
Meeting Date: March 18, 2015
Staff Contact: Mark S. Sanchez, Executive Director

TITLE: R-15-6- Authorizing Approving the Sale of Albuquerque Bernalillo County Water Utility Authority (The "Water Authority") Senior Lien Joint Water And Sewer System Refunding and Improvement Revenue Bonds, Series 2015 In The Aggregate Principal Amount Of \$232,175,000 (The "Bonds"); Establishing Certain Details Of The Bonds; Providing For The Payment Of The Costs Of Issuance Of The Bonds; Approving Disclosure And Other Documents Relating To The Bonds; and Ratifying Action Previously Taken.

ACTION: Recommend Approval

SUMMARY:

This Pricing Resolution represents the final official action for the proposed Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015. The Bond Authorizing Ordinance was adopted on February 25, 2015 and established parameters for issuance of the Bonds. The Pricing Resolution supplements the Bond Authorizing Ordinance with the results of the pricing of the Bonds within the parameters established by the Bond Authorizing Ordinance. The Pricing Resolution establishes the par amount of the Bonds, final interest rates, maturity schedule, and redemption provisions for the Bonds. It identifies the outstanding obligations that will be refunded with a portion of the proceeds of the Bonds. Additionally, the Resolution approves the Bond Purchase Agreement with the Underwriters, approves the disclosure documents (the Preliminary Official Statement and Official Statement), and approves the Escrow Agreement for the refunding. Attached is a memo that will be discussed by RBC as a part of the presentation to this Board.

FISCAL IMPACT:

Based upon market conditions at the time of adoption of the Bond Authorizing Ordinance, the refunding is anticipated to generate approximately \$17.2 million in present value savings or 10.12% of the par amount refunded. The term of the obligations being refunded will not be extended beyond their original term. Annually the refunding is expected to generate approximately \$1.78 million in savings in FY 2015, \$0.93 million in savings in FY 2016 and FY 2017, and approximately \$1.03 million from FY 2018 through FY 2034. Final savings will be determined on March 18, 2015 when the Bonds are sold. RBC Capital Markets will report the final savings calculations at the time of adoption of the Pricing Resolution.

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.

COMMENTS:

Approval of the Pricing Resolution is required for the issuance of the proposed Bonds. . This Pricing Resolution is the final official action required to authorize the Bonds for the refunding and to make improvements established in the Capital Improvements Plan in the Decade Plan and the 2015 Finance Plan. It is anticipated that the Bonds will be issued on April 27, 2015.

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

A floor substitute will be prepared by Bond Counsel which incorporates the final pricing information for the Bonds.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-15-6

1 RESOLUTION
2 APPROVING THE SALE OF ALBUQUERQUE BERNALILLO COUNTY WATER
3 UTILITY AUTHORITY (THE "WATER AUTHORITY") SENIOR LIEN JOINT WATER
4 AND SEWER SYSTEM REFUNDING AND IMPROVEMENT REVENUE BONDS,
5 SERIES 2015 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____ (THE
6 "BONDS"); ESTABLISHING CERTAIN DETAILS OF THE BONDS; PROVIDING FOR
7 THE PAYMENT OF THE COSTS OF ISSUANCE OF THE BONDS; APPROVING
8 DISCLOSURE AND OTHER DOCUMENTS RELATING TO THE BONDS; AND
9 RATIFYING ACTION PREVIOUSLY TAKEN IN CONNECTION THEREWITH.

10 WHEREAS, unless otherwise defined in Section 1 of this Pricing Resolution or
11 the context requires otherwise, capitalized terms in the Pricing Resolution have the
12 same meaning assigned to those terms in Section 1 of Ordinance No. O-15-2 (the
13 "Bond Ordinance") adopted by the Board of the Water Authority (the "Board") on
14 February 25, 2015; and

15 WHEREAS, the Pricing Resolution is adopted pursuant to the Bond Ordinance in
16 order to amend or supplement certain matters in the Bond Ordinance and to approve
17 the terms, sale price, maximum interest rates and other matters with respect to the
18 Bonds; and

19 WHEREAS, the Board has adopted the Bond Ordinance which authorized the
20 issuance of the Bonds and provides for the adoption of a Pricing Resolution by the
21 Board to approve terms and documents relating to the issuance, delivery, sale, and
22 administration of the Bonds, and the Pricing Resolution is adopted by the Board for
23 those purposes; and

24 WHEREAS, the Water Authority adopts this resolution pursuant to the authority
25 granted to it in the Bond Legislation and the Act; and

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1 WHEREAS, it is in the best interests of the Water Authority to sell the Bonds to
2 the Purchaser upon the terms as set forth in the Bond Legislation and the Bond
3 Purchase Agreement; and

4 WHEREAS, the Preliminary Official Statement, the proposed form of Official
5 Statement, the form of Continuing Disclosure Undertaking, the form of the Escrow
6 Agreement, and the Bond Purchase Agreement are on deposit with the Water Authority
7 and are presented to the Board; and

8 WHEREAS, all required authorizations, consents and approvals of any
9 governmental body, agency or authority in connection with the authorization, execution
10 and delivery of the Bonds, which are required to have been obtained by the date on
11 which the Confirming Resolution is adopted or which will be required to be obtained
12 prior to the date of issuance of the Bonds have been or will have been obtained by such
13 dates;

14 BE IT RESOLVED BY THE BOARD, THE GOVERNING BODY OF
15 ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY:

16 **SECTION 1. DEFINITIONS.**

17 **PURCHASER.** J.P. Morgan Securities LLC, Robert W. Baird & Co.,
18 Incorporated, Stifel, Nicolaus & Company, Incorporated, and Piper Jaffray & Co.,
19 collectively, as the original purchasers of the Bonds.

