive rainfall that may affect water sales), population fluctuations, costs associated with conforming to environmental regulations, general and local economic conditions, and changes in State or federal law and government regulations (including initiatives and moratoriums on growth). The realization of future Net Revenues is also subject to, among other things, the capabilities of management of the Water Authority, the ability of the Water Authority to provide water and wastewater service to its customers, the ability of the Water Authority to establish, maintain and collect charges for the water and wastewater service to its customers and the ability of the Water Authority to establish, maintain and collect rates and charges sufficient to pay debt service on the Series 2020 Bonds and other System Obligations. See “SECURITY AND SOURCES OF PAYMENT.”

System Operation and Maintenance Expenses and System Rates

The Operation and Maintenance Expenses of the System may increase in the coming years. Actual Operation and Maintenance Expenses may be greater or less than projected. Factors such as changes in technology, regulatory standards, increased costs of material, energy, regulatory compliance, labor and administration can substantially affect System expenses. Although the Water Authority has covenanted to prescribe, revise and collect rates and charges in amounts sufficient to pay debt service on the Series 2020 Bonds and other System Obligations, there can be no assurance that such amounts will be collected. Increases in System rates could result in a decrease in demand for System usage. The Water Authority actively and successfully pursues conservation efforts that limit the use of water and have a corresponding negative effect on System revenues. See “JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY – Water System – Water Conservation Program.” Over the past ten years, conservation efforts have resulted in an average water use decline of 29%.

Statutory and Regulatory Compliance

Changes in the scope and standards for publicly owned water and wastewater systems, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by federal or State regulators. Future compliance with such requirements and orders can impose substantial additional costs on the Water Authority. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate Net Revenues sufficient to pay debt service on the Series 2020 Bonds and other System Obligations.

Risks Relating to the Water Supply

The ability of the System to operate effectively can be affected by the water supply available to the Water Authority, which is situated in an arid environment that is currently subject to drought conditions. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs or otherwise, flow within the System will diminish and Net Revenues may be adversely affected.

Security of the System

Damage to the System resulting from cybersecurity breaches, vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the Water Authority's security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated. With these concerns in mind, the Water Authority completed a vulnerability assessment in mid-2018 and will be implementing the recommended security measures over the next three fiscal years. The Water Authority has obtained appropriate insurance coverage and established reserve funds, which may be used by the Water Authority, if other funds are not readily available and sufficient, to pay extraordinary and unexpected repair or replacement expenses of the System or liability claims related to the System.

Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The operations of the System on a daily basis require a significant amount of electrical power and natural gas. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Prices for electricity or gas may increase, which could adversely affect the System's financial condition.

Impact of Economic Conditions on System Net Revenues

Major economic disruptions and recession have adversely affected the economic activity of the region in general, resulting in decreased economic activity, increased unemployment and a reduction in residential and commercial construction. The Water Authority cannot predict the extent of the fiscal problems that will be encountered in any future economic downturn. Reduction in System users' ability to pay rates and charges, and reduction in the rate at which new customers are added to the System, can adversely impact System Net Revenues.

Limitations on Remedies

Enforceability of the rights and remedies of the owners of the Series 2020 Bonds may become subject to (i) the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, (ii) equity principles which may limit the specific enforcement of certain remedies, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the exercise of the State police powers. Remedies available to the Owners of the Series 2020 Bonds are in many respects dependent upon judicial action which is often subject to discretion and delay and could prove both expensive and time consuming to obtain.

SECURITY AND SOURCES OF PAYMENT

Special, Limited Obligations

The Series 2020 Bonds are special, limited obligations of the Water Authority, payable solely from the Net Revenues, money on deposit in certain of the funds and accounts held under the Bond Ordinance, and the earnings thereon. All Series 2020 Bonds are equally and ratably secured by Net Revenues. The Series 2020 Bonds are being issued with a senior lien on Net Revenues on parity with the lien of the other Outstanding Senior Obligations. The Water Authority has the right, subject to meeting specified conditions, to issue additional Senior Obligations. The Bond Ordinance permits the Water Authority to issue bonds or other obligations with a lien on Net Revenues subordinate and super subordinate to the lien of the Senior Obligations. **As long as Senior Obligations are outstanding, the Water Authority is prohibited from issuing additional System Obligations with a lien on Net Revenues prior and superior to the lien of such Outstanding Senior Obligations.** The issuance of the Series 2020 Bonds shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. **The Water Authority does not have any taxing power.**

Net Revenues

Net Revenues are the Gross Revenues of the System after deducting Operation and Maintenance Expenses. Gross Revenues includes all income and revenues directly or indirectly derived by the Water Authority from the operation

and use of the System, or any part of the System, and includes, without limitation, all revenues received by the Water Authority from the System and from the sale and use of water, water services or facilities, sewer service or facilities or any other service, commodity or facility or any combination thereof furnished to the inhabitants of the geographic area served by the Water Authority by means of the System as the same may at any time exist to serve customers outside the Water Authority's geographical limits as well as customers within the Water Authority's geographical limits. Gross Revenues do not include (i) any money received as grants or gifts from the United States of America, the State or other sources, or the proceeds of any charge or tax intended as a replacement therefor or other capital contributions from any source which are restricted as to use, and (ii) condemnation proceeds or the proceeds of any insurance policy, except property insurance proceeds which are not necessary to restore or replace the property lost or damaged or insurance proceeds derived in respect of loss of use or business interruption.

Operation and Maintenance Expenses include all reasonable and necessary current expenses of the System, paid or accrued, related to operating, maintaining and repairing the System. Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the Water Authority as a result of its negligence or other misconduct in the operation of the System or any charges or costs allocable to capital improvements or replacements. Operation and Maintenance Expenses also do not include any payment of or reimbursement for the payment of Debt Service Requirements or premiums on the Bonds.

For a presentation of the last five fiscal years of Net Revenues available for debt service, see the table entitled "SYSTEM – DEBT SERVICE COVERAGE CALCULATION – FISCAL YEARS 2015-2019".

Reserve Fund

No debt service reserve fund will be funded for the Series 2020 Bonds, nor has a debt service reserve fund been funded for any of the Water Authority's Outstanding System Obligations.

Covenant as to Lien for Delinquent Charges

To the extent permitted by law, the Water Authority will cause a lien to be perfected upon each lot or parcel of land for delinquent charges imposed for water and sanitary sewer services provided by the System to the owner of such lot or parcel. The Water Authority will take all necessary steps to enforce such lien against any parcel of property the owner of which is delinquent for more than six months in the payment of charges imposed for the use of the System. See "FINANCIAL INFORMATION – System Billing and Collections".

Rate Covenant

The Water Authority covenants in the Bond Ordinance to charge all purchasers of services of the System, including the Water Authority, the City and the County, and collect therefrom, reasonable and just rates sufficient to produce Net Revenues annually to pay 133% of the annual Debt Service Requirements on the Series 2020 Bonds and all other Outstanding Senior Obligations and to pay 120% of the annual Debt Service Requirements on the Series 2020 Bonds and all other Outstanding Senior Obligations and all other Outstanding Subordinate Obligations (excluding accumulation of any reserves therefor).

The Water Authority is required to determine quarterly that the Net Revenues are sufficient to satisfy the rate covenant. If the Net Revenues are not sufficient to satisfy such covenant, upon the approval of the annual audit for a fiscal year, the Water Authority is required either: (i) to promptly increase the rates for use of the services of the System in order to generate sufficient Net Revenues to satisfy such covenant, or (ii) to employ a consultant or manager for the System who has a favorable national reputation for skill and experience in the management, operation and financial affairs of water and sewer systems and who is not an employee or officer of the Water Authority. The Water Authority will request that the consultant or manager make recommendations, if any, as to revisions of the Water Authority's rate structure and other charges for use of the System, its Operation and Maintenance Expenses and the method of operation of the System in order to satisfy the rate covenant as soon as practicable. Copies of any such requests and recommendations of the consultant or manager shall be filed with the Water Authority. So long as the Water Authority substantially complies with the recommendations of the consultant or manager on a timely basis, the Water Authority will not be deemed to have defaulted in satisfying the rate covenant even if the resulting Net Revenues are not sufficient to be in compliance with the covenant, if there is no other default under the Bond Ordinance. For a

discussion of coverage ratios relating to the System, see the table entitled “ESTIMATED TOTAL COMBINED DEBT SERVICE AND COVERAGE RATIOS” under this caption.

Outstanding System Obligations

Senior Obligations . . . Upon issuance, the Series 2020 Bonds will have a senior lien on Net Revenues. System Obligations with a senior lien on Net Revenues as of January 1, 2020 are shown in the table on the following page:

**OUTSTANDING SENIOR OBLIGATIONS
AS OF JANUARY 1, 2020**

<u>System Issue</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
NMFA – Drinking Water State Revolving Fund Loan Agreement (2009)	\$1,010,000	\$623,706
NMFA – Public Project Revolving Fund Loan Agreement (2011)	53,400,000	28,200,000
Revenue Bonds, Series 2013A-B	118,215,000	65,245,000
Revenue Bonds, Series 2014A	97,270,000	71,355,000
Revenue Bonds, Series 2015	211,940,000	184,095,000
Revenue Bonds, Series 2017	87,970,000	80,050,000
NMFA – Drinking Water State Revolving Fund Loan Agreement #4202 (2018)	1,000,000	1,000,000
Revenue Bonds, Series 2018	75,085,000	75,085,000
NMFA – Drinking Water State Revolving Fund Loan Agreement #4877 (2018)	3,430,081	3,430,081
Revenue Bonds, Series 2020	74,430,000*	74,430,000*
Total Senior Obligations		<u>\$583,513,787*</u>

*Preliminary, subject to change.

Subordinate Obligations . . . System Obligations payable on a subordinate basis from Net Revenues, as of January 1, 2020 are shown below:

**OUTSTANDING SUBORDINATE OBLIGATIONS
AS OF JANUARY 1, 2020**

<u>Obligation</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
New Mexico Finance Authority Drinking Water Loan (2008)	\$9,627,877	\$6,372,743
Revenue Bonds, Series 2014B	87,005,000	<u>50,660,000</u>
Total Subordinate Obligations		<u>\$57,032,743</u>

DEBT SERVICE REQUIREMENTS FOR THE SERIES 2020 BONDS*

The following tables show the estimated annual Debt Service Requirements on the Series 2020 Bonds for each period ending on July 1.

\$74,430,000*
SERIES 2020 BONDS

<u>Period Ending (July 1)</u>	<u>Principal Amount*</u>	<u>Interest^{(1)*}</u>	<u>Total Debt Service*</u>
2020	--	\$1,281,850	\$1,281,850
2021	--	3,721,500	3,721,500
2022	\$6,000,000	3,721,500	9,721,500
2023	6,000,000	3,421,500	9,421,500
2024	6,940,000	3,121,500	10,061,500
2025	6,940,000	2,774,500	9,714,500
2026	6,940,000	2,427,500	9,367,500
2027	6,935,000	2,080,500	9,015,500
2028	6,935,000	1,733,750	8,668,750
2029	6,935,000	1,387,000	8,322,000
2030	6,935,000	1,040,250	7,975,250
2031	6,935,000	693,500	7,628,500
2032	6,935,000	346,750	7,281,750

⁽¹⁾ Interest has been calculated for purposes of this Preliminary Official Statement based on assumed interest rates.

* Preliminary, subject to change.

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ESTIMATED TOTAL COMBINED DEBT SERVICE AND COVERAGE RATIOS*

The following table shows the total combined debt service and estimated coverage ratio for each period ending on July 1 for the Series 2020 Bonds and all other Outstanding System Obligations through their final maturity dates.

Period End (July 1)	Outstanding Senior Lien Debt Service	Series 2020 Bonds Debt Service*	Combined Senior Lien Debt Service*	Subordinate Debt Service	Combined Total Debt Service*	Net Revenues	Senior Coverage*	Senior and Subordinate Coverage*
2020	\$72,734,075	\$1,281,850	\$74,015,925	\$11,397,037	\$85,412,962	\$119,796,374	1.62x	1.40x
2021	73,166,815	3,721,500	76,888,315	11,005,031	87,893,346	119,796,374	1.56x	1.36x
2022	66,839,565	9,721,500	76,561,065	10,793,287	87,354,352	119,796,374	1.57x	1.37x
2023	67,189,651	9,421,500	76,611,151	10,441,563	87,052,714	119,796,374	1.56x	1.38x
2024	62,125,402	10,061,500	72,186,902	10,079,542	82,266,444	119,796,374	1.66x	1.46x
2025	56,882,902	9,714,500	66,597,402	9,717,906	76,315,308	119,796,374	1.80x	1.57x
2026	51,692,403	9,367,500	61,059,903	651,185	61,711,088	119,796,374	1.96x	1.94x
2027	41,023,455	9,015,500	50,038,955	651,215	50,690,170	119,796,374	2.39x	2.36x
2028	32,876,150	8,668,750	41,544,900	651,245	42,196,145	119,796,374	2.88x	2.84x
2029	32,885,388	8,322,000	41,207,388	651,256	41,858,644	119,796,374	2.91x	2.86x
2030	25,994,047	7,975,250	33,969,297	651,308	34,620,595	119,796,374	3.53x	3.46x
2031	16,956,070	7,628,500	24,584,570	-	24,584,570	119,796,374	4.87x	4.87x
2032	16,898,453	7,281,750	24,180,203	-	24,180,203	119,796,374	4.95x	4.95x
2033	16,893,202	-	16,893,202	-	16,893,202	119,796,374	7.09x	7.09x
2034	8,528,377	-	8,528,377	-	8,528,377	119,796,374	14.05x	14.05x
2035	2,471,340	-	2,471,340	-	2,471,340	119,796,374	48.47x	48.47x
2036	2,467,528	-	2,467,528	-	2,467,528	119,796,374	48.55x	48.55x
2037	1,394,214	-	1,394,214	-	1,394,214	119,796,374	85.92x	85.92x
2038	1,392,965	-	1,392,965	-	1,392,965	119,796,374	86.00x	86.00x
2039	43,715	-	43,715	-	43,715	119,796,374	2,740.40x	2,740.40x
2040	43,716	-	43,716	-	43,716	119,796,374	2,740.33x	2,740.33x
TOTAL	<u>\$650,499,433</u>	<u>\$102,181,600</u>	<u>\$752,681,033</u>	<u>\$66,690,575</u>	<u>\$819,371,608</u>			

Source: Table compiled by RBC Capital Markets, LLC as Financial Advisor. Net Revenues provided by the Water Authority

*Preliminary, subject to change.

**SYSTEM
DEBT SERVICE COVERAGE CALCULATION
FISCAL YEARS 2015-2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total operating revenues	\$219,984,311	\$226,396,492	\$215,193,982	\$210,056,776	\$192,311,627
Non-operating revenues (expenses):					
Interest	3,050,647	831,945	86,073	155,431	44,453
Expansion charges	7,322,600	10,049,597	8,545,978	9,256,938	7,541,201
Other Expenses	-	-	-	-	-
Other Revenues	<u>5,220,372</u>	<u>3,899,312</u>	<u>3,217,905</u>	<u>7,304,796</u>	<u>3,936,638</u>
Total adjusted revenues	<u>\$235,577,930</u>	<u>\$241,177,346</u>	<u>\$227,043,938</u>	<u>\$226,773,941</u>	<u>\$203,833,919</u>
Total operating expenses	\$213,113,409	\$203,113,264	\$198,769,769	\$191,539,658	\$197,155,094
Less:					
Franchise fees	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Non-capitalized system obligations	(13,012,052)	(7,784,840)	(5,795,924)	(4,285,103)	(6,428,665)
OPEB Life Insurance Benefits	-	-	-	-	(34,339)
Depreciation	(84,319,801)	(82,630,526)	(81,648,334)	(80,357,265)	(83,094,979)
Amortization	-	-	-	-	-
Total adjusted operating expenses	<u>\$115,781,556</u>	<u>\$112,697,896</u>	<u>\$111,325,511</u>	<u>\$106,897,290</u>	<u>\$107,597,111</u>
Release from Rate Stabilization Fund	-	-	-	-	-
Net revenues available for debt service	<u>\$119,796,374</u>	<u>\$128,479,450</u>	<u>\$115,718,427</u>	<u>\$119,876,651</u>	<u>\$96,236,808</u>
Total senior debt service	<u>\$59,102,274</u>	<u>\$42,812,915</u>	<u>\$48,989,966</u>	<u>\$53,957,932</u>	<u>\$47,351,384</u>
Senior debt service coverage	2.03x	3.00x	2.36x	2.22x	2.03x
Subordinate debt service	<u>\$11,549,313</u>	<u>\$14,552,587</u>	<u>\$13,177,074</u>	<u>\$5,004,682</u>	<u>\$3,838,983</u>
Combined total debt service	<u>\$70,651,587</u>	<u>\$57,365,502</u>	<u>\$62,167,041</u>	<u>\$58,962,614</u>	<u>\$51,190,367</u>
All in debt service coverage	1.70x	2.24x	1.86x	2.03x	1.88x

Source: Albuquerque Bernalillo County Water Utility Authority.

JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY

Water System

Surface water from the San Juan-Chama Project that is utilized through the San Juan-Chama Drinking Water Project is the primary source of potable water supply for the Water Authority. Groundwater is used to supplement surface water supplies to meet peak demands and to provide supply during drought periods or other times when surface water is not available. The Water Authority also owns and operates two non-potable water systems to provide irrigation and industrial water in the service area. In calendar year 2019, the Water Authority's water resources use consisted of 29% from groundwater and 67% from San Juan-Chama surface water and 4% from reuse of treated effluent for irrigation. The groundwater supply is produced from 60 wells grouped in 17 well fields located throughout the metropolitan area and the San Juan-Chama surface water is diverted from the Rio Grande. Total well production capacity is approximately 255 million gallons per day ("MGD"). Eliminating high arsenic wells (those greater than 10 parts per billion arsenic) results in available production capacity of 176 MGD. Maximum historical peak day demand is 214 MGD. Peak day demand for 2019 was 145 MGD. The Water Authority also has four arsenic treatment facilities that remove naturally occurring arsenic from groundwater. Each well field includes chlorination for disinfection as required by the Safe Drinking Water Act.