20 **BONDS.** The Albuquerque Bernalillo County Water Utility Authority
21 **Senior Lien** Joint Water and Sewer System Refunding and Improvement Revenue
22 Bonds, Series 2015, **authorized by the Bond Legislation.**

23 **PRICING RESOLUTION.** This resolution, being Water Authority
24 **Resolution No. F/S R-15-__.**

25 **REFUNDED OBLIGATIONS.** Collectively, (i) the Public Project Revolving
26 Fund Loan Agreement (2007) maturing on and after May 1, 2018, (ii) the Series 2008A
27 Bonds maturing on and after July 1, 2026, and (iii) the Series 2009 Bonds maturing on
28 and after July 1, 2020.

29 **SECTION 2. RATIFICATION OF PRIOR ACTIONS TOWARD ISSUANCE**
30 **OF THE BONDS; ASSUMPTION OF PRIOR OBLIGATIONS.** All action previously
31 taken (not inconsistent with the provisions of the Bond Legislation) by the Board
32 and the officers of the Water Authority, directed toward the authorization, pledge,

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1 collection, and distribution of the Net Revenues and the authorization, issuance and
2 sale of the Bonds is ratified, approved, and confirmed.

3 SECTION 3. FINDINGS. The Board declares that it has considered all
4 relevant information and data and makes the following findings:

5 A. The issuance of the Bonds in the principal amount of
6 \$_____ plus a net premium of \$_____ under the Act will provide funds
7 for (i) the advance refunding of the Public Project Revolving Fund Loan Agreement
8 (2007) maturing on and after May 1, 2018, (ii) the advance refunding of the Series
9 2008A Bonds maturing on and after July 1, 2026, and (iii) the advance refunding of the
10 Series 2009 Bonds maturing on and after July 1, 2020. (collectively, the “Refunded
11 Obligations”) (iv) acquiring additional System assets, extending, repairing, replacing
12 and improving the Water Authority’s System (the “Improvement Project”), and (v) the
13 payment of Expenses, with proceeds of the Bonds and other money of the Water
14 Authority legally available for the purpose (collectively, the “Project”).

15 B. The Refunding Project and the Improvement Project are
16 necessary and in the interest of the public health, safety, and welfare of the
17 residents of the geographic area served by the Water Authority.

18 C. The interest rates set forth in Section 4, the net effective
19 interest rate of _____% per annum, and the underwriters' discount of
20 \$_____ for the sale of the Bonds are reasonable under existing and anticipated
21 bond market conditions and are necessary and advisable for the marketing and sale
22 of the Bonds.

23 D. The Water Authority will complete the Refunding Project and
24 the Improvement Project with the proceeds of the Bonds together with other funds
25 of the Water Authority, if any.

26 SECTION 4. DETAILS OF THE BONDS.

27 A. PRINCIPAL AMOUNT. The Bonds shall be issued in one series
28 in the aggregate principal amount of \$_____, shall be designated the
29 Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and
30 Sewer System Refunding and Improvement Revenue Bonds, Series 2015. The
31 Bonds shall be issued to provide funds, together with other available funds of the
32 Water Authority, if any, to finance the completion of the Refunding Project and the

1 Improvement Project and to pay Expenses relating to the issuance of the Series
2 2015 Bonds.

3 B. SERIES DATE; REGISTRATION. The Bonds shall be dated the
4 date of issuance of the Bonds (the "Series Date"), and shall be issued in fully
5 registered form only, without coupons, and when issued will be registered in the
6 name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New
7 York, New York, as registered owner of the Bonds, all as provided in the Bond
8 Ordinance.

9 C. INTEREST PAYMENT DATE; INTEREST RATES; MATURITIES.
10 The Bonds shall bear interest payable on each Interest Payment Date,
11 beginning on July 1, 2015, at the rates per annum, maturing in the years and
12 amounts, set forth below:

<u>Principal Amount</u>	<u>Maturity (July 1)</u>	<u>Interest Rate</u>
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18 D. OPTIONAL REDEMPTION. The Bonds maturing on and after
19 July 1, _____, shall be subject to redemption prior to their respective maturities, at
20 the option of the Water Authority in any order of maturity as determined by the
21 Water Authority in whole or in part at any time, on or after July 1, _____, at a
22 redemption price equal to 100% of the principal amount of the Bonds to be
23 redeemed, plus accrued interest to the date of redemption.