Water storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 pounds per square inch ("psi") for consumers. Sixty-one (61) reservoirs are located throughout the service area, with a total reservoir storage capacity of 245 million gallons. If demand requires, reservoir water can also be transferred to a higher zone or across zones through an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 128 boosters, with a total capacity of 748 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,130 miles of pipelines and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Water Authority's service area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the Water System for control from a central control facility.

Existing Water Resources . . . On September 4, 2003, the New Mexico Office of the State Engineer granted the 1993 application of the City's Water Utility Department (the "Utility") to appropriate groundwater in the Middle Rio Grande Administrative Area. This water rights permit allows the withdrawal of groundwater from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

<u>Years</u>	<u>Annual Diversion Limit (acre-feet)</u>
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous groundwater permit limited the Water Authority's pumping to 132,000 acre-feet per year. The permit is governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications adopted by the State Engineer in 2000.

The Water Authority also holds groundwater diversion permit RG-4462 with 14 groundwater wells permitted in the Corrales trunk with a maximum diversion limit of 10,000 acre-feet per year. The permit and wells were acquired when the Water Authority acquired New Mexico Utilities, Inc. in 2009.

The average annual groundwater withdrawal for the five years ending in Calendar Year 2019 was 34,941.0 acre-feet with a maximum occurring in Calendar Year 2018. Additionally, the Water Authority has the right to use consumptively 74,622.2 acre-feet of surface water per year. This figure consists of imported Colorado River water pursuant to a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama Drinking Water Project, pre-1907 water rights of 4,916.7 acre-feet, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other native water rights. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Water Authority also has approximately 134,000 acre-feet of San Juan-Chama water (as of February 2020) from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu and Heron Reservoirs). In July 2003, the Water Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water

diversions for Calendar Year 2019 were 62,719.6 acre-feet with an average of 59,077.6 acre-feet over the last five years.

The Water Authority believes that water received pursuant to the contract for San Juan-Chama water and the native water rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a customer population of more than 1,000,000 using 135 gallons per capita per day (“GPCD”) with 40% consumptive use and 60% return flow. Alternatively, these same water resources will support a customer population of 500,000 using water at the rate of 250 gallons per person per day with the same consumptive use and return flow. The current service population is approximately 683,207, and the current usage was approximately 121 GPCD (during Calendar Year 2019), down from an average of 250 GPCD when compared to the period of 1987 through 1993. The Water Authority believes this decrease can be attributed to the Water Authority’s Water Conservation Program.

San Juan-Chama Drinking Water Project . . . Imported Colorado River water from the San Juan-Chama Project was purchased in 1963 and began flowing into the Rio Grande in the early 1970’s. This water was intended to be directly diverted or to provide legally required offsets for the effects of pumping the aquifer on the Rio Grande. Studies in the 1990’s showed that the Rio Grande is not directly connected to the aquifer and that continued sole reliance on groundwater would lead to water quality impacts and land surface subsidence. The policy to transition to direct diversion and full use of the imported Colorado River water (San Juan-Chama water) was adopted in 1997 along with seven dedicated rate increases to pay for the construction and operation.

Construction of the San Juan-Chama Drinking Water Project began in August 2004 following the completion of the diversion and environmental permitting. The San Juan-Chama Drinking Water Project came on-line on December 5, 2008. The San Juan-Chama Drinking Water Project consists of a diversion dam on the Rio Grande, eighteen pipeline segments, approximately 44 miles of pipeline, a raw water pump station, a raw water intake and fish passage structure designed to protect habitat on the Rio Grande and the endangered Rio Grande Silvery Minnow, and a surface water treatment plant. Construction costs for the project were approximately \$385 million with an additional \$70 million for design, construction inspection and land purchases.

The San Juan-Chama Drinking Water Project diverts San Juan-Chama water in combination with native water from the Rio Grande for purification to replace sole reliance on the aquifer. Under a permit with the New Mexico Office of the State Engineer, the native water is diverted from the Rio Grande to the surface water treatment plant where the water is purified through a state-of-the-art multi-barrier treatment system designed to remove particulate matter, sediment and bacterial and microbial contaminants. The treatment plant is capable of processing 90 million gallons of water each day. The purified drinking water is then blended with groundwater at the existing reservoirs to supplement drinking water supplies. The State Engineer’s permit has many conditions that require diversion from the Rio Grande to be curtailed or stopped including a minimum flow requirement at the Central Avenue gauge. The minimum flow requirements have reduced the ability to divert San Juan-Chama water from the Drinking Water Project since the beginning of operations due to drought. Even with the reduced diversions in the summer months, the aquifer in the Middle Rio Grande Basin has been rising since 2008. Since that time, the water table has risen 40 feet and it is predicted to continue to rise for the next ten years. The San Juan-Chama Drinking Water Project provides Water Authority customers with a significant additional source of drinking water, which design and construction has been recognized nationally.

Water Supply Plan . . . Prior to 1997, the water supply plan for the Water Authority’s service area, which was based on technical knowledge of the surface and groundwater systems at the time, could be summarized as follows: the City would pump groundwater to meet water system demands; groundwater pumping would cause additional seepage (induced recharge) from the river, and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama Diversion Project. Technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation concluded that the Water Authority’s wastewater return flows were sufficient to offset the annual seepage from the Rio Grande associated with the Water Authority’s groundwater pumping.

In 1997, the City Council adopted the Water Resource Management Strategy (“WRMS”) as the City’s water supply plan. The WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The WRMS: (1) calls for the City (or the Water Authority as successor) to more fully utilize its renewable water resources in order to reduce reliance on groundwater

to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas; (3) provides for the development of a groundwater drought reserve, which was recommended by resource economists in a report commissioned to provide for the Water Authority's anticipated year 2060 water demands; (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the WRMS (including \$10.8 million for costs of site selection and acquisition, \$385 million for the drinking water supply project, and \$29.4 million for three reclamation and reuse projects) is \$425.2 million.

In 2007, the Water Authority adopted a new WRMS as its water supply plan. The new WRMS is a combination of existing policies from the original 1997 WRMS with several new policies that were developed in cooperation with federal, state, and local agencies and significant public involvement and education. The WRMS outlines thirteen policies including continued support for the San Juan-Chama Drinking Water Project and the remaining reuse and reclamation projects.

The four specific projects identified in the 1997 WRMS have been implemented. The Water Authority received a permit from the Office of the State Engineer for diverting and consuming San Juan-Chama water in the amount of 96,200 acre-feet per year on July 8, 2004. The final revised Order and Permit (SP-4830) for the San Juan-Chama Drinking Water Project was received in December 2014, which completed the legal process. The Water Authority received a Record of Decision on the National Environmental Policy Act process on June 1, 2004 and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concluded that the effects of the San Juan-Chama Drinking Water Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat.

With respect to the three water reclamation and reuse projects identified in the WRMS, the Industrial Recycling Project has been completed and operational since approximately August 2000. The North I-25 Non-Potable Surface Water Project began full operations in January 2004. Together these two projects provide approximately 2,600 acre-feet of water each year for irrigation use in the Northeast Heights of the City. The Southside Municipal Effluent Polishing and Reuse Project utilizes about 1,000 acre-feet per year of treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of the City. The completion and operation of the Southside Reuse Project completes the four projects as called for in the original 1997 and updated 2007 WRMS to provide a safe and sustainable water supply to 2060 (which is as far as the WRMS projected).

As a result of the implementation of the 2007 WRMS, the aquifer has been rising throughout the Middle Rio Grande. Although the region has experienced numerous droughts, the water supply is increasing in the City's area as a result of the Water Authority's transition to surface water (San Juan-Chama Drinking Water Project), reuse and significant water conservation efforts. To date, the Water Authority has saved more than 1,000,000 acre-feet of ground water.

Following the past successful water planning work in 1997 and 2007, in September 2016 the Water Authority Board adopted Water 2120. Water 2120 is a long-range water supply plan that provides policy directives to meet water supply gaps for a range of potential future demands over the next 100-years. Water 2120 also reflects updates in the scientific literature on climate modeling enhancing the Water Authority's understanding of the new water resources to manage. The document consists of thirteen policies and more than sixty sub-policies to guide implementation of the plan including programs and projects needed to provide a safe, sustainable and resilient water supply for the next 100-years.

The plan focuses on full utilization of the water rights and resources already owned by the Water Authority. The overall approach to Water 2120 was to simulate a number of scenarios of supply and demand over the next 100-years, with current supplies and rights, and to quantify key results. To fill the gaps in supply, numerous potential water supply alternatives were examined, and simulations were run. One of the key policies in the new water supply plan was to implement a groundwater management strategy that protects a large quantity of the aquifer for future generations. A management level was established such that new supplies would be implemented over time to reduce long-term aquifer drawdown and allow future generations the opportunity to utilize that savings account.

In addition to the groundwater management plan, the new 100-year plan focuses on utilizing the existing rights owned by the Water Authority with additional water conservation. Additional water reuse and storage provide flexibility for the future along with increased ASR (defined below). Watershed restoration and management are also part of the new

plan to ensure the Water Authority is taking the necessary steps to protect the environment from potentially devastating fires and watershed damage.

Aquifer Storage and Recovery . . . Aquifer storage and recovery (“ASR”) is a means of storing excess water in the aquifer to reduce evaporation and provide a groundwater drought reserve when surface water supplies are not available. ASR is another water resources management tool that the Water Authority is implementing to ensure a safe and sustainable water supply. The Water Authority initiated the first land application project, called the Bear Canyon ASR Project, in 2009 and has since stored 1,578 acre-feet of water in the aquifer. In November 2014, the Water Authority received the full-scale permit for the Bear Canyon ASR Project and began regular operations. In 2015, the Water Authority recovered 1,357 acre-feet from the Bear Canyon storage account. The Water Authority received a demonstration permit from the New Mexico Office of the State Engineer for the large scale ASR project capable of injecting about 5,000 acre-feet a year into the aquifer which will provide for additional storage that will assist in further expanding the drought supply for the Water Authority. Construction was completed on the large-scale ASR in March 2019 and injection will go on-line in January 2020. Additional ASR projects are called for in the new 100 year plan that would include both infiltration and direct injection.

South Valley Expansion Projects . . . Construction of the South Valley Water System Expansion Project is being completed in phases and is managed by the Bernalillo County Public Works Department. The Water Authority is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of the County and allow the residents to connect to the System and end their use of wells. The project will provide water service to approximately 3,200 developed parcels in the Southwest Valley. Phase I, consisting of a major transmission line, was completed in August 2007. The Water Authority contributed \$9 million of the \$14 million cost. Phases 2 and 2A consist of a water distribution system to 1,240 households in the area and are under construction with an estimated cost of \$8.5 million with the Water Authority’s share at \$7.5 million. Phases 3 and 4, consisting of a reservoir, transmission line and a water booster station are underway, with the Water Authority committed to providing \$8.4 million. The Water Authority and County are partnering to complete Phase VII of the water line project in the Los Padillas area. The Water Authority contributed \$250,000 in addition to the labor and equipment to install the water lines. The County contributed \$1.7 million toward the project which is scheduled to continue throughout the remainder of 2019. The Water Authority appropriated an additional \$2.575 million for the next phase of the Los Padillas area which should complete Phase VII.

New Arsenic Standard Applicable to Water Supply . . . The EPA promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. When EPA adopted the new standard, Congress allowed large water systems the opportunity to apply for a maximum three-year exemption, which the Water Authority applied for and was granted.

Two projects were instituted to comply with the new arsenic standard. The first and most important is the San Juan-Chama Drinking Water Project. The surface water has less arsenic than the groundwater and the treatment process at the new water treatment plant removes arsenic. The second project is the College Arsenic Treatment Plant, which was once the largest microfiltration arsenic treatment facility in the United States. The Gonzales to College Well Collector Line project conveys high arsenic well water to the College Arsenic Treatment Plant.

Since 2009, the Water Authority continues to be in compliance with EPA’s arsenic regulations but because of diversion limitations placed by the State Engineer on the San Juan-Chama Drinking Water Project, additional arsenic removal treatment systems to remove arsenic from the Water Authority’s existing facilities or other production facilities with lower arsenic water may be needed to meet demand in the future.

Water Conservation Program . . . In an effort to extend the lifetime of the Water Authority’s water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. The City utilized Calendar Years 1987 through 1993 as the baseline period, with gross community per capita water use at an average of 250 gallons per day. Gross community water use needed to be reduced to 175 GCPD to achieve the 30% conservation savings goal. At the end of 2005, Water Authority customers had reduced their per capita use 33% compared with use during the established baseline period.

In 2004, the Water Authority adopted a new water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995 to be implemented in 2005 with reduction rates of 1% per year until 2014 to achieve a usage of 150 GPCD. This goal was achieved three years early in 2011.

In 2013, the Water Authority adopted an additional reduction goal to reduce per capita usage from 150 GPCD to 135 GPCD over the next ten years. A new program was established to accomplish the goal following significant public input and meetings with the Water Authority Board. The new elements consist of increased public education, “test your toilet month,” new rebate programs, and revisions to the xeriscape program. In 2019, usage was reduced to 121 GPD. As part of Water 2120, the Water Authority adopted a new conservation goal of 110 GPCD by 2037. In March 2018, an updated water conservation plan was adopted which revises the rebate programs and places a greater emphasis on outdoor efficiency in order to achieve the new goal.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing effort, converting high water use landscaping with xeriscaping, replacing high water use washing machines with low use models, installing rain water harvesting equipment, rain sensors, and more efficient sprinkler system heads. Free irrigation audits are available to all customers. The Water Authority has developed water management software to assist large water users such as Albuquerque Public Schools, the City, and the County in tracking and reducing their water usage. Finally, the Water Authority has established water budgets for over 1,300 large turf customers.

The Water Conservation Program has achieved significant reductions in water use since 1995 and is recognized as one of the most successful water conservation programs in the United States. The Water Authority has imposed 5% rate increases in Fiscal Years 2012, 2014, 2015, 2016 and 2018 to help address the lost System revenues due to conservation. See “FINANCIAL INFORMATION – Rates and Charges of the System.”

Surface and Groundwater Protection Plan . . . The Albuquerque/Bernalillo County Groundwater Protection Policy and Action Plan (“GPPAP”) was adopted by the City and County in 1994. The goals of the GPPAP are to prevent any additional groundwater contamination in the County, to facilitate clean-up of existing contamination, and to promote the coordinated protection and prudent use of groundwater. In 2009, the GPPAP was updated to include surface water quality protection measures, as the Water Authority started its use of the San Juan-Chama Project water. The Water Authority, City, and County have jointly established a Water Protection Advisory Board (“WPAB”) which replaced the GPPAP to address surface water quality protection in addition to groundwater quality protection. Additionally, the WPAB studies and advises the Water Authority, City, and County on surface and groundwater protection concerns, including policies necessary to enhance protection of surface and groundwater quality including promoting consistency among the governmental entities in pursuing these goals.

The WPAB works with local, State and federal agencies to monitor the progress of mitigation of current contamination sites and is continuing to develop policies to prevent future contamination. The current contamination cleanups are primarily in the South Valley and Northwest Mesa of the County. The Water Authority has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the Water Authority has assisted in a \$120 million program to eradicate 8,000 septic tanks in the North and South Valleys, and at the end of Calendar Year 2019 over 6,000 septic tanks have been eliminated.

Kirtland Air Force Base Fuel Spill . . . In 1999, the United States Air Force discovered an underground fuel spill around its bulk fuel storage facility at Kirtland Air Force Base in the Southeast portion of the City. The Air Force, in conjunction with the New Mexico Environment Department and the City, immediately began to investigate the scope of the spill and necessary remediation steps. The Air Force installed a soil vapor remediation system which began extracting fuel vapor from the soil in 2003 and began utilizing a groundwater treatment system in 2015 which utilizes three extraction wells located inside the contamination plume. The Air Force conducts quarterly groundwater monitoring of 138 monitoring wells and semi-annual monitoring of 284 soil vapor monitoring points. The Water Authority’s groundwater supply remains safe and has not experienced contamination. In July 2017, the Air Force completed a Risk Assessment Report which analyzed the potential for adverse impacts on human health or the environment as a result of the contamination. The risk assessment found no adverse health or ecological affects from the contamination based upon current land use. The Air Force, New Mexico Environment Department and the Water Authority continue to work collectively to identify the most effective remediation steps to protect the area’s groundwater and develop contingency plans should the fuel spill threaten the Water Authority’s groundwater supply. The Air Force has accepted responsibility for the cost of the remediation and has stated its commitment to dedicate the necessary resources to remediate the fuel spill. For additional information concerning the Air Force Base Bulk Fuels Facility Jet Fuel Leak Remediation Project, please see www.kirtland.af.mil/Home/BFF/.

Drought Relief Measures . . . The Water Authority adopted the City’s Drought Management Strategy when the Water Authority was created in 2004. The Drought Management Strategy was updated and approved over the years by the Board, most recently in 2012. The purpose of a Drought Management Strategy is to preserve and protect the aquifer and also to meet water conservation goals during a drought. In March 2018, the Drought Management Strategy was renamed “The Plan for Customer Demand Reduction During Drought” and was incorporated into the water conservation plan. All elements of the plan remained the same which identified four levels of drought as follows: drought advisory, drought watch, drought warning and drought emergency, and provides various educational steps and voluntary and mandatory conservation measures to reduce water usage during each of these drought levels.