24 SECTION 5. PARAMETERS OF ORDINANCE. The net effective
25 interest rate on the Bonds is less than 12% per annum. The maturities of the
26 Bonds allocated to the Refunding Project do not exceed the remaining useful life of
27 the projects financed with the proceeds of the Refunded Obligations. The
28 maturities of the Bonds allocated to the Improvement Project do not exceed the
29 expected useful life of the Improvement Project. All other terms and conditions
30 relating to the Bonds and the sale of the Bonds to the Purchaser as set forth in this
31 Pricing Resolution and the Bond Purchase Agreement are within the parameters
32 established by the Bond Ordinance.

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1 SECTION 6. ACCOUNTS AND FUNDS. The Water Authority shall
2 establish the Series 2015 Debt Service Account as a separate account of the Debt
3 Service Fund and shall establish any other accounts required by the Bond
4 Ordinance.

5 SECTION 7. SALE OF THE BONDS. The sale of the Bonds in a
6 negotiated sale to the Purchaser for the principal amount of \$_____, plus a
7 net premium of \$_____, less an underwriter's discount of \$_____, is
8 approved.

9 SECTION 8. USE OF PROCEEDS; PROJECT COMPLETION;
10 PURCHASER NOT RESPONSIBLE

11 A. PROCEEDS AND OTHER FUNDS; APPROPRIATIONS.

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

16 (a) \$_____ of proceeds of the Bonds will be
17 deposited into the Expense Account to pay Expenses associated with the Bonds,
18 with any amounts not expended within ninety (90) days to be deposited into the
19 Series 2015 Debt Service Account.

20 (b) \$_____ of proceeds of the Bonds will be
21 deposited in the Escrow Fund for the Refunded Obligations, and, together with
22 interest earnings thereon, used, and is appropriated for the payment of the
23 redemption price (including principal and accrued interest) of the Refunded
24 Obligations pursuant to the Escrow Agreement.

25 (c) \$_____ of proceeds of the Bonds shall be
26 used to pay, and is appropriated for the payment of the underwriters' discount.

27 (d) \$_____ of the proceeds of the Bonds shall be
28 deposited to the Series 2015 Debt Service Account.

29 (e) \$_____ of the proceeds of the Bonds shall
30 be deposited to the Acquisition Fund for the payment of the costs of the
31 Improvement Project.

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1 B. COMPLETION. As soon as practicable, and in any event not
2 more than 60 days after the Completion Date of the Refunding Project, any balance
3 remaining in the Escrow Fund shall be used by the Water Authority for the payment
4 of the principal of or interest next coming due on the Bonds. The Completion Date
5 for the Improvement Project shall be evidenced by a certificate signed by the
6 Executive Director of the Water Authority or other Authorized Officer responsible
7 for the System stating that the Improvement Project has been completed. As soon
8 as practicable, and in any event not more than 60 days after the Completion Date
9 of the Improvement Project, any balance remaining in the Acquisition Account
10 (other than any amount retained by the Water Authority for costs of the
11 Improvement Project not then due and payable) shall be used by the Water
12 Authority for the payment of the principal of or interest next coming due on the
13 Bonds.

14 C. PURCHASER NOT RESPONSIBLE. The Purchaser shall not be
15 responsible for the application or use by the Water Authority of the proceeds of
16 Bonds.

17 SECTION 9. PRIOR REDEMPTION AND NOTICE WITH RESPECT TO
18 REFUNDED OBLIGATIONS; ESCROW AGENT; SUFFICIENCY OF ESCROW FUND;
19 INVESTMENTS.

20 The Water Authority has elected and does hereby declare its intent to
21 exercise on behalf and in the name of the Water Authority its option to redeem the
22 Refunded Obligations at a redemption price equal to the principal amount of the
23 Refunded Obligations to be redeemed plus accrued interest to the respective dates
24 of redemption. The Water Authority is hereby obligated to exercise such option,
25 which option shall be deemed to have been exercised irrevocably upon delivery of
26 the Bonds. Notices of optional redemption of the Refunded Obligations shall be
27 mailed or delivered as provided by the Refunded Obligations and the Escrow
28 Agreement.

29 The initial Escrow Agent shall be BOKF, N.A. dba Bank of Albuquerque. The
30 Escrow Agent shall invest the monies on deposit in the Escrow Accounts only in
31 Government Obligations as defined in the legislation authorizing the issuance of the

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1 Refunded Obligations. All such Government Obligations shall mature at such times
2 as provided in the Escrow Agreement.

3 SECTION 10. APPROVAL AND USE OF DOCUMENTS. The forms,
4 terms, and provisions of the Preliminary Official Statement, the proposed form of
5 the Official Statement, the Bond Purchase Agreement, the form of the Escrow
6 Agreement, and the form of Continuing Disclosure Undertaking on file with the
7 Water Authority and presented to the Board are ratified and approved. The Chair
8 of the Water Authority or the Executive Director are hereby authorized to execute
9 such documents. The use by the Purchaser, in connection with the offering and
10 sale of the Bonds, of the Preliminary Official Statement and the Official Statement
11 (with terms which are not inconsistent with the Bond Legislation) is ratified and
12 approved.

13 SECTION 11. PRICING RESOLUTION IRREPEALABLE. After any Bonds
14 are issued, this Pricing Resolution shall be and remain irrevocable until the principal
15 of and interest on the Bonds are fully paid and the Bonds are cancelled or there has
16 been defeasance of the Bonds as provided in the Bond Legislation.

17 SECTION 12. REPEALER CLAUSE. All bylaws, orders, and resolutions,
18 or parts thereof, inconsistent with the Pricing Resolution are repealed to the extent
19 of such inconsistency. This repealer shall not be construed to revive any bylaw,
20 order, or resolution, or part thereof, previously repealed.

21 SECTION 13. SEVERABILITY. If any section, paragraph, clause or
22 provision of the Pricing Resolution shall for any reason be held to be invalid or
23 unenforceable, the invalidity or unenforceability of such section, paragraph, clause
24 or provision shall not affect any of the remaining provisions of the Pricing
25 Resolution.

26 SECTION 14. EFFECTIVE DATE. The Pricing Resolution shall be in full
27 force and effect immediately upon adoption.

28 SECTION 15. PUBLICATION OF NOTICE OF ADOPTION. Pursuant to
29 the general laws of the State, the title and general summary of the subject matter
30 contained in the Pricing Resolution shall be published in substantially the following
31 form:

32 ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

1 **LEGAL NOTICE**

2 Notice is hereby given that the Board of Directors of Albuquerque Bernalillo
3 County Water Utility Authority did on the 18th day of March, 2015, adopt a resolution
4 entitled:

5 **APPROVING THE SALE OF ALBUQUERQUE BERNALILLO COUNTY**
6 **WATER UTILITY AUTHORITY (THE "WATER AUTHORITY") SENIOR**
7 **LIEN JOINT WATER AND SEWER SYSTEM REFUNDING AND**
8 **IMPROVEMENT REVENUE BONDS, SERIES 2015 IN THE**
9 **AGGREGATE PRINCIPAL AMOUNT OF \$_____ (THE "BONDS");**
10 **ESTABLISHING CERTAIN DETAILS OF THE BONDS; PROVIDING**
11 **FOR THE PAYMENT OF THE COSTS OF ISSUANCE OF THE BONDS;**
12 **APPROVING DISCLOSURE AND OTHER DOCUMENTS RELATING TO**
13 **THE BONDS; AND RATIFYING ACTION PREVIOUSLY TAKEN IN**
14 **CONNECTION THEREWITH.**

15
16 The Pricing Resolution authorizes the issuance of the Albuquerque Bernalillo
17 County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding
18 and Improvement Revenue Bonds, Series 2015, in the aggregate principal amount of
19 \$_____ (the "Bonds") to J.P. Morgan Securities LLC, Robert W. Baird & Co.,
20 Incorporated, Stifel, Nicolaus & Company, Incorporated and Piper Jaffray & Co.;
21 establishes the interest rates and maturity schedules for the Bonds; makes certain
22 appropriations of the proceeds of the Bonds; and provides other details concerning the
23 Bonds. Complete copies of the Pricing Resolution are available for public inspection
24 during normal and regular business hours at the offices of the Water Authority, One
25 Civic Plaza, NW, Albuquerque, New Mexico.

26 Dated this 18th day of August, 2015.

27 PASSED AND ADOPTED THIS 18TH DAY OF MARCH, 2015. BY A VOTE OF
28 _____ FOR AND _____ AGAINST.

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31 _____
32 CHAIR

33 ATTEST:

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SECRETARY

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To: Commissioner Maggie Hart Stebbins, Councilor Trudy E. Jones, Mayor Richard J. Berry, Commissioner Art De La Cruz, Councilor Rey Garduño, Commissioner Debbie O'Malley, Councilor Ken Sanchez, Trustee Pablo Rael

From: Mark Sanchez, Executive Director

Date: March 10, 2015

Re: Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015

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 ("Water Authority") Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015 (the "Bonds"). The POS makes various disclosures about the Water 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 Underwriter of the Bonds.

The attached POS is similar to the one used when other revenue bonds were issued by the Water Authority in 2014. The information has been updated by Water Authority staff. Chris Muirhead of the Modrall Sperling Law Firm, the Water Authority's Bond and Disclosure Counsel and Paul Cassidy of RBC Capital Markets, LLC, the Water 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, we have participated in due diligence meetings and conference calls. During those meetings and calls we 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 me.

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 the Water Authority of San Diego and the State of New Jersey. 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 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."

Although Water Authority staff and the finance and legal team collaborated in preparing the POS, each Water Authority Board member should review it carefully. The POS is a Water Authority document, and the Water 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 me 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.

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Albuquerque Bernalillo County Water Utility Authority
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds
Series 2015

BOND PURCHASE AGREEMENT

March 18, 2015

Albuquerque Bernalillo County
Water Utility Authority
One Civic Plaza NW
Room 5012
Albuquerque, New Mexico 87102

Ladies and Gentlemen:

J.P. Morgan Securities LLC, as Senior Manager (the "Senior Manager"), Robert W. Baird & Co. Inc., Stifel, Nicolaus & Company, Incorporated and Piper Jaffray & Co. (collectively, the "Underwriters") offer to enter into this Bond Purchase Agreement (the "Agreement") with the Albuquerque Bernalillo County Water Utility Authority (the "Authority"). This offer is made subject to acceptance by the Authority, exercised by the execution of this Agreement by an authorized representative of the Authority, on behalf of the Authority, on or before 10:00 p.m., Mountain Daylight Time, on the date of this Agreement. Upon acceptance of this offer and delivery of this Agreement, this Agreement shall be binding upon the Authority and the Underwriters, subject to the provisions of this Agreement, including Sections 6 and 7 hereof. Capitalized terms not otherwise defined herein have the meanings given to them in the Bond Ordinance (as defined below).