Water Usage . . . The System’s water component serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During Calendar Years 2015-2019, the Water System supplied the following volumes to customers within the service area including contributions from both surface water and groundwater supplies:

**USAGE⁽¹⁾
2015-2019**

<u>Calendar Year</u>	<u>Gallons Produced (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2015	29,498,000	27,195,260	92.19%
2016	30,720,000	28,250,591	91.96%
2017	30,895,000	28,357,626	91.79%
2018	30,142,000	27,696,655	91.89%
2019	29,392,000	27,073,469	92.11%

⁽¹⁾ There is a difference between gallons pumped and gallons billed. Gallons which are produced but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered. These variables fluctuate from year to year and impact the percentage billed. The fire protection usage is not metered but is built into the rate covenant for the System and is not considered a free use. In addition, the above usage figures do not account for reuse of non-potable water for reuse as part of the Southside Water Reuse Project.

Source: Albuquerque Bernalillo County Water Utility Authority

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The top ten water customers of the System are:

WATER SYSTEM TOP TEN CUSTOMERS⁽¹⁾
Fiscal Year 2019

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total FY 2019 Revenue</u>	<u>% of Total FY 2019 Revenue</u>
City of Albuquerque	2,554,647	\$8,575,985	6.07%
Albuquerque Public Schools	598,617	2,805,045	1.99%
University of New Mexico	267,276	1,229,761	0.87%
Kirtland Air Force Base	154,261	700,584	0.50%
Bernalillo County	173,405	640,319	0.45%
Central NM Community College	63,436	283,881	0.20%
Lovelace Health Systems	81,335	267,760	0.19%
Water Authority	57,907	261,798	0.19%
Sumitomo	104,746	257,807	0.18%
Albuquerque Academy	87,662	195,409	0.14%
Total	<u>4,143,292</u>	<u>\$15,218,349</u>	<u>10.77%</u>
Total Revenue for Water System		<u>\$141,267,719</u>	

(1) Includes non-potable water customers.
Source: Albuquerque Bernalillo County Water Utility Authority.

Wastewater Plant and Collection System

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

Treatment plant capacity is based upon 76 MGD hydraulic capacity. Existing flows at the plant have averaged 51.3 MGD over the past five years, but these figures do not reflect the amount of non-potable water being reused for irrigation and industrial use at the Southside Water Reclamation Plant. The Water Authority has an operational industrial pretreatment program approved by the EPA. The EPA recognized that the Water Authority’s pollution prevention efforts have been largely responsible for the Water Authority maintaining compliance with strict standards contained in NPDES Permit #NM0022250. The Water Authority’s wastewater effluent discharge consistently meets all NPDES permit requirements. In February 2017, the Water Authority submitted a NPDES permit renewal application. In February 2018, EPA issued a Proposed NPDES Permit and the Water Authority provided comments to EPA on June 25, 2018. On October 10, 2019, the Water Authority received the final NPDES Permit. The re-issued permits is effective December 1, 2019.

The Water Authority received an Administrative Order (an “AO”) from the EPA for violations of the NPDES permit associated with Sanitary Sewer Overflows, laboratory reporting issues, and plant violations from 2001 to 2010. The Water Authority received two additional AOs for an overflow which occurred on February 27, 2015 as a result of a major power failure. The first AO required that the Water Authority implement electrical and other improvements to prevent another power failure and the potential for another spill. All of that work was completed in 2015 and a project completion report was filed with EPA. The second AO includes adoption of the Corrective Action Plan items that were scheduled to be completed within the next five years. All projects in the second AO have been completed and a project completion report was submitted to EPA in June 2018.

Since January 2003, the treatment plant has had a 6.6 mega-watt cogeneration facility to provide most of its power needs. The cogeneration facilities are complemented by a one mega-watt solar energy plant that began service in December 2012. These on-site power generating facilities normally supply 100% of the treatment plant’s present electrical needs, along with providing heating of various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. The Southside Water

Reclamation Plant currently generates electricity from the bio-gas produced in the digesters. This is no cost gas that qualifies the electricity generated for Renewable Energy Certificates (“REC”). These certificates have a value to other electrical energy producers and the Water Authority continues to research how to sell its RECs to increase revenue.

The Water Authority currently manages wastewater sludge using two methods: surface disposal and production of compost. The Water Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated surface disposal site is used when seasonal market conditions are not favorable for sale of compost product. During Fiscal Year 2019, 37% of all sludge produced at the treatment plant was beneficially recycled into compost and sold. The Water Authority’s Compliance Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing. The entire laboratory is also accredited by the American Association for Laboratory Accreditation. The Water Authority reduces expenses by analyzing a majority of the bacteriological samples at the Water Authority’s internal water quality lab.

The following table sets forth the quantity of wastewater treated and customers served through the Wastewater System for Calendar Years 2015-2019:

**TREATED WASTEWATER
2015-2019**

<u>Calendar Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2015	18,122,990	193,922
2016	18,250,000	195,140
2017	18,597,000	196,921
2018	19,183,906	198,545
2019	18,432,870	200,116

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten wastewater customers of the System are:

**WASTEWATER SYSTEM TOP TEN CUSTOMERS
Fiscal Year 2019**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected FY 2019 Revenue</u>	<u>% of Total 2019 Revenue</u>
Kirtland Air Force Base	745,216	\$1,418,464	1.85%
University of New Mexico	588,650	1,162,523	1.51%
Albuquerque Public Schools	134,016	798,567	1.04%
City of Albuquerque	101,364	693,905	0.90%
Creamland Dairies	53,781	559,682	0.73%
Bernalillo County	43,837	174,754	0.23%
Lovelace Health Systems	57,641	148,886	0.19%
Central NM Community College	30,858	123,772	0.16%
Sandia Peak Services	74,073	102,139	0.13%
Four Hills Mobile Home Park	34,901	86,972	0.11%
Total	1,864,337	\$5,269,664	6.86%
Total Revenue Wastewater System		\$76,848,592	

Source: Albuquerque Bernalillo County Water Utility Authority.

Management of the System

Water Authority management is responsible for day-to-day operations of the System, policy, System expansion, budget, rates, personnel reorganizations, unbudgeted intra-year positions, negotiation or renegotiation of labor contracts and litigation relating to the System. The individuals described in the following paragraphs are the present management for the Water Authority.

Mark Sanchez, Executive Director. Mr. Sanchez has been the Executive Director of the Water Authority since its inception in 2004, and was formerly the Director of Council Services for the Albuquerque City Council. Mr. Sanchez holds a Master's Degree in Business Administration from New Mexico Highlands University and a Master's Degree in Public Administration from the University of New Mexico. He is a graduate of the Harvard JFK School of Government Program for Senior Executives in State and Local Government. Mr. Sanchez has held executive-level positions in government, private sector and the non-profit sector in the areas of water, reuse and wastewater, business and government policy, housing and community development, health, human and social services, job training and economic development. Mr. Sanchez serves as Chairman of the New Mexico Interstate Stream Commission, President of the National Association of Clean Water Agencies. He has been very active at the local, State and national levels on water, reuse and wastewater utility issues.

John M. Stomp, P.E., Chief Operating Officer. Mr. Stomp is responsible for the Water Authority's operations group including the water and wastewater treatment plants, wastewater collection systems and lift/vacuum stations, and water distribution and transmission lines. In addition, Mr. Stomp is responsible for managing the Planning and Engineering Division and the Compliance Divisions. Mr. Stomp was the Water Resources Manager for over ten years prior to becoming the Chief Operating Officer. Mr. Stomp has been employed by the City, and the Water Authority as successor, since April 1996. Prior to employment with the Water Authority, Mr. Stomp was employed as a project manager by local and national water/wastewater consulting firms. Mr. Stomp has been involved with water and wastewater issues in Albuquerque and throughout New Mexico for approximately 30 years. He has a Bachelor's and Master's Degree in Civil Engineering from the University of New Mexico. Mr. Stomp is a certified Level IV Water and Wastewater Operator in the State of New Mexico.

Stan Allred, Chief Financial Officer. Mr. Allred held the position of Finance Officer, Water Utility Department from June 2003 until May 2008 when he was promoted to Chief Financial Officer. Mr. Allred is responsible for the Financial/Business Services Group which includes all finance, accounting, information services and Water Authority warehouse functions. He has approximately 30 years of financial and cost accounting experience. Prior to employment with the Water Authority, Mr. Allred was employed as a director with a multi-billion dollar national long-term care corporation. Mr. Allred was involved with corporate financial reporting requirements and rate setting for Medicare and 15 different state Medicaid systems. Mr. Allred has a BBA with a concentration in Accounting from the University of New Mexico.

Hobert "H" Warren, Field Division Manager. Mr. Warren has held the manager position since 2012. He obtained his Bachelor of Business Administration from the University of New Mexico. His career has spanned over 21 years in the areas of operations, compliance, collections, construction, transition planning, automated meter reading implementation, smart water, billing systems, and rate studies. Prior to employment with the Water Authority, Mr. Warren was the local operations manager for a company that owns and operates more than 130 regulated water and wastewater systems in nine states.

Charles S. Leder, P.E., Plant Division Manager. Mr. Leder has held the Division Manager position since July of 2012 after serving as a Principal Engineer for Plant Operations since March 2010. He has over 42 years of experience in planning, design, construction, and operations of water and wastewater facilities. Mr. Leder has a B.S. from the Johns Hopkins University, and an M.S. in Sanitary Engineering from the Georgia Institute of Technology.

David J. Price, P.E., Planning & Engineering Division Manager. Mr. Price has been in his current position since April 2010. Prior, he was the Chief Engineer for the Plant Division – Drinking Water. Before joining the Water Authority, Mr. Price spent 19 years as a consulting engineer with a focus on the evaluation and design of drinking water systems. He has a B.A. in Political Science from the University of Pennsylvania, a B.S. in Civil Engineering from the University of Arizona, and a M.S. in Environmental Engineering also from the University of Arizona.

Cody R. Stinson, Chief Information Officer. Mr. Stinson has a Bachelor's Degree from the University of New Mexico in Management of Information Systems, and a M.B.A. from the University of New Mexico in Management of Technology. Mr. Stinson also has over 19 years of Information Technology experience, including work for the New Mexico State Judiciary, and as Deputy Chief Information Officer for the County. Mr. Stinson has managed several large implementations, including the Video Arraignment Process for the Bernalillo County Metropolitan Court, and the County's procurement and implementation of SAP, which is an Enterprise Resource Planning Application.

Peter Auh, General Counsel. Mr. Auh has been with the Water Authority since December 27, 2016. He obtained his law degree from the University of Iowa College of Law in 1987, and was admitted to the State Bar in 1988. His legal career began with 16 years in private practice, first with a law firm and then as a solo practitioner. Mr. Auh entered the public sector in 2002, as an assistant city attorney with the City's litigation section before joining the County Attorney's office where he served as the deputy County attorney. In 2014, Mr. Auh joined the New Mexico Attorney General's Office as the deputy attorney general in charge of four civil divisions. Immediately prior to becoming General Counsel for the Water Authority, Mr. Auh held the position of Senior Litigation Attorney with the New Mexico Association of Counties. In his 30 years of legal practice, Mr. Auh has gained experience in a wide variety of matters that are of regular concern to public bodies, including procurement, sunshine laws, personnel and labor issues, administrative law, torts and civil rights, eminent domain, land use, easements and rights of way acquisition and the drafting of ordinances and resolutions.

Mark P. Kelly, P.E., Compliance Manager. Mr. Kelly has been in his current position since December 2014. Previous to his current position, he was the Industrial Pretreatment Engineer. Mr. Kelly has 14 years of engineering experience in water and wastewater system design, as well as landfill design. He has a B.S. in Environmental Engineering from the New Mexico Institute of Mining and Technology.

Katherine M. Yuhas, Water Resources Manager. Ms. Yuhas has been in her current position since 2016. Prior to that she served as the Water Authority's Water Conservation Officer from 2003-2016. Ms. Yuhas has 23 years of experience working in water resources management in New Mexico. She holds a B.S. in Geology/Environmental Science from the University of Pennsylvania.

Administrative Services

The City provides certain services to the Authority pursuant to a Memorandum of Understanding ("MOU"), dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis.

Since July 1, 2013, the operations of the Authority are largely autonomous from the City and County. This MOU confirmed a significantly altered business relationship between the two parties. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority's group insurance program, and 2) administration of the joint OPEB trust established during fiscal year 2014. In addition, the City leases space of City owned buildings to the Water Authority. A portion of the Bond proceeds will be utilized to continue to expand the Water Authority's independence from the City.

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FINANCIAL INFORMATION

Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years Ended June 30, 2015-2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Current Assets					
Cash and investments	\$172,814,612	\$148,814,465	\$125,990,458	\$101,195,934	\$68,886,433
Cash held for debt service	0	0	0	0	0
Accounts receivable	18,282,892	19,518,630	19,607,343	18,981,742	14,678,230
Due from other governments	183,575	422,691	1,295	447,969	932,227
Prepaid assets	66,263	27,705	57,380	0	0
Notes receivable	872,650	741,487	715,219	740,459	790,870
Total Current Assets	192,219,992	169,542,978	146,371,695	121,366,104	85,287,760
Noncurrent Assets					
Long-term receivables	5,004,280	4,863,339	4,174,174	3,958,777	3,754,006
Restricted Assets					
Cash and investments	47,168,017	9,451,333	56,956,621	46,529,971	77,114,772
Post-Employment life insurance benefit trust	0	0	0	0	798,900
Total Restricted Assets	52,172,297	14,314,672	61,130,795	50,488,748	81,667,678
Capital Assets, net of accumulated depreciation					
Buildings and other improvements	1,055,575,339	1,069,080,592	1,075,561,839	1,099,794,736	1,094,473,803
Purchased water rights	49,251,368	49,251,368	49,251,368	48,862,906	48,240,385
Land	25,265,606	25,204,444	25,170,378	25,170,378	25,724,125
Machinery and equipment	13,850,563	12,168,692	9,684,964	9,680,793	3,754,006
Construction work in progress	23,607,887	32,261,354	22,764,278	3,791,893	42,578,965
Total Capital Assets	1,167,550,763	1,187,966,450	1,182,432,827	1,187,300,706	1,220,391,650
Capitalized bond issuance costs	0	0	0	0	0
Total Noncurrent Assets	1,219,723,060	1,202,281,122	1,243,563,622	1,237,789,454	1,302,059,328
TOTAL ASSETS	1,411,943,052	1,371,806,100	1,389,935,317	1,359,155,558	1,387,347,088
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	848,944	851,337	681,245		
Deferred amounts related to pensions	14,974,502	12,103,929	20,395,732	3,020,719	6,425,778
Deferred amounts on refunding	17,196,455	20,142,951	23,089,446	23,114,769	25,878,691
Total deferred outflows of resources	33,019,901	33,098,217	44,166,423	26,135,488	32,304,469
LIABILITIES					
Current Liabilities					
Accounts payable	16,679,973	14,242,259	15,530,540	12,910,228	10,500,449
Accrued payroll	1,834,689	1,663,520	1,495,559	2,582,062	2,129,109
Claims payable, current portion	1,690,735	1,411,264	671,543	993,586	563,865
Accrued compensated absences	3,887,137	3,955,443	3,569,503	3,019,584	2,663,822
Deposits	877,364	818,630	766,608	687,857	727,676
Construction contracts payable	0	0	0	0	0
Current portion debt obligation bonds	51,335,000	49,210,000	37,930,000	37,265,000	35,530,000
Loan agreements/lines of credit	4,692,256	4,481,483	4,285,917	9,710,054	8,508,529
Water rights contract	1,242,757	1,206,021	1,170,372	1,135,776	1,102,203
Accrued interest payable	0	0	0	0	0
Accrued interest for debt obligations	13,181,001	11,894,018	12,726,908	13,278,888	12,568,850
Total Current Liabilities	95,420,912	88,882,638	78,146,950	81,583,035	74,294,503
Noncurrent Liabilities					
Debt obligations					
Bonds net premium/discounts	571,510,789	549,231,176	609,982,924	584,931,928	634,147,215
Loan agreements/line of credit	32,279,020	37,053,284	41,934,953	48,078,533	58,704,590
Water rights contract	3,960,039	5,202,796	6,408,817	7,579,189	8,714,965
Unamortized premium	0	0	0	0	0
Total Debt Obligations	607,749,848	591,487,256	658,326,694	640,589,650	701,566,770
Other Noncurrent Liabilities					
Claims payable, net of current position	1,913,763	2,078,628	2,280,290	1,429,794	1,188,165
Net pension liability	59,487,543	51,278,088	59,008,103	38,165,167	29,351,538 ⁽¹⁾
Net post-employment benefit obligation liability	34,650,853	36,642,124	3,899,545	389,848	415,763
Accrued compensated absences	96,159	140,834	176,298	367,674	889,528
Total Other Noncurrent Liabilities	96,148,318	90,139,674	105,364,236	40,352,483	31,844,994
Total Noncurrent Liabilities	703,898,166	681,626,930	763,690,930	680,942,133	733,706,267
TOTAL LIABILITIES	799,319,078	770,509,568	841,837,880	762,525,168	807,706,267
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	9,331,810	8,204,942			
Deferred amounts related to pensions		3,483,273	1,089,646	1,095,992	11,502,989
	2,060,504				
NET POSITION					
Net investment in capital assets	567,522,830	571,387,320	560,765,911	568,244,966	576,677,611
Unrestricted	66,728,731	51,319,214	30,408,303	53,424,920	23,764,690
TOTAL NET POSITION	\$634,251,561	\$622,706,534	\$591,174,214	\$621,669,886	\$600,442,301

⁽¹⁾ Due to the Water Authority's adoption of GASB Statement No. 68 *Accounting and Reporting Pensions*, which was amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during Fiscal Year 2015.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

The following table shows the historical revenues and expenditures for the System for Fiscal Years ended June 30, 2015-2019:

Revenues and Expenditures

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues					
Charges for services	<u>\$219,984,311</u>	<u>\$226,396,492</u>	<u>\$215,193,982</u>	<u>\$210,056,776</u>	<u>\$192,311,627</u>
Operating Expenses					
General and administrative	66,274,400	64,227,419	63,307,749	59,910,588	61,106,551
Source of supply, pumping, treating, distr.	49,507,156	48,470,479	48,017,762	46,986,703	46,524,899
Non-capitalized major repair	13,012,052	7,784,840	5,795,924	4,285,103	6,428,665
Depreciation	84,319,801	82,630,526	81,648,334	80,357,265	83,094,979
Total Expenses	<u>213,113,409</u>	<u>203,113,264</u>	<u>198,769,769</u>	<u>191,539,659</u>	<u>197,155,094</u>
Operating Income/Loss	<u>6,870,902</u>	<u>23,283,228</u>	<u>16,424,213</u>	<u>18,517,117</u>	<u>(4,843,467)</u>
Non-operating revenues (expenses)					
Interest on investments	3,050,647	831,945	86,073	155,431	44,453
Interest expense	(20,068,297)	(18,294,865)	(18,448,939)	(18,034,371)	(19,856,948)
Utility expansion charges	7,322,600	10,049,597	8,545,978	9,256,938	7,541,201
Debt issuance costs	(629,086)	-	(710,270)	-	(2,272,566)
Lease of stored water	1,845,393	78,537	1,181,658	1,615,215	99,627
Other revenues	<u>3,007,604</u>	<u>2,583,477</u>	<u>1,735,797</u>	<u>4,212,925</u>	<u>2,057,745</u>
Total non-operating income	<u>(5,741,139)</u>	<u>(4,751,309)</u>	<u>(7,609,703)</u>	<u>(2,793,862)</u>	<u>(12,386,488)</u>
Income (loss) before contributions	1,399,763	18,531,919	8,814,510	15,723,255	(17,229,955)
Capital contributions	<u>10,145,264</u>	<u>13,000,401</u>	<u>3,522,244</u>	<u>5,504,330</u>	<u>7,347,569</u>
Change in Net Position	11,545,027	31,532,320	12,336,754	21,227,585	(9,882,386)
Net Position July 1, as restated	<u>622,706,534⁽¹⁾</u>	<u>591,174,214</u>	<u>578,837,460⁽²⁾</u>	<u>600,442,301</u>	<u>610,324,687⁽³⁾</u>
Net Position June 30	<u>\$634,251,561</u>	<u>\$622,706,534</u>	<u>\$591,174,214</u>	<u>\$621,669,886</u>	<u>\$600,442,301</u>

(1) Net position as of July 1, 2018 was restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2018 balances.