1. Agreement to Purchase and Sell. Upon the terms and conditions and in reliance upon the representations, warranties and covenants hereinafter set forth, the Underwriters hereby, jointly and severally, agree 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 \$_____ aggregate principal amount of the Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015 (the "Bonds"). The purchase price for the Bonds shall be \$_____, representing the aggregate principal amount of the Bonds plus original issue premium of \$_____ and less an Underwriters' discount of \$_____.

In as much as this purchase and sale represents a negotiated transaction, the Authority acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length, commercial transaction between the Authority and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Exchange Act), financial advisor or fiduciary to the Authority, (ii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility to the Authority with respect to this Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the

Authority on other matters), (iii) the only obligations the Underwriters have to the Authority with respect to the transactions contemplated hereby are set forth in this Agreement, (iv) the Underwriters have financial and other interests that differ from those of the Authority, and (v) the Authority has consulted with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate. The Authority has received and acknowledged the letter dated January 20, 2015 delivered by the Senior Manager; the letter dated January 20, 2015 delivered by Robert W. Baird & Co.; and the letter dated February 10, 2015 delivered by Piper Jaffray & Co. The Authority has retained RBC Capital Markets, LLC as its Independent Registered Municipal Advisor in this transaction.

The Bonds are being issued pursuant to Ordinance No. WUA O-15-2 and Resolution No. WUA R-15-3 of the Authority adopted on February 25, 2015, and Resolution No. WUA R-15-__ adopted by the Authority on March 18, 2015 (collectively the "Bond Ordinance"). The Bonds are also being issued pursuant to the laws of the State, including Section 72-1-10, NMSA 1978, as amended.

The Bonds shall mature on the dates, and shall bear interest at the rates, as set forth in the Official Statement (defined below) and shall otherwise be in the form and have the terms provided in the Bond Ordinance.

2. Offering of Bonds. The Underwriters agree to make an initial offering of the Bonds at the initial offering prices (or yields) set forth on Exhibit A attached hereto. Following the initial offering, the offering prices (or yields) may be changed from time to time by the Underwriters. The Bonds may be offered and sold to certain dealers and underwriters (including the Underwriters and other broker/dealers depositing such Bonds into investment trusts) at prices lower than such initial offering prices.

3. Preliminary Official Statement, Official Statement and Continuing Disclosure.

(a) The Authority hereby ratifies and approves the use and distribution by the Underwriters for the public offering and sale of the Bonds of the Preliminary Official Statement dated March 6, 2015 relating to the Bonds (which, including the cover page, inside cover and all appendices and statements included therein, incorporated by reference therein or attached thereto, is referred to as the "Preliminary Official Statement"). The Authority has deemed the Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") except for the omission of certain financial information, including offering prices, interest rates and related matters, as permitted by the Rule. The Authority hereby authorizes and approves the use and distribution by the Underwriters of a final Official Statement, in substantially the same form as the Preliminary Official Statement with such changes therein as are not inconsistent with the Bond Ordinance (such final Official Statement, including the cover page, inside cover and all appendices and statements included therein, incorporated by reference therein or attached thereto being herein called the "Official Statement"). The Authority shall provide to the Underwriters, within seven business days of the date of this Agreement and in sufficient time to accompany any confirmation that requires payment from any customer, copies of the Official Statement in sufficient quantities to enable the Underwriters to comply with the Rule and the rules of the Municipal Securities Rulemaking Board. By execution thereof by the Chair of the Authority, the Authority shall deem the Official Statement complete as of its date within the meaning of the Rule in substantially the same form as the Preliminary Official Statement subject only to such additions, deletions and revisions necessary to conform to this Agreement and the Bond Ordinance.

(b) The Authority agrees to notify the Senior Manager pursuant to Section 9 of this Agreement promptly of any material change in the affairs or financial condition of the Authority that

relates to the Net Revenues which may occur prior to the Closing (herein defined). The Authority further agrees to notify the Senior Manager of any material developments impacting the Authority, the Bonds, or the Net Revenues, of which the Authority becomes aware between the date of this Agreement and a date which is 25 days after the end of the underwriting period for purposes of the Rule, which end of the underwriting period shall be deemed to be the Closing unless the Senior Manager informs the Authority in writing at or before the Closing that not all of the Bonds have been sold. After such notification, if, in the reasonable opinion of the Authority or the Senior Manager, a change would be required in the Official Statement in order to make the statements therein true and not misleading or incomplete in any material respect, then such change will be made by amendment or supplement, and the Official Statement as so amended or supplemented will be prepared and furnished to the Senior Manager, at the expense of the Authority, in reasonable quantities for distribution. If such notification shall be subsequent to the Closing, the Authority shall furnish such legal opinions, certificates, instruments and other documents as the Senior Manager may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(c) The Authority agrees to furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to qualify the Bonds for offer and sale under, and to comply generally with, the securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate; provided that the Authority shall not be required to consent to service of process in any jurisdiction.

(d) The Senior Manager will acknowledge receipt of the Official Statement from the Authority and the sufficiency of the number of copies received. The Underwriters shall send a copy of the Official Statement to each purchaser of Bonds in compliance with the Rule and the rules of the Municipal Securities Rulemaking Board, to the Municipal Securities Rulemaking Board and to EMMA.

(e) For the benefit of the owners of the Bonds, the Authority shall undertake in the Continuing Disclosure Undertaking, as authorized in the Bond Ordinance, to provide Annual Financial Information (as defined by the Rule) relating to the Authority and the Bonds, audited financial statements of the Authority when available and notices of certain events relating to the Bonds. A form of the Continuing Disclosure Undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

4. Authority's Representations, Warranties and Agreements. The Authority represents and warrants to, and agrees with the Underwriters as follows:

(a) The Authority has full legal right, power and authority under the laws of the State, and at the date of the Closing will have full legal right, power and authority under the laws of the State and the Bond Ordinance (i) to enter into, execute and deliver this Agreement, the Bond Ordinance, the Escrow Agreement dated the Closing Date between the Authority and BOKF, N.A., dba Bank of Albuquerque, as escrow agent (the "Escrow Agreement") and the Continuing Disclosure Undertaking pertaining to the Bonds, and all documents required hereunder and thereunder to be executed and delivered by the Authority; (ii) to sell, issue and deliver the Bonds to the Underwriters as provided herein for the Refunding Project and the Improvement Project; and (iii) to carry out and consummate the transactions described in this Agreement, the Bond Ordinance, the Continuing Disclosure Undertaking, the Escrow Agreement and the Official Statement, and the Authority has complied, and will at the Closing be in compliance in all respects, with the terms of the laws of the State and the Bond Ordinance. In connection with the issuance of the Bonds and the execution of this

Agreement, the Authority has complied in all material respects with the Constitution and laws of the State.

(b) At or prior to the Closing, the Authority will (i) have duly adopted the Bond Ordinance; (ii) have duly authorized (A) the issuance, sale, execution and delivery of and performance of its obligations under the Bonds, (B) the performance of its obligations under the Bond Ordinance, the Escrow Agreement and the Continuing Disclosure Undertaking, (C) the execution, delivery and performance of its obligations under this Agreement and (D) the execution and delivery of the Official Statement; (iii) have duly issued the Bonds; (iv) have duly executed and delivered the Bonds, the Continuing Disclosure Undertaking, the Escrow Agreement and this Agreement and the Official Statement; (v) have duly authorized the use by the Underwriters, in connection with the offering and sale of the Bonds, of the Official Statement; (vi) have duly ratified the use by the Underwriters of the Preliminary Official Statement, prior to the date hereof, in connection with the offering of the Bonds; (vii) have performed all obligations which are required to be performed by it at or prior to the Closing under the Bonds, the Bond Ordinance, the Escrow Agreement and this Agreement; and (viii) be in compliance with all provisions of the Bonds, the Bond Ordinance, the Escrow Agreement and this Agreement.

(c) To the Authority's knowledge, none of the following does or will materially conflict with, or constitute a material breach by the Authority of or material default by the Authority under, any law, any court decree or order, any governmental regulation, rule or order, any resolution or any agreement, indenture, mortgage or other instrument to which the Authority is subject or by which it is bound: (i) the Authority's adoption and performance of its obligations under the Bond Ordinance; (ii) the Authority's issuance, sale, execution and delivery of, and performance of its obligations under, the Bonds; (iii) the Authority's execution and delivery of, and performance of its obligations under, the Continuing Disclosure Undertaking, the Escrow Agreement and this Agreement; (iv) the Authority's execution and delivery of the Official Statement; or (v) any action contemplated by or pursuant to the items referred to in this subsection.

(d) At or prior to the Closing, except as may be required under Blue Sky or other securities laws of any state, all approvals, consents and orders of any governmental authority having jurisdiction in the matter which would constitute a condition precedent to any of the actions to be taken by the Authority with respect to the Bonds prior to the date of Closing will have been obtained and will be in full force and effect.

(e) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the Authority's knowledge threatened, involving the Authority (i) with respect to the Bond Ordinance, in any way questioning (A) the authority of any officer of the Authority to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the Authority material to the Bonds or the security for the Bonds; (ii) seeking to restrain or enjoin (A) the issuance, sale, execution or delivery of, or the performance by the Authority of its obligations under, the Bonds or (B) materially affecting the collection of the Net Revenues or the pledge thereof under the Bond Ordinance; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Bonds or (B) the validity or enforceability of the Bonds, the Bond Ordinance, the Continuing Disclosure Undertaking, the Escrow Agreement, this Agreement, or any action contemplated by or pursuant to any of the foregoing or (C) any of the rights, powers, duties or obligations of the Authority with respect to the Bonds or the security related thereto or the pledge thereof under the Bond Ordinance; (iv) which may result, either individually or in the aggregate, in final judgments against the Authority materially adversely affecting the security for the Bonds; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or

contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) The Preliminary Official Statement (except the section entitled "DESCRIPTION OF THE SERIES 2015 BONDS – Book-Entry-Only System," as to which no representations are made) as of its date was true and correct in all material respects; and the Preliminary Official Statement as of its date did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(g) The financial statements of the Authority contained in the Preliminary Official Statement and the Official Statement fairly present the financial position and results of operations of the Authority as of the date and for the period therein set forth, which financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and, except as disclosed in the Preliminary Official Statement and the Official Statement, there has been no material adverse change in the financial condition of the Authority since June 30, 2014.