(2) Net position as of July 1, 2016 was restated to conform to GASB No. 75, reflecting an adjustment to record the Water Authority's net other post-employment liability.

(3) Net position as of July 1, 2015 was restated to conform to GASB No. 68, reflecting an adjustment to record the Water Authority's net pension liability.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

Operating Revenue

The following table outlines the Water Authority’s revenue from water and wastewater charges and other operating revenue as measured in the Statement of Revenues, Expenses and Change in Net Position for the past five years.

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUE

<u>Fiscal Year</u>	<u>Revenue from Water Charges</u>		<u>Revenue Wastewater Charges</u>	<u>Other Operating Revenue⁽³⁾</u>	<u>Total Operating Revenue</u>
	<u>For General Operations⁽¹⁾</u>	<u>For WRMS⁽²⁾</u>			
2015	\$89,768,328	\$29,939,349	\$64,171,110	\$1,323,000	\$185,201,787
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2018	148,315,450	-	76,253,042	1,828,000	226,396,492
2019	141,267,719	-	76,848,592	1,868,000	219,984,311

(1) The General Operations revenues are excluding franchise fees as revenue for the Water Authority. Franchise fees are a pass-through, and therefore should not be included as revenue for the Water Authority.

(2) These revenues are attributable to rate increases adopted to finance capital costs and operating expenses to implement the WRMS. In Fiscal Year 2016, the WRMS revenues were combined with General Operations revenues as part of the new rate ordinance structure.

(3) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

Utility Expansion Charges

In order to fund expanded capacity needs of the System, all new customers are charged one-time utility expansion charges (“UECs”) for water and wastewater services. The charges are calculated by analyzing the average forecast of new customers over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. The Development Fees Act, NMSA 1978 Sections 5-8-1 through 5-8-42, as amended from time to time, authorizes the imposition of utility expansion charges and provides for a method of calculation of such charges which is consistent with historical calculations by the Water Authority and the City. Under the Development Fees Act, the Water Authority is required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed method, applicable to any impact fee imposed on or after July 1, 1995.

The current UECs have been reviewed and updated as contemplated under the Development Fees Act. The determination of water and wastewater UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed, as part of an approved 10-year plan. When UECs are charged to new customers, the charge is apportioned to reflect the capacity that customer is requesting, depending on the size of service. Larger sized service installations have greater use capacity needs, and thus a greater proportion of the UEC cost basis is allocated to that service size.

The Water Authority may adjust the UECs annually by the Engineering News Records (“ENR”) indexes. These cost indices are the building cost or construction cost indices (“BCI” and “CCI”) per the ENR. The ENR tracks changes in building and construction costs (the difference between the levels of labor costs; the CCI being more heavily weighted on labor costs) for a 20-city average. These indices are commonly used to estimate the replacement costs of utility infrastructure. The Water Authority’s rate consultant recommends the comparison of the CCI and BCI as the best approach to apply to UECs and the water supply charge discussed herein.

The following table sets forth the current water and wastewater utility expansion charges.

CURRENT UTILITY EXPANSION CHARGES

<u>Meter Size</u>	<u>Water Charge</u>	<u>Wastewater Charge</u>
¾”	\$3,333	\$2,500
1”	5,555	4,166
1 ½”	11,109	8,333
2”	17,780	13,331
3”	35,551	26,727
4”	55,549	42,716
6”	111,103	85,438
8” & over	177,762	133,316

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

During Fiscal Years 2015 through 2019, the following revenue from the collection of UECs was received.

REVENUE FROM UTILITY EXPANSION CHARGES

<u>Fiscal Year</u>	<u>Total UEC Revenues</u>
2015	\$7,541,201
2016	9,256,938
2017	8,545,978
2018	10,049,597
2019	7,322,600

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

Water Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the Water Authority. Revenues generated from the expansion of the System must be sufficient to support the costs of water and wastewater facilities and the related infrastructure. The facilities constructed must meet the level of service standards agreed upon between the developer and the Water Authority in the applicable development agreement. Increased revenues should correlate to the additional operational and maintenance expenses for the System expansion. The developer bears the risk and expense for any revenue shortfall related to the System expansion.

Water Resource Charge

The Water Resource Charge (“WRC”) is assessed by the Water Authority at the time of meter sale or application for service to any new water customer requesting connection to the System in an area not located within the Water Authority’s service area requiring a development agreement. The proceeds from this charge are dedicated and restricted to the development of new water resources, rights or supplies to serve the beneficiary new customers outside of the service area consistent with the Water Authority’s Regional Water Plan and WRMS and other guiding principles adopted by the Water Authority. The amount of the WRC is adjusted annually by BCI or CCI as published by ENR. The WRC does not apply to non-potable water service. The Water Authority’s rate consultant has reviewed the methodology used in the calculation in developing the WRC and has agreed to its development and it is one that is widely applied in the industry. The WRC will have an eight-year phase-in, beginning in Fiscal Year 2020.

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The following table sets forth the current water resource charges.

CURRENT WATER RESOURCE CHARGES – YEAR ONE PHASE-IN

<u>Meter Size</u>	<u>Water Resource Charge</u>
¾”	\$2,085
1”	3,474
1 ½”	6,949
2”	11,118
3”	24,321
4”	41,694
6”	93,811
8” & over	111,183

Source: Albuquerque Bernalillo County Water Utility Authority

Rate Stabilization Fund

The Rate Stabilization Fund reserves water and wastewater revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The funding cap for the Rate Stabilization Fund is \$9 million; which is the current balance for Fiscal Year 2020. Consistent with the Rate Stabilization Fund’s intended use, the Water Authority withdrew \$4 million of available funds in Fiscal Year 2013 due to declining revenues. Any expenditure from this Rate Stabilization Fund requires an appropriation approved by the Water Authority Board.

Additional Charges

The following variable charges are in effect for all accounts to which the specific criteria for each charge apply.

Water Commodity Charge: Water usage metered or estimated is at a rate of \$2.018 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. The surcharge amount added for each unit exceeding 200% of the customer’s individual winter average water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit. A second tier surcharge for each unit exceeding 300% of the customer’s individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable WRC per unit. A third tier surcharge for each unit exceeding 400% of the customer’s individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit.

Wastewater Commodity Charge: All wastewater discharged is charged at a rate of \$1.394 per unit for residential, commercial, industrial and institutional customers and \$0.727 per unit for wholesale customers based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

The Water Authority continues to keep water and wastewater rates at a competitive level. Based on results for the 2019 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the American Water Works Association (“AWWA”), the Authority was ranked at or below average for water and wastewater rates, based upon a usage of 7,480 gallons for water and 7,480 gallons for wastewater.

Water/Wastewater Billing and Collections

The Water Authority imposes all rates and charges through a water and wastewater rate ordinance (the “Rate Ordinance”). Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property for which the Water Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The Water Authority performs all meter reading services in connection with the System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. A penalty of 1.5% per month may be imposed on any delinquent account. The Water Authority may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer’s utility statement.

The Water Authority has made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has historically averaged 2.49% and is currently at 1.14%.

Rates and Charges of the System

The Water Authority has mandated that the operation and maintenance of the System be self-sustaining. Consistent with this mandate, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and wastewater services. Ordinances authorizing issuance of System obligations prohibit Net Revenues of the System from being transferred to other funds, and require Net Revenues to be used for lawful System purposes including redemption of System obligations or paying costs and expenses relating to administration of System obligations.

The capital and operating budgets for the System are submitted by the Executive Director to the Board by April of each year for the fiscal year which begins July 1. The Board considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than May of each year.

The Federal Water Pollution Control Act Amendments of 1974 (the “Amendments”) have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation’s waters. As a result, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the Water Authority receives federal grant funds through the EPA, the requirements under the Amendments must be met. Accordingly, the Water Authority has incorporated the following items into the wastewater rate structure:

- (i) Costs benefiting both water and wastewater operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and wastewater service.
- (ii) Budgeted wastewater categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for wastewater rate-making purposes.
- (iii) A “high-strength sewage treatment surcharge” is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges . . . Customers pay fixed rates for water and wastewater services as well as additional charges which vary depending on the volume of water used or discharged. These fixed rates are designed to cover, at a minimum, customer service costs and all debt service costs. The rate structure is designed to ensure that debt service costs are covered, regardless of changes in conditions such as drought or the continued success of the Water Authority’s water conservation efforts. Residential customers pay fixed water rates (depending on service size) between \$9.79 and \$1,863.70, while commercial customers pay between \$10.26 and \$1,933.16. For wastewater

service, residential customers pay a fixed wastewater rate (depending on service size) between \$2.99 and \$333.41, while commercial customers pay between \$3.70 and \$423.55.

Increases to Rates and Charges . . . The Water Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2012-2019 as described below due to a decrease in consumption levels.

**IMPLEMENTED AND APPROVED
INCREASES IN RATES AND CHARGES**

<u>Fiscal Year</u>	% Increase		
	<u>General Operations</u>	<u>WRMS</u>	<u>Franchise Fee</u>
2012	5	5	0
2013	0	0	0
2014	5	0	0
2015	5	0	0
2016	5	0	0
2017	0	0	0
2018	5	0	0
2019	0	0	0

Source: Albuquerque Bernalillo County Water Utility Authority.

CUSTOMER INFORMATION

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2015 through 2019.

<u>Meter Size</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
¾"	184,743	185,894	182,232	183,398	184,464
1" and 1 ¼"	17,447	17,392	17,796	17,975	17,843
1 ½"	2,269	2,300	2,381	2,467	2,522
2"	2,349	2,386	2,509	2,575	2,713
3"	575	590	603	606	626
4"	276	278	282	284	287
6"	63	64	68	66	66
8" and over	40	41	42	43	43
Non-metered	-	-	4,302	4,485	4,527
Total	<u>207,762</u>	<u>208,945</u>	<u>210,215</u>	<u>211,899</u>	<u>213,091</u>

Source: Albuquerque Bernalillo County Water Utility Authority.

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HISTORY OF WATER USERS BY CLASS

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential	186,461	187,479	181,814	183,018 7,851	183,942 7,876
Multi-Family	7,115	7,268	7,801		
Commercial	11,923	11,901	11,913	12,023	12,100
Institutional	2,150	2,187	3,650	3,680	3,701
Industrial	113	110	119	122	121
Other Meter	-	-	616	720	824
Solid Waste					
Only	-	-	1,362	1,365	1,392
Non-meter	-	-	2,940	3,120	3,135
Total	<u>207,762</u>	<u>208,945</u>	<u>210,215</u>	<u>211,899</u>	<u>213,091</u>

Source: Albuquerque Bernalillo County Water Utility Authority.

According to the Water Authority's records for Fiscal Year 2019, the top ten retail customers of the System, in the aggregate, accounted for no more than 11.56% of the total billed consumption for the Water System, 10.77% of the total revenue of the Water System, 15.09% of the total billed consumption for the Wastewater System and 6.86% of the total revenue of the Wastewater System. During Fiscal Year 2019, 50.86% of billed water consumption was residential, while 16.09% was classified as commercial. The balance consisted of multi-family users consuming 17.42% institutional users consuming 5.86%, industrial users at 1.44% and special contracts and hydrants meters at 8.33%.

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**SELECTED WATER/WASTEWATER SYSTEM STATISTICS
(CALENDAR YEAR)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Estimated Population (Service Area)	658,238	670,779	676,298	680,946	683,207
Number of Meters Billed	208,200	208,140	206,606	207,858	209,029
Estimated Persons Per Meter	3.16	3.22	3.27	3.28	3.27
Annual Pumpage (1,000 Gallons)	29,498,000	30,720,000	30,895,000	30,139,000	29,392,000
Annual Water Billed (1,000 Gallons)	27,195,260	28,250,591	28,357,626	27,696,655	27,073,469
Average Daily Pumpage (Gallons)	80,816,438	84,164,384	84,357,626	82,572,603	80,526,027
Peak Day Pumpage (Gallons)	146,000,000	159,000,000	150,600,000	147,000,000	147,000,000
Average Daily Production Per Meter (Gallons)	388	404	410	397	285
Well Pumping Capacity (per 24 Hour Period)	184,000,000	178,000,000	176,000,000	176,000,000	176,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Fire Hydrants	15,572	15,646	15,731	15,853	15,948
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines ⁽¹⁾					
-Water	2,721	2,729	2,739	2,756	2,767
-Wastewater	1,900	1,904	1,908	1,914	1,920
Surface Water	37	37	37	38	38

⁽¹⁾ Estimated.

Source: Albuquerque Bernalillo County Water Utility Authority

Financial Management

Financial Policies . . . The Water Authority has implemented various financial policies to facilitate its performance based budgeting process which requires balanced budgets. The Water Authority expects to spend approximately \$58 million in Fiscal Year 2020, and increase \$3 million annually, for System rehabilitation with basic system capital needs being funded, on average, by at least 50% cash and grants and the remaining 50% to be funded with bond or loan proceeds. The Water Authority's policy with respect to debt issuance is to seek target coverage of 150% of debt service on all lien levels for current and future years with the debt service coverage being monitored at the end of each quarter. Bonds issued to finance basic capital needs will not exceed a final maturity of 12 years. Pursuant to the Water Authority's "no net expense" System expansion policy, infrastructure for new development within or outside the System's service area will not be funded from the System's existing customer base. The Water Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

Budget Process . . . The Water Authority operates on a fiscal year basis, from July 1 through June 30. The Board adopted a Budget Ordinance on December 8, 2004 that provides for the formulation and approval of the Water Authority's annual operating and capital budgets. The Budget Ordinance requires the establishment of five-year goals and one-year objectives to guide the budget process. The goals and objectives provide the framework for the delivery of services, implementation of planned capital improvements, promoting active citizenship participation and measuring performance. The operating budget is prepared on an accrual basis of accounting. The Executive Director formulates the operating budget to be consistent with the goals and objectives as established and approved by the Board. Operating and capital budgets are submitted by the Executive Director to the Board at the April meeting each year and, following at least two public hearings, must be approved or amended and approved before or at the May meeting each year.

The annual operating and capital budgets determine the Water Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The Water Authority's Chief Financial Officer and staff are responsible for monitoring and controlling operation and project expenditures to ensure that budgeted appropriations are not exceeded. Financial status reports are presented to the Board quarterly. Budget amendments during or after the end of the fiscal year require approval by the Board, except that the Executive Director has authority to transfer or change line-item expenditures within the operating budget up to 5% or \$100,000, cumulatively, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the Water Authority's budget.

The Executive Director develops the CIP which consists of a ten-year plan of capital expenditures, including a detailed yearly CIP budget which is submitted to the Board in accordance with the Budget Ordinance. Development of the CIP plan is based on information collected and analyzed on the Water Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the Water Authority's short- and long-term financial needs and reflected in the CIP plan and operating budget. The budget amounts of the capital project funds are individual project budgets authorized by the Board for the entire length of the project which are not necessarily the same as the Water Authority's fiscal year. The Executive Director may transfer funding up to 10% of an existing capital project as approved by the Board, provided the change does not significantly alter the project's scope. The Budget Ordinance also sets forth requirements for Board review and approval of applications or proposals for State and federal grants.