(h) Any certificate or copy of any certificate signed by any official of the Authority, and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed a representation by the Authority to the Underwriters as to the truth of the statements made therein.

(i) Subsequent to the date as of which information is given in the Preliminary Official Statement up to and including the date hereof, there has been no material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Authority relating to the Bonds, the security related thereto or the Net Revenues, except as described in the Preliminary Official Statement or the Official Statement.

(j) The Authority will not amend or supplement the Official Statement without prior written notification to the Underwriters; from the date of the Closing to the date of the end of the underwriting period, the Authority will not amend or supplement the Official Statement without the prior consent of the Underwriters, which consent shall not be unreasonably withheld.

(k) The Authority is not in default, and has not at any time within the immediately preceding ten years, been in default, in the payment of principal of, premium, if any, or interest on, any bonds, notes or other obligations which it has issued, assumed or guaranteed as to payment of principal, premium, if any, or interest.

(l) The Authority has previously entered into a continuing disclosure undertaking pursuant to paragraph (b)(5) of the Rule and the Authority has not failed to comply in any material respect with any undertaking specified in paragraph (b)(5)(i) of the Rule within the last five years.

5. The Closing. At 10:00 a.m., Mountain Daylight Time, on April 27, 2015, or at such other time or on such other business day as is mutually agreed upon by the Authority and the Underwriters (the "Closing Date"), the Authority will deliver or cause to be delivered to the Underwriters the Bonds in typed or printed fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company; and the Underwriters shall accept delivery of the Bonds and the related closing documents and pay the purchase price of the Bonds as set forth in Section 1 hereof in immediately available funds. Delivery of the Bonds as aforesaid shall be made at The Depository Trust Company ("DTC") or at such other location as shall have been designated by the Underwriters.

Delivery of the other documents as aforesaid shall be at the offices of Modrall, Sperling, Roehl, Harris & Sisk, P.A. ("Bond Counsel"), in Albuquerque, New Mexico, or at such other place as may be mutually agreed upon by the Authority and the Senior Manager. The payments and deliveries described in the preceding sentences are referred to as the "Closing." The Bonds shall be made available for inspection at the facilities of DTC in New York, New York at least two business days prior to the Closing.

6. Conditions to Closing. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements herein and the performance by the Authority of its obligations hereunder. The Underwriters' obligations under this Agreement are and shall be subject to the following further conditions:

(a) the representations, warranties and agreements of the Authority herein shall be true, complete and correct in all material respects at the Closing with the same effect as if made on and as of such date;

(b) at the time of the Closing, (i) the Bonds, the Bond Ordinance, the Continuing Disclosure Undertaking, the Escrow Agreement, this Agreement and the Official Statement and all other agreements, documents, instruments and certificates which have been executed and delivered prior to, or are executed and delivered at, the Closing shall be in full force and effect, and shall not have been amended, modified or supplemented (except as may have been consented to by the Senior Manager); and (ii) the Authority shall perform or have performed all obligations thereunder and hereunder which are to be performed by the Authority at or prior to the Closing and shall be in compliance with all provisions of the Bonds, the Bond Ordinance, the Continuing Disclosure Undertaking, the Escrow Agreement, this Agreement and all other agreements, documents, instruments and certificates relating to the Bonds which have been executed and delivered prior to, or are executed and delivered at, the Closing;

(c) the Bonds shall be rated "Aa2" by Moody's Investors Services, Inc. ("Moody's"), "AA+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and "AA" by Fitch Ratings ("Fitch"), respectively;

(d) on or before the Closing, the Senior Manager shall have the right in its absolute discretion, reasonably exercised, to terminate the obligations of the Underwriters under this Agreement by written notification to the Authority if at any time after the date hereof and prior to the Closing any of the following events shall occur:

(i) the market price or marketability of the Bonds, or the ability of the Underwriters to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events:

(A) legislation shall have been enacted by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority with appropriate jurisdiction, with respect to federal or

state taxation upon interest received on obligations of the general character of the Bonds; or

(B) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (2) any other calamity or crisis in the financial markets of the United States or elsewhere, or (3) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or

(C) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission ("SEC") or any other governmental authority having jurisdiction; or

(D) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Bonds, the Bond Ordinance, or any comparable securities of the Authority, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933 or the Trust Indenture Act or otherwise, or would be in violation of any provision of the federal securities laws; or

(E) except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the Authority shall have occurred; or

(F) any rating on securities of the Authority which are secured by a pledge or application of the Net Revenues on a parity with the Bonds is reduced or withdrawn or placed on credit watch with negative outlook by any major credit rating agency; or

(ii) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriters) or is not reflected in the Official Statement but should be reflected therein in order 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 Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(iii) a general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force; or

(iv) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(v) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(vi) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, the Exchange Act and the Trust Indenture Act.