Approved Fiscal Year 2020 Budget . . . The approved Fiscal Year 2020 budget is the Water Authority's financial plan for Fiscal Year 2020. The development of this financial plan has been guided by the Water Authority's Ten-year Financial Plan, Five-Year Goals, One-year Objectives, Performance Plan and the Guiding Principles. In the development of the approved budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources, and is balanced, fiscally conservative and sound.

Revenue for Fiscal Year 2020 is estimated to be \$231.3 million, representing an increase of \$5.5 million from the revised budgeted Fiscal Year 2019 amount. The appropriation for Fiscal Year 2020 for CIP is \$68.3 million. \$58.0 million is appropriated for the level one priority basic capital programs, \$4.0 million for growth related projects, \$6.0 million is appropriated for special projects and \$0.3 million for Water 2120 projects. The \$6.0 million for special projects is comprised of \$2.0 million for the Automated Meter Infrastructure, \$1.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, and \$2.6 million for various identified projects.

The Fiscal Year 2020 Budget represents a financial plan to provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address the Water Authority's priorities for Fiscal Year 2020 to improve services and gain operating efficiencies.

The Fiscal Year 2020 Budget includes nonrecurring funding for an employee incentive program. This program will reward employees for cost savings as a result of a decrease in work-related losses. Funding for this program is contingent on the Water Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Water Authority's Workers Compensation expense in the last three fiscal years.

In the preparation of the Fiscal Year 2020 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. There is an increase of one full-time equivalent position for Fiscal Year 2020. Personnel expenses include a 2.0% step increase in wages and a 12% increase in health benefit costs. The most significant expense of the Water Authority continues to be debt service payments which will comprise 34.3% of the total operating expense in Fiscal Year 2020.

For Fiscal Year 2020 revenues are expected to be equal to expenses. This will bring the Working Capital or Fund Balance to \$39.9 million at June 30, 2020. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenditures as defined by the Rate Ordinance. For Fiscal Year 2020, the Rate Stabilization Fund is \$9.0 million.

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

The Water Authority's capital program is comprised of categories of projects, each with its own funding rules. The Basic Capital Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Capital Program but are funded from the same revenue stream that funds the Basic Capital Program. Since the Basic Capital Program is the first in line to get this revenue, the size and scope of these special projects depend upon the availability of resources. "Dedicated Revenue" projects have a revenue element in the rate structure dedicated for that specific purpose and accordingly, their size and scope are dependent upon the revenue stream generated. The Water Authority has increased in recent years its utilization of State and federal grants to fund some capital projects in whole or in part.

Basic Capital Program needs are incorporated into the water/wastewater rate structure. The Rate Ordinance requires that Basic Capital Program needs are funded, on average, by 50% from cash, with the balance of capital funding obtained through debt financing. The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Capital Program. System growth projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a developer agreement, or by direct appropriation to Water Authority capital projects. UEC revenue is considered cash for purposes of meeting the 50% test.

Decade Plan . . . The current Decade Plan, Fiscal Year 2020 – Fiscal Year 2029, is designed to focus on meeting the basic utility needs for water and wastewater assets, balancing growth and rehabilitation, and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and System reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at a targeted \$70 to \$84 million per year level of rehabilitation investment starting in Fiscal Year 2020 as outlined below.

The development of this Decade Plan continued the use of risk analysis techniques combined with an asset management strategy to determine where the Water Authority's capital resources should be expended in order to maximize the benefit to rate payers. The Water Authority's asset management plan is intended to provide a business

model for managing infrastructure assets to minimize the total costs of owning and operating them at an acceptable level of risk. Ratepayers’ investment in the infrastructure is maximized as a result. The adopted Decade Plan represented the funding decisions made by a broad array of staff and managers throughout the Water Authority. Project prioritization resulted from discussions within the Water Authority and with outside consultants engaged to assist the Water Authority in charting a path for its Basic Capital Program.

The internal assessment of the condition of the Water Authority’s infrastructure and future system needs as well as changes in the external environment in which the Water Authority operates will necessarily lead to changes in revenue allocation over time.

Asset Management Plan . . . The Water Authority’s asset management program is an extensive business model that helps utility managers make better acquisition, operations and maintenance, renewal, and replacement decisions. The principles of asset management were developed to address the critical problem of aging public infrastructure and changing utility business environment. In Fiscal Year 2019, the Water Authority upgraded its Maximo® Enterprise Asset Management System/Computerized Maintenance Management System and integrated mobile work order technology to improve the accuracy of the asset data.

The Water Authority anticipates \$780 million in capital needs through Fiscal Year 2029.

CAPITAL NEEDS*

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>Total</u>	<u>%</u>
Capital Needs	\$70,300	\$70,350	\$71,650	\$74,650	\$77,650	\$80,650	\$83,650	\$83,650	\$83,650	\$83,650	\$779,850	100%
Bond Proceeds	\$28,000	\$28,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$272,000	35%
Difference Funded with Cash	\$42,300	\$42,350	\$44,650	\$47,650	\$50,650	\$53,650	\$56,650	\$56,650	\$56,650	\$56,650	\$507,850	65%

* Projections are subject to change. Amounts indicated are rounded.
Source: Albuquerque Bernalillo County Water Utility Authority.

The basic growth program has shifted in focus from placing new pipe in the ground to achieving performance improvement goals and meeting mandated standards. The discretionary spending in the Fiscal Year 2020 growth program budget continues initiatives in information technology support for the operating divisions. The remainder of the growth program is primarily non-discretionary and includes funding for the low-income connection program managed by the County and repayment to developers as connections are made to the System.

In addition to seeking improvements in efficiency and effectiveness through its AMP, the Water Authority utilizes the American Water Works Association’s (“AWWA”) Benchmarking Performance Indicators Survey (“Survey”) in developing its performance plan. The Survey provides utilities an opportunity to collect and track data from already identified and tested performance measures, based on the same collection process and definitions. The most recent Survey data was compiled in 2018 by AWWA from 157 different utilities. The performance plan uses the survey data as a basis for its performance measures to track the Water Authority’s performance with that of other utilities and to provide guidance in the one-year objectives and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented in the Water Authority.

Successes and Benchmarks. . . The utility’s success can be measured in a number of different ways. One of these is recognition by industry peers and professional organizations. In Fiscal Year 2019 this recognition included:

- 2020 National Association of Clean Water Agencies (NACWA) Environmental Achievement Award for Watershed Collaboration 2019 NACWA Utility of the Future (UOTF) Award
- 2019 NACWA Excellence in Management – Gold Award
- 2019 NACWA Peak Performance – Silver Award
- 2019 Partnership for Safe Water Treatment – Director’s Award
- 2019 Partnership for Safe Water Distribution – Director’s Award
- 2019 Partnership for Clean Water Treatment – Director’s Award
- 2018 AMWA Platinum Award for Utility Excellence
- Receipt of a triple-A bond rating from Standard & Poors (S&P).
- FY19 Government Finance Officers Association (“GFOA”) Distinguished Budget Presentation Award.
- FY18 GFOA Certificate of Achievement for Excellence in Financial Reporting (both Popular and Comprehensive).

Other achievements in the preceding fiscal year include the earmarking of additional funds to continue a project to extend municipal water services to the historic South Valley neighborhood of Los Padillas, the installation of 12,000 additional automated meters, and the installation of carbon filters at lift stations to address odor concerns. Additionally, the extensive multi-year, \$250 million refurbishment of the Southside Water Reclamation Plant continued on schedule.

Looking forward, the Water Authority must continue to spend \$76 million (2010 dollars) per year in 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 scheduled to increase by \$3 million per year, an effort that started in Fiscal Year 2015.

Other Projects . . . The operational cornerstone of the Water 2120 is the San Juan-Chama Drinking Water Project, which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After almost ten years of operation, the San Juan-Chama Drinking Water Project – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey.

The San Juan-Chama Drinking Water Project provided about 67% of all water distributed to Water Authority customers in calendar year 2019. The Water Authority’s goal is to have the San Juan-Chama Drinking Water Project supply 70-75% of all customer demand in the future. Flow conditions in the Rio Grande may limit the ability to fully realize this goal on a consistent basis.

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 Division – Distribution Section and NWSA work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (work order and asset management) and Customer Care & Billing 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 is used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives.

INVESTMENT POLICIES AND PROCEDURES

The Water Authority’s funds are invested by the Water Authority’s Chief Financial Officer pursuant to the Water Authority’s Investment Policy (the “Investment Policy”). According to the Investment Policy, all the investments

should be made in accordance with the “Prudent Person” rule (all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived) and on the basis of competitive bids and/or offers. The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Finally, diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

The Investment Policy seeks to balance four primary objectives:

- Maximize investment returns while minimizing risk;
- Maintain a level of liquidity to ensure that unanticipated cash needs are met;
- Allow for diversification of the Water Authority’s portfolio; and
- Recognize the impact of the Water Authority’s investment program on the local economy.

The Investment Policy permits the Water Authority to invest in (a) U.S. Treasury obligations; (b) U.S. Government agency and instrumentality obligations; (c) bonds or negotiable securities of the State or of any county, municipality, or school district within the State which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five years last preceding; (d) time deposits in banks and savings and loan associations; (e) interest bearing checking accounts in banks and savings and loan associations; (f) passbook savings accounts; (g) banker’s acceptances; (h) SEC Rule 2a-7 money market funds whose portfolios consist of the foregoing securities; and (i) the Local Government Investment Pool pursuant to Section 6-10-10.1, NMSA 1978.

OTHER POST-EMPLOYMENT BENEFITS

Public Employees Retirement Association

The Water Authority participates in a pension plan organized on a statewide basis and operated by the State. The Public Employees’ Retirement Association of New Mexico (“PERA”), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the “Plan”), computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in the State participate in the Plan. The Water Authority’s liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The Water Authority has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan. However, on June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved Statement No. 68, as subsequently amended by GASB Statement No. 71, which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the Water Authority, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. As of June 30, 2019, the Water Authority reported a net pension liability of \$59,487,543 for its proportionate share of the net pension liability. See “Detailed Notes (E) – Defined Benefit Pension Plan – Public Employees Retirement Association” in APPENDIX A hereto. For the year ended June 30, 2017, the Water Authority implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

As required by State law, eligible employees are required to contribute between 13.15% and 14.65% of their gross salary, depending on the specific plan type. The Water Authority is required to contribute 9.55% of the gross covered salary. The Water Authority has elected to pay a percentage of the employee’s contributions. The contribution requirements of plan members and the Water Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the State Legislature. The Water Authority’s employer

contribution to PERA for the fiscal years ended June 30, 2019, 2018 and 2017 were \$3,237,258, \$3,190,941 and \$3,129,931, respectively, which equal the amount of the required contributions for each fiscal year. The Water Authority’s total paid contributions for fiscal year ended June 30, 2019 were \$6,833,819.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at www.pera.state.nm.us.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2019 (in thousands)**

Membership ⁽¹⁾	108,233
Actuarial Information	
Accrued Liability ⁽²⁾	\$22,162,998
Actuarial Value of Assets ⁽³⁾	\$15,500,331
Unfunded Actuarial Accrued Liability (“UAAL”)	\$6,662,668

(1) Includes both state and municipal divisions.

(2) Includes accrued liability of both the retired and active members.

(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25% annual return.

As of June 30, 2019, PERA has an amortization or funding period of infinite years, based on the employer and member contribution rates in effect as of July 1, 2019. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 69.9% as of June 30, 2019 and the UAAL of the PERA Fund increased \$602 million to approximately \$3.7 billion. The State’s portion of the UAAL of the PERA Fund is 53.1%, or \$2.7 billion. On a market value basis, PERA’s funded ratio is approximately 73.1% as of June 30, 2017.

On February 18, 2019, New Mexico Governor Michelle Lujan Grisham established a nineteen member solvency task force to provide recommendations to address PERA’s unfunded liability. On August 29, 2019, the solvency task force provided multiple recommendations to the Governor that, if implemented, may eliminate PERA’s unfunded liability within 25 years. It is anticipated that the New Mexico Legislature will consider the solvency task force recommendations during the 2020 legislative session. A copy of the solvency task force report can be found at nmpera.org.

Defined Contribution Retirement Plan

The Water Authority approved a Declaration of Trust for a 401(a) qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees in 2004. Under this defined contribution plan, an employee’s eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory and only a small number of Water Authority employees participate in the plan. Under the plan the employer contributes 19.01% of earnings for full-time employees and 7% for part-time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute a specified percentage of the employee’s salary. Total Water Authority contributions to the plan were \$398,151 in Fiscal Year 2019.

New Mexico Retiree Health Care Authority

Water Authority employees are provided, through the New Mexico Retiree Health Care Fund (the Fund), a cost-sharing multiple-employer defined benefit plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, to administer the Fund. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. The Fund provides eligible retirees (including terminated

employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority were \$677,725 for the year ended June 30, 2019 equal to its required contributions for the year.

The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Healthcare Authority at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107 or at www.nmrhca.state.nm.us/Pages/audit-reports.aspx.

Life Insurance Benefits

The Water Authority, as of the fiscal year ended June 30, 2019, participated in the City's Life Insurance Benefit Plan (the "City Plan"). The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Water Authority. Upon retirement, an eligible Water Authority employee will continue to be covered by the City Plan at no cost to the employee. Employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. New employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount. The number of Water Authority retired employees covered under the City Plan at June 30, 2019 was 203. The number of active employees at June 30, 2019 was 448.

In Fiscal Year 2014, the City and the Water Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution ("ADC") each year in accordance with GASB 75. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year end: 1) the amounts attributed to service performed in the current fiscal year (the normal cost), and 2) amortization of the unfunded actuarial accrued liability ("UAAL"). Therefore, the discount rate used is 5.0%, the long term expected return on trust assets. In addition, the discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-years. The Water Authority's contributions to the trust for the fiscal year ended June 30, 2019 were \$61,103.

TAX MATTERS

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed for the owners thereof. Bond Counsel is also of the opinion, based on existing laws of the State as enacted and construed, that interest on the Bonds is excludable from net income for present State of New Mexico income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross

income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Before purchasing any of the Bonds, potential purchasers should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the Water Authority as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Municipal Advisor nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The Water Authority has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Bonds to become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the Water Authority, the Municipal Advisor nor Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount

The Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest. The amount of original issue discount deemed received by the holder is excludable from gross income of the holder for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

The Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Bonds should consult their own tax advisors with respect to the determination for federal, State, and local income tax purposes of interest accrued upon redemption, sale or other

disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2020 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond opinion included in APPENDIX D hereto. Certain legal matters relating to the Series 2020 Bonds will be passed upon for the Water Authority by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A. Certain legal matters will also be passed upon for the Water Authority by Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A., Contract Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP.

INDEPENDENT ACCOUNTANTS

REDW LLC audited the financial statements of the Water Authority as of and for the year ended June 30, 2019 and delivered their report to the New Mexico State Auditor and the Water Authority. The complete Comprehensive Annual Financial Report of the Albuquerque Bernalillo County Water Utility Authority – Audited General Purpose Financial Statements – as of and for the Fiscal Year ended June 30, 2019 is a public document and is available from the New Mexico State Auditor and on the Water Authority website at <http://www.abcwua.org>. An excerpt from the 2019 audit is included in APPENDIX A to this Official Statement. REDW LLC has not been engaged to perform, and has not performed since June 30, 2019, any procedures on the financial statements shown in the excerpt. Further, REDW LLC has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

In connection with the issuance of the Series 2020 Bonds, the Water Authority will execute a Continuing Disclosure Undertaking, a form of which is attached as APPENDIX E hereto, wherein it will agree for the benefit of the Owners of the Series 2020 Bonds (i) to provide certain annual financial information and operating data relating to the Water Authority by not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2020, and (ii) to provide timely notice of certain enumerated events.

During the past five years, the Water Authority has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The Water Authority has procedures in place to ensure future compliance with its continuing disclosure obligations, and believes it is in material compliance with its outstanding continuing disclosure obligations.

LITIGATION

At the time of the initial delivery of the Bonds, the Water Authority will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate Water Authority officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Ordinance, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

RATINGS

The Bonds have been rated “AAA” from S&P Global Ratings and “Aa2” from Moody’s Investors Service, Inc. (collectively, the “Rating Agencies”). The ratings reflect only the respective views of the Rating Agencies, and the Water Authority makes no representation as to the appropriateness or meaning of any rating. An explanation of the significance of the ratings may be obtained from the respective Rating Agency. The Water Authority has furnished to each Rating Agency certain information and materials relating to the Series 2020 Bonds, the Water Authority and the System, some of which may not have been included in this Official Statement. Generally, Rating Agencies base their ratings on such information and materials and on investigation, studies and assumptions by the Rating Agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2020 Bonds, and there can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the respective Rating Agency if, in its judgment, circumstances so warrant. Any downward

change in or withdrawal of a rating or ratings may have an adverse effect on the marketability and/or market price of the Series 2020 Bonds. The Water Authority has undertaken no responsibility to ensure the maintenance of the ratings or to oppose any revisions or withdrawals.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2020 Bonds from the Water Authority pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”) at a price of \$_____ (being the par amount of the Series 2020 Bonds, plus a [net] reoffering premium of \$_____ and less an Underwriters’ discount of \$_____). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2020 Bonds if any are purchased. The prices at which the Series 2020 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial prices to dealers and others.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the System for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Water Authority.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2020 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2020 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020 Bonds that such firm sells.

ADDITIONAL INFORMATION

The financial data and other information contained herein have been obtained from the Water Authority’s records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Water Authority and the purchasers or holders of any of the Series 2020 Bonds.

APPROVAL BY THE WATER AUTHORITY

The Official Statement has been approved as to form and content and the use thereof in the offering of the Bonds has been authorized and Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Water Authority.

This Official Statement will be duly authorized and approved by the Board of the Water Authority for distribution in accordance with the provisions of the Rule.

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

By: _____
Chair

APPENDIX A

**EXCERPT FROM THE AUDITED FINANCIAL REPORT OF THE
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

APPENDIX B

BERNALILLO COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The economic and population hub of New Mexico (the “State”), Bernalillo County (the “County”) is located in the north central region of the State at the crossroads of Interstate Highways 25 and 40. Its boundaries encompass the entire City of Albuquerque, New Mexico (the “City”) which comprises 83% of the County’s population. With 678,701 residents (2018 estimated), the County ranks 92th in population of the nation’s 3,143 counties. The County comprises nearly 32% of the State’s population total and 75% of the four county Albuquerque Metropolitan Statistical Area, and is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories. The County accounts for nearly half of all economic activity in the State. Its success can be attributed to a diverse economic base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development.

Because of its accessibility and tourist facilities, the County and the surrounding area is the gateway for tourism in the State as well as an attraction in its own right. The County and the City features the historic “Old Town”, the Sandia Peak Tramway and ski area, a number of nationally recognized museums and the Cibola National Forest. Other attractions include the Albuquerque International Balloon Fiesta, the National Hispanic Cultural Center, the Gathering of Nations Native American event, and the New Mexico State Fair. There are several Indian pueblos within easy driving distance that draw many tourists because of their historical and cultural significance and arts.

Population

The Albuquerque Metropolitan Statistical Area (“MSA”) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The Census added Torrance County to the MSA in the 2000 Census.

POPULATION

Year	Albuquerque MSA	State
1960	292,500 ⁽¹⁾	951,023
1970	373,812 ⁽¹⁾	1,017,055
1980	515,776 ⁽¹⁾	1,303,143
1990	589,131	1,515,069
2000 ⁽²⁾	729,648	1,819,046
2005 ⁽³⁾	797,146	1,912,884
2010 ⁽⁴⁾	887,064	2,059,180
2019 ⁽³⁾	919,935	2,097,688
2025 ⁽⁵⁾	934,230	2,116,027

(1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research.

(2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County, population of 16,911.

(3) U.S. Dept. of Commerce, Bureau of the Census, Population Division.

(4) 2010 decennial census U.S. Dept. of Commerce, Bureau of the Census.

(5) Project. Source: Spotlight, January 2020.

Source: U.S. Dept. of Commerce, Bureau of the Census, except as indicated in footnotes.

Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2019.

POPULATION BY AGE GROUP

<u>Age</u>	<u>City</u>	<u>State</u>	<u>United States</u>
0-17	22.10%	23.10%	22.40%
18-24	9.00	9.60	9.40
25-34	13.70	13.20	13.50
35-44	13.00	12.10	12.70
45-54	12.00	11.30	12.50
55 & Older	30.20	30.70	29.50

Source: Spotlight, January 2020.

Per Capita Income

The following table sets forth annual per capita personal income levels for the Albuquerque MSA, the State and the United States. The Bureau of Economic Analysis defines “earnings” to include wages and salaries, proprietor’s income and other labor income (such as bonuses).

PER CAPITA PERSONAL INCOME

<u>Calendar Year</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
2008	\$34,931	\$33,355	\$40,904
2009	34,349	32,737	39,284
2010	34,443	33,547	40,545
2011	35,656	35,048	42,727
2012	36,015	35,796	44,582
2013	35,465	35,204	44,826
2014	37,569	37,321	47,025
2015	38,988	38,397	48,940
2016	40,287	38,929	49,831
2017	40,856	39,811	51,640

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

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The following table reflects the Percent of Households by Effective Buying Income Groups (“EBI”). EBI is defined as money income less personal tax and non-tax payments described below. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deducted from this total money income are personal income taxes, personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied non-business real estate. Receipts from the following sources are not included as money income: money received from the sale of property; the value of “in kind” income such as food stamps, public housing subsidies, and employer contributions for persons; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

**PERCENT OF HOUSEHOLDS BY
EFFECTIVE BUYING INCOME GROUPS**

2019 Effective Buying Income Group	Albuquerque MSA	New Mexico	United States
Under \$25,000	22.70%	25.90%	18.60%
\$25,000 - \$34,999	10.20%	10.80%	8.50%
\$35,000 - \$49,999	13.50%	13.80%	12.20%
\$50,000 - \$74,999	17.70%	17.20%	16.70%
\$75,000 & Over	35.90%	32.30%	44.00%
2015 Est. Median Household Income	\$48,234	\$45,633	\$53,706
2016 Est. Median Household Income	\$48,792	\$45,445	\$55,551
2017 Est. Median Household Income	\$50,160	\$47,043	\$57,462
2018 Est. Median Household Income	\$52,172	\$48,044	\$60,133
2019 Est. Median Household Income	\$54,350	\$49,385	\$65,228

Source: *Spotlight, January 2020.*

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BUILDING PERMITS ISSUED IN THE CITY OF ALBUQUERQUE

Fiscal Year	Single Family		Multi-Family		Commercial		Public		Additions & Alterations	Total Permits
	Permits	\$ Value	Units	\$ Value	Permits	\$ Value	Permits	\$ Value	\$ Value	\$ Value
2010	876	\$140,369,408	168	\$14,763,081	34	\$26,197,123	8	\$18,076,792	\$209,624,603	\$409,031,007
2011	725	120,749,010	278	37,022,789	45	65,940,484	1	3,300,300	165,845,129	392,857,712
2012	846	153,465,589	350	32,509,563	36	46,257,090	4	31,907,654	165,883,476	430,023,373
2013	923	170,470,736	945	73,378,214	63	78,523,292	4	5,545,791	226,949,710	554,867,742
2014	841	163,980,975	898	81,296,532	152	103,214,914	7	16,859,014	198,430,162	563,781,597
2015	871	167,352,011	449	39,390,742	112	116,776,561	10	17,257,410	165,159,484	505,936,208
2016	915	184,770,209	567	43,676,768	88	119,913,663	13	27,886,373	230,591,376	606,838,389
2017	971	183,587,235	984	60,907,961	132	242,802,744	9	25,894,927	298,194,709	811,387,576
2018	1,331	255,446,287	148	13,335,366	105	68,312,826	12	8,325,621	195,051,789	532,146,267
2019	827	169,706,112	7	65,153,371	68	110,847,882	--	--	206,136,708	551,844,074
Growth 2018 to 2019	-37.9%	-33.6%	-95.3%	388.6%	-35.2%	62.3%	N/A	N/A	5.7%	2.1%

Below

Total Housing Units in the City of Albuquerque	Total Units	Single Family	Multi-Family	Mobile Homes & Others
As of 1990 Census	166,870	101,780	55,931	9,159
As of 2000 Census	198,714	126,643	63,285	8,786
As of 2010 Census	239,166	162,501	66,839	9,826
Estimated Units 2017	243,402	166,350	67,551	9,501

Sources: City of Albuquerque Planning Department; Census Bureau, U.S. Department of Commerce

Employment

Employment in the Albuquerque area in the period from Fiscal Year 2008 to Fiscal Year 2017 declined at an average of 0.2% a year. From Fiscal Year 2008 to Fiscal Year 2012 approximately 27,700 jobs were lost. In the following five fiscal years (2013 through 2017) the economy added just over 19,000 jobs. While Albuquerque is now recovering from the recession, the recovery has been slower than the nation as a whole. Employment in the nation reached its pre-recession peak in June 2014, while Albuquerque is still about 2,000 jobs short of its pre-recession peak in Fiscal Year 2008. Albuquerque is expected to finally surpass the Fiscal Year 2008 pre-recession peak of 382,000 jobs in Fiscal Year 2020, at approximately 387,000 jobs.

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Workforce Solutions and U.S. Bureau of Labor statistics.

NON-AGRICULTURAL EMPLOYMENT (000s)

Fiscal Year	<u>ALBUQUERQUE MSA</u>		<u>NEW MEXICO</u>		<u>UNITED STATES</u>	
	Employment	% Chg.	Employment	% Chg.	Employment	% Chg.
2010	375.7	(3.4)%	805.4	(3.2)%	130,173	(3.1)%
2011	373.2	(0.6)	802.5	(0.4)	131,002	0.6
2012	370.2	(0.8)	801.6	0.1	133,093	1.6
2013	373.2	0.8	808.7	0.9	135,212	1.6
2014	375.3	0.6	813.3	0.6	137,563	1.7
2015	378.5	0.9	824.3	1.3	140,430	2.1
2016	383.0	1.2	827.2	0.4	143,134	1.9
2017	389.5	1.7	834.1	0.8	145,433	1.6
2018	392.8	0.8	841.0	0.8	150,062	3.2
2019	397.0	1.1	855.7	1.7	152,242	1.5

Sources: Albuquerque MSA and New Mexico data based on figures from the New Mexico Department of Workforce Solutions; U.S. data from the U.S. Department of Labor (Seasonally Adjusted).

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CIVILIAN EMPLOYMENT/UNEMPLOYMENT RATES

Fiscal Year	Civilian Labor Force	Number Employed	Unemployment Rates		
			Albuquerque MSA	New Mexico	United States
2010	413,684	380,616	8.0%	8.1%	9.8%
2011	423,100	390,421	7.7	7.7	9.3
2012	419,028	387,812	7.4	7.4	8.5
2013	417,158	388,285	6.9	6.9	7.8
2014	414,365	386,289	6.8	6.9	6.8
2015	415,144	388,916	6.3	6.5	5.7
2016	418,630	393,173	6.1	6.6	5.0
2017	425,362	399,443	5.7	6.2	4.7
2018	434,841	413,577	4.9	5.2	4.2
2019	437,606	417,204	4.7	4.9	3.7

Sources: New Mexico Department of Workforce Solutions and United States Department of Labor.

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees for 2019.

MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA By Number of Employees – 2019

Organization	Employees	Description
Albuquerque Public Schools	14,810	Educational
Kirtland Air Force Base (Civilian)	10,125	Air Force Material Command
Sandia National Labs	9,852	Research Development
Presbyterian	7,310	Healthcare
UNM Hospital	6,021	Healthcare
City of Albuquerque	5,500	Government
State of New Mexico	4,950	Government
University of New Mexico	4,210	Education
Lovelace Health Systems	4,000	Healthcare
Bernalillo County	2,648	Government
Rio Rancho Public Schools	2,000	Education
Sandia Resort and Casino	2,000	Resort and Casino
Central NM Community College	1,840	Education
T-Mobile	1,750	Telecommunications
PNM Electric Services	1,500	Utilities

Source: Albuquerque Economic Development, Data as of February 2019

APPENDIX C

DESCRIPTION OF BOND ORDINANCE

The following statements are summaries and excerpts, supplementing the information in the body of the Official Statement, of certain provisions of the Bond Ordinance which authorized the issuance of the Series 2020 Bonds. These summaries and excerpts do not purport to be complete and reference is made to the Bond Ordinance for a full and complete statement of such provisions. See “ADDITIONAL INFORMATION.”

Definitions

As used in the Bond Ordinance, the following terms have the meanings specified, unless the context clearly requires otherwise:

ACQUISITION FUND. The fund previously established by the Water Authority and continued in the Bond Ordinance.

ACT. Section 72-1-10 NMSA 1978, Sections 6-14-8 through 6-14-11 NMSA 1978, Sections 6-18-1 through 6-18-16 NMSA 1978, and enactments of the Board relating to the Bond Legislation.

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

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

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

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

BENEFICIAL OWNERS. Beneficial Owners as defined in Section 7 (C) of the Bond Ordinance.

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

BOND, BONDS OR SERIES 2020 BONDS. The Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020 issued pursuant to the Bond Legislation.

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

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

BOND LEGISLATION. Collectively, the Bond Ordinance, the Confirming Resolution and the Sale Certificate.

BOND ORDINANCE. The Ordinance, as amended or supplemented from time to time.

BOND PURCHASE AGREEMENT. The Bond Purchase Agreement among the Water Authority and the Underwriters of the Bonds.

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

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

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

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

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

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

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

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

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

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

COUNTY. Bernalillo County, New Mexico.

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

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

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

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

DEBT SERVICE REQUIREMENTS. With respect to System Obligations and for any given period, the sum of:

(1) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on System Obligations during that period, plus

(2) the amount required to pay the principal or Accreted Value, or to make reimbursements for the payment of principal or Accreted Value, becoming due on System Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus

(3) the periodic payments required to be made by the Water Authority pursuant to a Qualified Exchange Agreement minus

(4) the periodic payments to be received by the Water Authority pursuant to a Qualified Exchange Agreement. No payments required for any System Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners of System Obligations, or which may occur because of the exercise of an option by the Water Authority, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration or early termination payments, which constitute other than regularly scheduled payments of principal, Accreted Value, interest or other regularly scheduled payments on System Obligations shall be included in any computation of Debt Service Requirements for that period.

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

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

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

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

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

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

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

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

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

DEFEASANCE OBLIGATIONS.

(1) Government Obligations; or

(2) if permitted by law, other obligations which would result in the defeased Bonds receiving the same rating from any national rating agency then rating such series of bonds as would have been received if the obligations described in clause (1) of this definition had been used.

DELEGATE. The Chief Financial Officer of the Water Authority delegated the authority to approve the final terms of the Bonds.

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

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

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

DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT #4202 (2018). The loan agreement between the NMFA and the Water Authority in the original principal amount of \$250,000 authorized and approved by Water Authority Ordinance No. O-18-5 and Resolution No. R-18-11 constituting a senior lien on the Net Revenues.

DRINKING WATER STATE REVOLVING FUND LOAN AGREEMENT #4877 (2019). The loan agreement between the NMFA and the Water Authority in the original principal amount of \$3,430,081 authorized and approved by Water Authority Ordinance No. O-19-1 and Resolution No. R-19-4 constituting a senior lien on the Net Revenues.

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

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

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

EXPENSES. The reasonable and necessary fees, costs and expenses incurred by the Water Authority with respect to the issuance of, including disclosure matters pertaining to, the Bonds, including, without limitation, attorneys' fees and costs, financial advisor's fees and costs, premiums and costs for any Credit Facility, costs of advertising and publication, underwriter's discounts, cost of printing bonds and disclosure documents, legal fees and expenses, and expenses of any Independent Accountant and all reasonable and necessary fees and administrative costs of the Water Authority relating to the foregoing.

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

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

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

- (1) All income derived from the investment of any money in the Acquisition Fund, Joint Water and Sewer Fund, Debt Service Fund and Rate Stabilization Fund and income derived from surplus Net Revenues;
- (2) Money released from the Rebate Fund to the Water Authority;
- (3) Money released from the Rate Stabilization Fund to the Water Authority to the extent that the amount released is used to pay Operation and Maintenance Expenses or Debt Service Requirements on System Obligations in the year released; provided that withdrawals from the Rate Stabilization Fund shall not be included in Gross Revenues for the purposes of the Rate Covenant in any two consecutive calendar years;
- (4) Property insurance proceeds which are not necessary to restore or replace the property lost or damaged and the proceeds of the sale or other disposition of any part of the System;
- (5) Funds received from users of the System as a reimbursement of, or otherwise in connection with, franchise fees to be paid by the Water Authority;

Gross Revenues do not include:

- (a) any money received as grants or gifts from the United States of America,

the State or other sources, or the proceeds of any charge or tax intended as a replacement therefor or other capital contributions from any source which are restricted as to use; and

(b) condemnation proceeds or the proceeds of any insurance policy, except any property insurance proceeds described above in clause (4) of this definition or in Section 29.(L) of the Bond Ordinance or derived in respect of loss of use or business interruption.

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

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

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

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

INTEREST PAYMENT DATE. January 1 and July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day) beginning on July 1, 2020.

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

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

NMFA. The New Mexico Finance Authority.

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

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

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

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

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

(2) insurance premiums for the System, including, without limitation, premiums for property insurance, public liability insurance and workmen’s compensation insurance, whether or not self-funded;

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

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

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

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

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

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

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

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

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

(2) those which have been paid or are deemed to be paid in accordance with the Water Authority ordinance or resolution authorizing the issuance of the applicable System Obligations or otherwise relating thereto, provided that the payment of Insured Obligations with the proceeds of a Bond Insurance Policy shall not result in those Insured Obligations ceasing to be Outstanding;

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

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

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

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

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

PERMITTED INVESTMENTS. Any of the following which at the time of the investment are legal investments for the Water Authority for the money to be invested and any other investments, subject to approval by

S&P, Fitch and Moody's, if then rating the Bonds, which at the time of investment are legal investments of the Water Authority for the money to be invested:

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

(2) United States Government Obligations: Securities issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises, but which are not backed by the full faith and credit of the U.S. Government. These securities include Federal Farm Credit Bank "FFCB", Federal Home Loan Bank "FHLB", Federal Home Loan Mortgage Corporation "FHLMC" and Federal National Mortgage Association "FNMA" and other entities that qualify as instrumentalities of the U.S. government. Additionally, mortgage-backed certificates, and debentures issued by "Freddie Mac" (Federal Home Loan Mortgage Corporation) and "Fannie Mae" (Federal National Mortgage Association) are allowable;

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

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

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

(6) The "local government investment pool" described in Section 6-10-10.1 NMSA. 1978 or other similar pooled fund maintained by the State for the investment of public funds of local public bodies of the State; and

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

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

PRINCIPAL PAYMENT DATE. July 1st of each year beginning on the date set forth in the Bond Purchase Agreement and Sale Certificate, so long as the Bonds are Outstanding.

PROJECT OR IMPROVEMENT PROJECT. Acquiring additional System assets, extending, repairing, replacing and improving the Water Authority's System and the payment of Expenses associated with the issuance of the Bonds.

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

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

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

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

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

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

REBATE FUND. The Rebate Fund for System Obligations previously established by the Water Authority and continued by the Bond Ordinance.

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

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

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

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

S&P. S&P Global Ratings, its successors and their assigns, and, if such corporation does not provide a rating for the Bonds, "S&P" shall be deemed to refer to any other nationally recognized securities agency rating the Bonds.

SALE CERTIFICATE. One or more certificates executed by the Chief Financial Officer or other Authorized Officer dated on or before the date of delivery of the Bonds, setting forth the following final terms of the Bonds: (i) the interest and principal payment dates; (ii) the principal amounts, denominations and maturity amortization; (iii) the

sale prices; (iv) the interest rate or rates; (v) the interest payment periods; (vi) the redemption and tender provisions; (vii) the creation of any capitalized interest fund, including the size and funding of such fund(s); (viii) the amount of underwriting discount, if any; and (ix) the final terms of agreements, if any, with agents or service providers required for the purchase, sale, issuance and delivery of the Bonds, all subject to the parameters and conditions contained in the Bond Ordinance.

SENIOR OBLIGATIONS. The Drinking Water State Revolving Fund Loan Agreement (2009), the Public Project Revolving Fund Loan Agreement (2011), the Series 2013A&B Bonds, the Series 2014A Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Drinking Water State Revolving Fund Loan Agreement #DW-4202 (2018), The Series 2018 Bonds, the Drinking Water State Revolving Fund Loan Agreement #DW-4877 (2019) the Series 2020 Bonds, and obligations related thereto designated as Senior Obligations, in any ordinance or resolution of the Water Authority relating to those bonds, and any other System Obligations issued with a lien on the Net Revenues on a parity with the lien of the Outstanding Senior Obligations on Net Revenues.

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

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

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

SERIES 2015 BONDS. The Senior Obligations designated as the “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015” in the original principal amount of \$211,940,000, authorized and issued pursuant to Ordinance No. O-15-2 and Resolution F/S R-15-6 constituting a senior lien on the Net Revenues.

SERIES 2017 BONDS. The Senior Obligations designated as the “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2017” in the original principal amount of \$87,970,000, authorized and issued pursuant to Ordinance No. O-16-2 and Resolution F/S R-16-13 constituting a senior lien on the Net Revenues.

SERIES 2018 BONDS. The Senior Obligations designated as the “Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2018” in the original principal amount of \$75,085,000, authorized and issued pursuant to Ordinance No. O-18-7 and Resolution R-18-20 constituting a senior lien on the Net Revenues.

SERIES 2020 BONDS DEBT SERVICE ACCOUNT. An account of the Debt Service Fund established for the deposit of amounts necessary to pay the Debt Service Requirements on the Series 2020 Bonds.

SERIES 2020 BONDS ACQUISITION ACCOUNT. An account of the Acquisition Fund established for the deposit of the portion of the proceeds of the Series 2020 Bonds to finance the Improvement Project.

STATE. The State of New Mexico.

SUBORDINATE OBLIGATIONS. The Drinking Water State Revolving Fund Loan Agreement (2008), the Series 2014B Bonds, and all other bonds and other obligations of the Water Authority now or hereafter issued with a

lien on the Net Revenues subordinate to the lien of Senior Obligations and superior to the lien of the Super Subordinated Obligations on the Net Revenues.

SUPER SUBORDINATED OBLIGATIONS. All other bonds and other obligations of the Water Authority hereafter issued with a lien on the Net Revenues subordinate to the liens of the Senior Obligations and the Subordinate Obligations on the Net Revenues.

SYSTEM. The public utility owned by the Water Authority and designated as the Water Authority's water system and sanitary sewer system (continued as a joint utility system in the Bond Ordinance) consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Water Authority, through purchase, construction or otherwise, including all extensions, enlargements and improvements of or to the water and sanitary sewer system and used in connection therewith or relating thereto, and any other related activity or enterprise of the Water Authority designated by the Board as part of the water and sanitary sewer system, whether situated within or without the geographical limits of the Water Authority.

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

UNDERWRITERS. J.P. Morgan Securities LLC and Robert W. Baird & Co. Incorporated, collectively, as the original purchasers of the Bonds.

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

WATER AUTHORITY. The Albuquerque Bernalillo County Water Utility Authority created by NMSA 1978 Section 72-1-10 operating under the name Albuquerque Bernalillo County Water Utility Authority.

Priority on Net Revenues

System Obligations may be issued as Senior Obligations by complying with the requirements for the issuance of additional Senior Obligations set forth in the Bond Ordinance or as Subordinate Obligations by complying with the requirements for the issuance of additional Subordinate Obligations. See "DESCRIPTION OF THE SERIES 2020 BONDS – Issuance of Additional System Obligations."

Payment of Series 2020 Bonds

The principal of and premium, if any, on the Series 2020 Bonds are payable upon presentation and surrender of the Series 2020 Bonds at the principal office of the Paying Agent at or after their maturity or prior redemption dates. Interest on Series 2020 Bonds is payable by check or draft mailed to the Owner (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). The Owner will be deemed to be that person or entity shown on the registration books for the Series 2020 Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. Interest which is not timely paid or provided for will cease to be payable to the Owner of the applicable Series 2020 Bonds (or of one or more predecessor Series 2020 Bonds) as of the Record Date, but will be payable to the Owners of those Series 2020 Bonds (or of one or more predecessor Series 2020 Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date will be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date will be given to the Owners of the Series 2020 Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Series 2020 Bond presented for payment remains unpaid at maturity, the unpaid principal will bear interest at the rate designated in that Series 2020 Bond. Payments of Series 2020 Bonds will be made without deduction for exchange or collection charges.

The Water Authority shall transfer, or cause to be transferred, funds to the Paying Agent on a timely basis so that the Paying Agent may make payments of the principal of, premium, if any, and interest on the Series 2020 Bonds, when due, to the Owners and comply with the requirements of any Credit Source. The Water Authority shall notify the Paying Agent if there is or will be an insufficient amount of money of the Water Authority legally available to pay principal and interest on the Series 2020 Bonds when due.

Registration, Transfer, Exchange and Ownership of Series 2020 Bonds

The Water Authority shall cause books for registration, transfer and exchange of the Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and properly executed, the Water Authority shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner replacement Bonds of the same maturity, interest rate and aggregate principal amount in Authorized Denominations.

The person in whose name any Series 2020 Bond is registered will be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of overdue interest on Series 2020 Bonds in Section 7(D) of the Bond Ordinance. Payment of either the principal of or interest on any Series 2020 Bond is to be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2020 Bonds to the extent of the amount paid.

If any Series 2020 Bond is lost, stolen, destroyed or mutilated, the Registrar, upon receipt of that Series 2020 Bonds, if mutilated, and the evidence, information or indemnity which the Registrar may reasonably require, if lost, stolen or destroyed, authenticate and deliver a replacement Series 2020 Bond of the same aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2020 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2020 Bond in lieu of replacement.

Exchanges and transfers of Series 2020 Bonds are to be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

Except for any Series 2020 Bonds which may be and is tendered for purchase, the Registrar will not be required to transfer or exchange (i) any Series 2020 Bond during the five-day period preceding the mailing of notice calling Series 2020 Bonds, as applicable, for redemption and (ii) any Series 2020 Bond called for redemption.

Funds and Accounts

Joint Water and Sewer Fund

All Gross Revenues are to be set aside and credited to the Joint Water and Sewer Fund.

Acquisition Fund

The Acquisition Fund is continued for deposit of proceeds from the Series 2020 Bonds for completion of the Project.

Debt Service Fund

The Debt Service Fund shall be continued as a separate fund for the deposit of Net Revenues for the payment of System Obligations and the Series 2020 Bonds Debt Service Account as a separate account of the Debt Service Fund.

Rate Stabilization Fund

The Rate Stabilization Fund is continued as a separate fund.

Use of Gross Revenues

As long as any Series 2020 Bonds are outstanding, all Gross Revenues are to be deposited in the Joint Water and Sewer Fund and transferred from that Fund to the following funds and accounts or for payment of the following amounts in the order listed:

Operation and Maintenance Expenses

A sufficient amount of Gross Revenues is to be set aside each month to be used to pay the current Operation and Maintenance Expenses as they become due.

Debt Service Accounts for Senior Obligations

Net Revenues are to be transferred to the Debt Service Accounts established for the Senior Obligations to pay Debt Service Requirements on Senior Obligations as they become due, including amounts owed to any Credit Source to reimburse that Credit Source for the payments of Debt Service Requirements on Senior Obligations.

Reserve Accounts for Senior Obligations

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

Debt Service Accounts for Subordinate Obligations

Net Revenues shall be transferred to the Debt Service Accounts established for Subordinate Obligations to pay Debt Service Requirements on Subordinate Obligations, as they become due, including amounts owed to any Credit Source to reimburse that Credit Source for the payments of Debt Service Requirements on Subordinate Obligations.

Reserve Accounts for Subordinate Obligations

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

Super Subordinated Obligations

Net Revenues shall be used to pay Debt Service Requirements on Super Subordinated Obligations, and to fund any Reserve Requirement for Super Subordinated Obligations.

Rate Stabilization Fund

At the option of the Water Authority, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in the Bond Ordinance.

Surplus Net Revenues

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

Accumulation of Revenues

Net Revenues need not be retained for any use or in any fund or account described above in excess of the Net Revenues required for any current use or deposit. For purposes of this subparagraph, the term “current” means the month during which the Net Revenues are being distributed and the immediately following month.

Series 2020 Bonds Debt Service Account

Net Revenues are required to be transferred to the Series 2020 Bonds Debt Service Account sufficient to pay when due Debt Service Requirements of the Series 2020 Bonds.

Except as stated in the Bond Legislation, substantially equal monthly deposits of Net Revenues shall be made to the Series 2020 Bonds Debt Service Account beginning six months before each Interest Payment Date in order to make the next payment of interest on the Bonds when due. However, if the first Interest Payment Date for the Bonds is less than six months after the date of the original issuance of the Bonds, substantially equal monthly deposits of Net Revenues before the first Interest Payment Date shall begin in the first full month following the date of issuance of the Bonds in order to make the first payment of interest on the Bonds when due.

Except as stated in the Bond Legislation, substantially equal monthly deposits of Net Revenues shall be made to the Series 2020 Bonds Debt Service Account beginning 12 months before each principal payment date for the Bonds payable from such account in order to make the next scheduled payment of principal on the Bonds when due at maturity. However, if the first principal payment date for the Bonds is less than thirteen months after the date of the original issuance of the Bonds, substantially equal monthly deposits of Net Revenues before the first principal payment date shall begin in the first full month following the date of issuance of the Bonds in order to make the first payment of principal on the Bonds when due at maturity.

If, in the month immediately preceding any payment date for the Series 2020 Bonds, the Water Authority determines that there are not sufficient funds accumulated in the Series 2020 Bonds Debt Service Account to pay the amount becoming due on that payment date, the Water Authority is required to promptly deposit any available Net Revenues in the Series 2020 Bonds Debt Service Account in an amount equal to the deficiency. If, prior to any payment date for the Series 2020 Bonds, there has accumulated in the Series 2020 Bonds Debt Service Account the entire amount necessary to pay the amount becoming due on the Series 2020 Bonds payable from such account on that payment date, no additional Net Revenues need be deposited in the Series 2020 Bonds Debt Service Account prior to that payment date. In making the determinations permitted by this paragraph, the Water Authority may take into account the amount on deposit in any other fund or account or escrow relating to the Series 2020 Bonds irrevocably set aside for the next payment of the Series 2020 Bonds.

Amounts on deposit in the Series 2020 Bonds Debt Service Account will be applied first to the payment of interest and then to pay or satisfy any payment of principal on the respective Bonds. Except as provided in the Bond Legislation, money in the Series 2020 Bonds Debt Service Account shall be used only to pay the Debt Service Requirements on the Bonds. Transfers of amounts equal to the periodic Debt Service Requirements on the Bonds shall be made by the Water Authority on a timely basis to the Paying Agent.

Series 2020 Bonds Termination upon Deposits to Maturity

No payments need be made into the Series 2020 Bonds Debt Service Account if the amount in the Series 2020 Bonds Debt Service Account is no less than the Debt Service Requirements due and to become due on and before the final maturity date of the Series 2020 Bonds, both accrued and not accrued, and all proceeds paid under any Credit Facility for the Series 2020 Bonds have been reimbursed. The money retained in that account shall be used only to

pay the Debt Service Requirements on the Series 2020 Bonds when due except that any money on deposit in the Series 2020 Bonds Debt Service Account which is not necessary to pay such Debt Service Requirements shall be used as surplus Net Revenues.

Rate Stabilization Fund

Money on deposit in the Rate Stabilization Fund may be withdrawn at any time and used for any purpose for which Gross Revenues may be used.

Pro Rata Deposits

If the amount of Net Revenues available for deposit in the Debt Service Fund is not sufficient to pay the entire amount required to be deposited in the debt service accounts and/or reserve accounts for System Obligations, the Net Revenues available will be deposited in the debt service accounts and reserve accounts pro rata based upon the amount required to be deposited in each account to the total Net Revenues available for deposit but with the priorities established in Section 21(A) of the Bond Ordinance.

With respect to each applicable series of System Obligations, reimbursements owed to a Credit Source for amounts used to pay Debt Service Requirements on those System Obligations shall be paid on the same pro rata basis and with the same priority as are amounts to be deposited in the Debt Service Account or Reserve Account, as applicable, for those System Obligations; provided that such reimbursements for payments of Debt Service Requirements made pursuant to a Credit Facility shall be made with the priorities set forth in the Bond Legislation.

Variable Rate Obligations

Interest on variable rate obligations which cannot be computed exactly will be deemed to bear the interest rate required by the definition of Debt Service Requirements in the Bond Legislation. To determine the amount required to be on deposit in any debt service account for the payment of interest, computations of the interest rate on variable rate obligations will be made whenever there is a change in the interest rate on the applicable variable rate obligations except that the computation need not be made more often than once in any month.

General Administration of Funds

The funds and accounts described above are to be administered as follows:

Investment of Money

To the extent practicable, any money in any such fund or account is to be invested in Permitted Investments. Obligations purchased as an investment of money in any fund or account are to be deemed at all times to be part of that fund or account, and the interest accruing and any profit realized on those investments are to be credited to that fund or account, unless otherwise stated in the Bond Legislation or related document (subject to withdrawal at any time for the uses directed and permitted for such money by the Bond Legislation or related document), and any loss resulting from such investment is to be charged to that fund or account. The custodian for any such fund or account is required to present for redemption or sale on the prevailing market any Permitted Investment in a fund or account when necessary to provide money to meet a required payment or when required to be transferred from that fund or account.

Deposits of Funds

The money and investments which are part of the funds and accounts designated in the Ordinance shall be kept in an Insured Bank or Banks, or otherwise in Permitted Investments or may be held in book-entry form in the name of the Water Authority or by an agent or custodian of or for the Water Authority for the benefit of the Water Authority as permitted by State law. Each payment or deposit shall be made into and credited to the proper fund or account at the designated time, except that when the designated time is not a Business Day, then the payment is to be made on the next succeeding Business Day unless otherwise required in the Bond Legislation or related documents.

The Water Authority may establish one or more accounts in Insured Banks for all of the funds and accounts with any other Insured Bank account or accounts for other funds and accounts of the Water Authority.

Valuation of Investments

In the computation of the amount in any account or fund for any purpose under the Bond Legislation, except as otherwise expressly provided in the Bond Legislation, Permitted Investments shall be valued according to the accounting standards applicable to the Water Authority and the Board's investment policy.

Protective Covenants

The Water Authority has covenanted and agreed with the Owners in the Ordinance as follows:

Use of Bond Proceeds

The Water Authority will promptly apply the proceeds of the Bonds to the Project and for the other purposes permitted by the Bond Ordinance.

Payment of Series 2020 Bonds

The Water Authority will promptly pay the Debt Service Requirements on Series 2020 Bonds at the place, on the dates and in the manner specified in the Bond Legislation and the Series 2020 Bonds.

Rate Covenants

(1) Senior Lien Obligations

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

(2) Subordinate Lien Obligations

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

Quarterly, the Water Authority shall determine that the Net Revenues are sufficient to satisfy the Rate Covenants. If the Net Revenues are not sufficient to satisfy the Rate Covenant upon the approval of the annual audit for a Fiscal Year, the Water Authority will either: (i) promptly increase the rates for use of the Services of the System in order to generate sufficient Net Revenues to satisfy the Rate Covenants or (ii) employ a consultant or manager for the System who shall have a favorable national reputation for skill and experience in the management, operation and financial affairs of water and sanitary sewer systems and who is not an employee or officer of the Water Authority. The Water Authority will request that consultant or manager to make its recommendations, if any, as to revisions of the Water Authority's rate structure and other charges for use of the System, its Operation and Maintenance Expenses and the method of operation of the System in order to satisfy the Rate Covenants as soon as practicable. Copies of any such requests and recommendations of the consultant or manager shall be filed with the Board. So long as the Water Authority substantially complies with the recommendations of the consultant or manager on a timely basis, the Water Authority will not be deemed to have defaulted in satisfying the Rate Covenants even if the resulting Net Revenues are not sufficient to be in compliance with the Rate Covenants, if there is no other default under the Bond Legislation.

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

Nothing contained in this section shall be interpreted to require the Water Authority to take any action in violation of any applicable requirement imposed by law.

Lien on Lands Serviced by System

To the extent permitted by law, the Water Authority will cause a lien to be perfected upon each lot or parcel of land for delinquent charges imposed for water and sanitary sewer services supplied by the System to the owner of such lot or parcel. The Water Authority will take all necessary steps to enforce the lien against any parcel of property the owner of which is delinquent for more than six months in the payment of charges imposed by the Water Authority.

Levy of Charges

The Water Authority will promptly fix, establish and levy the rates and charges which are required by Section 29.(C) of the Bond Ordinance. No reduction in any initial or existing rate schedule for the System may be made unless:

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

(2) the audit required by Section 29.(I) of the Bond Ordinance or a separate certificate by an Independent Accountant for or relating to any 12 consecutive months out of the 16 calendar months immediately preceding any reduction discloses that the estimated Net Revenues resulting from the proposed reduced rate schedule would have been sufficient to meet the applicable Rate Covenant during the applicable 12-month period.

Efficient Operation

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

Records; Right to Inspect

So long as Series 2020 Bonds remain Outstanding, the Water Authority will keep or cause to be kept proper books of records and accounts, separate from all other records and accounts, showing complete and correct entries of all transactions relating to the System. Owners, or their duly authorized agents, shall have the right to inspect at reasonable times all records, accounts and data relating to the System; however, pursuant to Section 6-14-10(E) NMSA 1978, records with regard to the ownership or pledge of the Series 2020 Bonds are not subject to inspection or copying.

Audits

So long as the Series 2020 Bonds are Outstanding, within 270 days following the close of each Fiscal Year, the Water Authority will cause an audit of the books and accounts of the System to be made by an Independent Accountant. Each audit of the System shall include those matters determined to be proper by the Independent Accountant.

Billing Procedure

Bills for water, water services or facilities, sanitary sewer service or facilities, or any combination thereof, furnished by or through the System are to be provided to customers on a regular basis each month following the month in which the service was rendered and shall be due as required by Water Authority ordinance. If permitted by law, if a bill is not paid within the period of time required by Water Authority ordinance, water and sanitary sewer services are to be discontinued as required by Water Authority ordinance, and the rates and charges due are to be collected in a lawful manner, including but not limited to the cost of disconnection and reconnection.

Charges and Liens Upon System

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

Insurance

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

Alienating System

Except as permitted in the Bond Ordinance, while any Series 2020 Bonds are Outstanding, the Water Authority will not sell, lease, mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise alienate, any part of the System, except that the Water Authority may sell any portion of the property of the System which is replaced by other property of at least equal value, or which ceases to be necessary for the efficient operation of the System. In the event of any sale of System property, the proceeds of such sale which are not used to purchase other System property will be distributed as Gross Revenues.

Extending Interest Payments

To prevent any accumulation of claims for interest after maturity, except as permitted by the Bond Legislation, the Water Authority will not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on Series 2020 Bonds. If the time for payment of interest is extended contrary to the provisions described in this paragraph, the installments of interest extended will not be entitled, in case of an event of default under the Bond Legislation, to the benefit or security of the Bond Legislation until the prior payment in full of the principal of and interest on all other Series 2020 Bonds then Outstanding.

Competent Management; Performing Duties

The Water Authority will employ experienced and competent personnel to manage the System, and will faithfully and punctually perform all duties with respect to the System required by State, City and County laws including, but not limited to, making and collecting reasonable and sufficient rates and charges for services rendered or furnished by the System as required by the Bond Ordinance and the proper segregation and application of the Gross Revenues.

Other Liens

Other than as stated in or provided by the Bond Legislation, there are no liens or encumbrances of any nature whatsoever, on or against the System or Gross Revenues or Net Revenues.

Water Authority's Existence

The Water Authority will maintain its corporate identity, existence, and Board governance structure and determination of Board members as long as Series 2020 Bonds remain outstanding.

Tax Compliance

The Water Authority covenants that it will use and will restrict the use and investment of the proceeds of the Series 2020 Bonds in such manner and to such extent as may be necessary so that the Series 2020 Bonds will not (i) constitute private activity bonds, arbitrage bonds or hedge bonds under Sections 141, 148 or 149 of Code or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (iii) the interest thereon will not be treated as a preference item under Section 57 of the Code. The Water Authority further covenants (i) that it will also take or cause to be taken such actions that may be required of it for the interest on the Series 2020 Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Series 2020 Bonds to the governmental purposes of the borrowings, (ii) restrict the yield on investment property, (iii) make timely and adequate rebate payments or payments of alternative amounts in lieu of rebate to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner to the extent necessary to assure such exclusion of that interest under the Code.

Authorized Officers are authorized (i) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Water Authority as the Water Authority is permitted or required to make or give under the federal income tax laws including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2020 Bonds or interest thereon or assisting in the compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by the Authorized Officer, (ii) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Water Authority, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2020 Bonds, and (iii) to give one or more appropriate certificates of the Authority, for inclusion in the transcripts of the proceedings for the Series 2020 Bonds, setting forth the reasonable expectations of the Water Authority regarding the amount and use of all the proceeds of the Series 2020 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Series 2020 Bonds.

Events of Default

Each of the following events is declared an "event of default" under the Bond Ordinance:

- (1) Failure to pay the principal or Accreted Value of the Series 2020 Bonds when due and payable, either at maturity or otherwise.
- (2) Failure to pay any installment of interest on the Series 2020 Bonds when due and payable.
- (3) For any reason, the Water Authority becomes incapable of fulfilling its obligations under the Bond Legislation.

(4) Default by the Water Authority in the due and punctual performance of its covenants, conditions, agreements and provisions contained in System Obligations or in any Water Authority ordinance authorizing those System Obligations and the continuance of such default (other than a default as described above) for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the Water Authority by any Credit Source or the Owners of 25% in principal amount and Accreted Value of the System Obligations then Outstanding.

Remedies upon Default

Upon the happening and continuance of any of the events of default stated in the Bond Ordinance: (i) any applicable Credit Source may proceed with any available remedies under any Credit Facility; and (ii) the Owners of not less than 66% in principal amount and Accreted Value of the System Obligations then Outstanding, including but not limited to a trustee or trustees therefor, with the consent of the Credit Source with respect to Insured Obligations, may proceed against the Water Authority or the Board or both to:

- (1) protect and enforce the rights of the Owners by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Legislation or for the enforcement of any proper legal or equitable remedy as those Owners may deem necessary or desirable to protect and enforce their rights,
- (2) to enjoin any act or thing which may be unlawful or in violation of any right of any Owner,
- (3) to require the Board to act as if it were the trustee of an express trust, or
- (4) any combination of those remedies.

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

Notwithstanding any other provision in the Bond Legislation, no recourse may be had for the payment of any Series 2020 Bond or for any claim based on any other obligation, covenant or agreement contained in the Bond Legislation against any past, present or future officer, employee or agent of the Water Authority or member of the Board, and all such liability of any such officers, employees, agents or member (as such) is released as a condition of and consideration for the adoption of the Bond Legislation and the issuance of the Series 2020 Bonds.

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

Duties upon Default

Upon the happening of any of the events of default under Section 31 of the Bond Ordinance, the Water Authority will do and perform all proper acts on behalf of and for the Owners necessary to protect and preserve the security created for the payment of the System Obligations and for the payment of the Debt Service Requirements on

the System Obligations promptly as the same become due. As long as any of the System Obligations are Outstanding, all Gross Revenues will be distributed and used for the purposes and with the priorities set forth in Section 21 of the Bond Ordinance. If the Water Authority fails or refuses to proceed as provided in the Bond Ordinance, the Owners of not less than 66% in principal amount and Accreted Value of the System Obligations then Outstanding after demand in writing, may proceed to protect and enforce the rights of the Owners as provided in the Bond Legislation.

Defeasance

When all principal, interest and prior redemption premiums, if any, in connection with all or any part of the Series 2020 Bonds have been paid or provided for (including amounts owed to the Credit Source, if any under any Bond Insurance Policy), the pledge and lien and all obligations under the Bond Legislation with respect to those Series 2020 Bonds and any Bond Insurance Policy will be discharged and those Series 2020 Bonds will no longer be deemed to be Outstanding within the meaning of the Bond Legislation.

Without limiting the preceding paragraph, there shall be deemed to be such payment when: (i) the Board has caused to be placed in escrow and in trust with an escrow agent located within or without the State and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to pay all requirements of principal, interest and prior redemption premium, if any, on the Series 2020 Bonds to be defeased as the same become due to the final maturities or upon designated prior redemption dates, and (ii) any Series 2020 Bonds to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such Series 2020 Bonds for redemption have been given to the Registrar. The escrow agent shall have received evidence satisfactory to it that the cash and Defeasance Obligations delivered will be sufficient to provide for the payment of the Series 2020 Bonds to be defeased as stated above. Neither the Defeasance Obligations nor money deposited with the escrow agent shall be withdrawn or used for any purpose other than as provided in the escrow agreement and the Defeasance Obligations and money shall be segregated and held in trust for the payment of the principal and premium, if any, and interest on the Series 2020 Bonds with respect to which such deposit has been made. The Defeasance Obligations shall become due prior to the respective times at which the proceeds are needed in accordance with a schedule established and agreed upon between the Board and the escrow agent at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption but only at the option of the holders or owners thereof to assure the availability of the proceeds as needed to meet the schedule.

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

Notwithstanding the foregoing, any provisions of the Bond Legislation which relate to indemnification and the payment of fees and expenses, the payment of the principal of and premium of Series 2020 Bonds at maturity or on a prior redemption date, interest payments and dates thereof, exchange, registration of transfer and registration of Series 2020 Bonds, replacement of mutilated, destroyed, lost or stolen Series 2020 Bonds, the safekeeping and cancellation of Series 2020 Bonds, non-presentment of Series 2020 Bonds, the holding of money in trust, the obligations set forth in the Bond Legislation regarding rebate, and the duties of the Registrar, Authenticating Agent and Paying Agent in connection with all of the foregoing shall remain in effect and be binding upon the Owners, the Registrar, Authenticating Agent and Paying Agent notwithstanding the release and discharge of the Bond Legislation. The provisions of this Section shall survive the release, discharge and satisfaction of the Bond Legislation.

Bonds Not Presented When Due

If any Series 2020 Bonds are not duly presented for payment when due at maturity or on any prior redemption date, and if money sufficient for the payment of those Series 2020 Bonds is on deposit with the Paying Agent, and, in the case of Series 2020 Bonds to be redeemed, if notice of redemption has been given as provided in the Bond Ordinance, all liability of the Water Authority to the Owners of those Series 2020 Bonds will be discharged, those

Series 2020 Bonds will no longer be Outstanding and it will be the duty of the Paying Agent to segregate and to hold such money in trust, without liability for interest thereon, for the benefit of the Owners of those Series 2020 Bonds.

Delegated Powers

The officers of the Water Authority are authorized and directed to take all action from time to time which is necessary or appropriate to effectuate the provisions of the Bond Legislation and the Bonds, including, without limitation, the execution of any credit facility, any liquidity agreement, any remarketing agreement, any qualified exchange agreement, the delivery of a “deemed final” certificate relating to the disclosure document for the Bonds, the publication of a summary of this Bond Ordinance substantially in the form set out in Section 44 of the Bond Ordinance, the distribution of material related to the Bonds, the printing of the Bonds and the execution of related documents and certificates pertaining to the System, the Bonds, and the delivery of and security for the Bonds, as may be reasonably required by the Underwriters. The officers of the Water Authority are authorized and directed to take all action from time to time which is desirable or necessary for the Water Authority with respect to arbitrage rebate requirements under Section 148(f) of the Code. Pursuant to Section 6-14-10.2 NMSA 1978 and the provisions of this Bond Ordinance, the Delegate is delegated the authority to approve the final terms of the Bonds and to execute the Sale Certificate and Bond Purchase Agreement all within the parameters set forth in this Bond Ordinance.

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

Amendment of Bond Ordinance

The Bond Ordinance may be amended by ordinance or resolution of the Board without the consent of Owners but with the consent of any Credit Source providing a Credit Facility which is in effect and which pertains to the Series 2020 Bonds and is affected by the amendment if the Credit Source is not in default in its obligations under the Credit Facility:

- (1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Legislation;
- (2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;
- (3) To obtain or maintain a rating on the Series 2020 Bonds from any rating agency if the amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners of the Series 2020 Bonds;
- (4) To achieve compliance with federal securities or tax laws; and
- (5) To make any other changes in the Bond Legislation which, in the opinion of Bond Counsel, are not materially adverse to the Owners.

Additional Amendments

Except as provided above, the Bond Legislation may only be amended or supplemented by ordinance or resolution adopted by the Board in accordance with the laws of the State, without receipt by the Water Authority of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Series 2020 Bonds then outstanding which are affected by the amendment or supplement (not including any Series 2020 Bonds which are then owned by or for the account of the Water Authority) and of any Credit Source providing

a Credit Facility which is in effect affected by the amendment or supplement if the Credit Source is not in default in its obligations under the Credit Facility; provided, however, that no such ordinances or resolutions may have the effect of permitting:

- (1) An extension of the maturity of any Series 2020 Bond; or
- (2) A reduction in the principal amount of, premium, if any, or interest rate on any Series 2020 Bond; or
- (3) The creation of a lien on or a pledge of Net Revenues ranking prior to the lien or pledge of Senior Obligations on Net Revenues; or
- (4) A reduction of the principal amount of Series 2020 Bonds required for consent to such amendment or supplement.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

_____, 2020

Albuquerque Bernalillo County Water Utility Authority
Albuquerque, New Mexico

\$ _____
Albuquerque Bernalillo County Water Utility Authority
Senior Lien Joint Water and Sewer System Improvement Revenue Bonds,
Series 2020

Ladies and Gentlemen:

We have acted as bond counsel to the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) in connection with the issuance and sale of its \$ _____ Senior Lien Joint Water and Sewer System Improvement Revenue Bonds, Series 2020 (the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Water Authority Ordinance WUA O-20-___ and Water Authority Resolution No. WUA R-20-___ adopted by the Water Authority on _____, 2020 (the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined the laws of the State and the United States of America relevant to the opinions herein, and other proceedings and documents relevant to the issuance by the Water Authority of the Bonds. As to the questions of fact material to our opinion, we have relied upon representations of the Water Authority contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds are valid and binding special, limited obligations of the Water Authority under and in accordance with the Bond Ordinance.
2. The Bond Ordinance has been duly authorized, executed and delivered by the Water Authority and the provisions of the Bond Ordinance are valid and binding on the Water Authority.
3. The Bonds are payable as to principal, interest and any prior redemption premium, solely from, and are secured by a pledge (but not an exclusive pledge) of System Net Revenues of the Water Authority, as more fully described in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the State or any political subdivision thereof for the payment of principal, interest and any prior redemption premium on the Bonds. The Water Authority does not have taxing power.
4. The Bond Ordinance creates the liens on the System Net Revenues that it purports to create.
5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed under provisions contained in the Internal Revenue Code of 1986, as amended. Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will

depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth above in paragraph 5 are subject to continuing compliance by the Water Authority with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the Water Authority of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

The obligations of the Water Authority related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the Water Authority and the security provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual or interest on, or the ownership of, the Bonds except those specifically addressed in paragraphs 5 and 6 above.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

\$ _____
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SENIOR LIEN JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS,
SERIES 2020

This instrument constitutes the written undertaking by the Albuquerque Bernalillo County Water Utility Authority (the “Issuer”) for the benefit of the holders of the above-captioned bonds (the “Bonds”) required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240. 15c2-12) (the “Rule”). Capitalized terms used in this undertaking and not otherwise defined in Issuer Ordinance WUA O-20-____ adopted by the Issuer on February 26, 2020 (the “Ordinance”) shall have the meanings assigned such terms in subsection 3 hereof.

(1) The Issuer undertakes to provide the following information as provided herein:

- (a) Annual Financial Information;
- (b) Audited Financial Statements, if any; and
- (c) Material Event Notices.

(2) (a) The Issuer shall, while any Bonds are Outstanding, provide the Annual Financial Information on or before March 31 of each year (the “Report Date”), beginning in 2021, to EMMA. The Issuer may adjust the Report Date if the Issuer changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to EMMA provided that the new Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the Issuer provides to EMMA the Annual Financial Information by specific reference to documents previously provided to EMMA or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

(b) If not provided as part of the Annual Financial Information, the Issuer shall provide the Audited Financial Statements when and if available while any Bonds are Outstanding to EMMA.

(c) If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner not in excess of ten (10) business days after the occurrence of the event, a notice of such occurrence with EMMA. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(d) The Issuer shall provide in a timely manner to the Municipal Securities Rulemaking Board notice of any failure by the Issuer while any Bonds are Outstanding to provide to EMMA Annual Financial Information, if any, on or before the Report Date.

(3) The following are the definitions of the capitalized terms used herein and not otherwise defined in the Ordinance:

(a) “*Annual Financial Information*” means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”)) or operating data with respect to the Issuer, provided at least annually, of the type included in the final official statement with respect to the Bonds; which Annual Financial Information may, but is not required to, include Audited Financial Statements.

(b) **“Audited Financial Statements”** means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State.

(c) **“EMMA”** means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at emma.msrb.org.

(d) **“Material Event”** means any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) modifications to rights of owners of the Bonds, if material;
- (viii) bond calls, if material, or tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the Issuer or an obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or another obligated person or the sale of all or substantially all of the assets of the Issuer or another obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material;
- (xv) incurrence of a financial obligation of the Issuer, if material, or agreements to covenants, events of default, remedies, priority rights, or similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, even to acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(e) **“Material Event Notice”** means written or electronic notice of a Material Event.

(4) The Issuer shall employ such methods of electronic or physical information transmission as shall be requested or recommended by EMMA, the MSRB or the Securities and Exchange Commission.

(5) The continuing obligation hereunder of the Issuer to provide Annual Financial Information, Audited Financial Statements, if any, and Material Event Notices shall terminate immediately once Bonds no longer are Outstanding. This undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. This undertaking may be amended without the consent of the owners of the Bonds, but only upon the delivery by the Issuer to EMMA of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this undertaking by the Issuer with the Rule.

(6) Any failure by the Issuer to perform in accordance herewith shall not constitute an “Event of Default” under the Bonds and the Ordinance, and the rights and remedies provided by the Ordinance upon the occurrence of an “Event of Default” shall not apply to any such failure; however, owners of the Bonds may sue to enforce performance of the undertakings set forth herein.

(7) *Beneficiaries.* This certificate shall inure solely to the benefit of the Issuer, the Underwriters and owners from time to time of the Bonds, and shall create no rights in any other persons or entity.

DATE: MARCH __, 2020

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

Chair