(e) subsequent to the respective dates of the Preliminary Official Statement and the Official Statement, up to and including the Closing, the Authority shall not have incurred any material liabilities affecting the security for the Bonds, direct or contingent, and there shall not have been any material adverse change in the financial position or projections, results of operations or conditions, financial or otherwise, of the Authority relating to the Bonds, the security related thereto or the Net Revenues, except as described in the Official Statement;

(f) at or prior to the Closing, the Underwriters shall have received the following, all of which shall be in form and substance satisfactory to the Underwriters:

(i) copies, duly certified by the Chair of the Authority, of the Bond Ordinance as adopted by the Authority, and all proceedings relating thereto;

(ii) executed copies of this Agreement, the Escrow Agreement and the Continuing Disclosure Undertaking;

(iii) written evidence satisfactory to the Underwriters that the Bonds have been rated "Aa2," "AA+" and "AA," respectively, by Moody's, S&P and Fitch;

(iv) two executed copies of the Official Statement;

(v) a certificate or certificates of the Authority, dated the date of the Closing and executed by the Chair of the Authority, certifying that (A) the Authority has the legal right, power and authority to execute, deliver and perform its obligations under the Bond Ordinance, the Bonds, the Continuing Disclosure Undertaking, the Escrow Agreement and this Agreement; (B) the Authority has duly authorized the execution, delivery and performance of its obligations under the Bond Ordinance, the Bonds, the Continuing Disclosure Undertaking, the Escrow Agreement and this Agreement and all actions contemplated by or referred to therein or contemplated by or referred to in the Official Statement; (C) except with respect to the sections entitled "DESCRIPTION OF THE SERIES 2015 BONDS — Book-

Entry-Only System" in the Preliminary Official Statement and the Official Statement, as to which no representations are made, the Preliminary Official Statement as of its date did not, and the Official Statement as of its date did not and as of the Closing does not, contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (D) all of the representations and warranties of the Authority in this Agreement are true, complete and correct in all material respects on and as of the time of the Closing with the same effect as if made on and as of such date; (E) the Authority has complied with and performed all of its covenants and agreements in this Agreement to be complied with and performed at or prior to the Closing; (F) the Authority has duly executed and delivered the Official Statement; (G) the Authority has duly authorized the use by the Underwriters, in connection with the offering and sale of the Bonds, of the Official Statement and has ratified the use by the Underwriters of the Preliminary Official Statement; (H) except as may be required under Blue Sky or other securities laws of any state, all approvals, consents and orders of any governmental authority having jurisdiction in the matter have been given which would constitute a condition precedent to any of the actions required to be taken prior to the date of Closing; (I) any certificate signed by any official of the Authority and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed a representation by the Authority to the Underwriters as to the truth of the statements made therein; (J) subsequent to the respective dates as of which information is given in the Preliminary Official Statement and the Official Statement up to and including the date of Closing, there has been no material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Authority relating to the Bonds, the security related thereto or the Net Revenues; and (K) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or, to their knowledge, threatened, involving the Authority (1) with respect to the Bond Ordinance, in any way questioning (a) the authority of any officer of the Authority to exercise the duties and responsibilities of his or her office or (b) the existence, powers or authority of the Authority material to the Bonds or the security for the Bonds; (2) seeking to restrain or enjoin (a) the issuance, sale, execution or delivery of, or the performance by the Authority of its obligations under, the Bonds or (b) materially affecting the collection of the Net Revenues or the pledge thereof under the Bond Ordinance; (3) in any way contesting or affecting (a) the issuance, sale, execution or delivery of the Bonds or (b) the validity or enforceability of the Bonds, the Bond Ordinance, the Continuing Disclosure Undertaking, this Agreement, the Escrow Agreement, or any action contemplated by or pursuant to any of the foregoing or (c) any of the rights, powers, duties or obligations of the Authority with respect to the Bonds or the security related thereto or the pledge thereof under the Bond Ordinance; (4) which may result, either individually or in the aggregate, in final judgments against the Authority materially adversely affecting the security for the Bonds; or (5) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vi) the approving opinion of Bond Counsel relating to the Bonds, dated the date of the Closing, in substantially the form attached to the Official Statement, and accompanied by a letter from Bond Counsel, dated the date of the Closing and addressed to the Underwriters, stating that such opinion may be relied upon by the Underwriters to the same extent as if addressed to them;

(vii) the supplemental opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriters and the Authority, to the effect that:

(A) the Bonds are not subject to the registration requirements under the Securities Act of 1933, as amended, and the Bond Ordinance is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) the statements contained: (1) on the cover page of the Official Statement concerning the tax status of the Bonds; and (2) in the Official Statement under the captions entitled "DESCRIPTION OF THE SERIES 2015 BONDS," "SECURITY AND SOURCES OF PAYMENT," and "TAX MATTERS," and related statements under the caption "INTRODUCTION," and Appendix C to the Official Statement insofar as the statements contained under such captions and in such Appendix purport to describe or summarize certain provisions of the Bond Ordinance or of tax laws applicable to the Bonds, present an accurate and fair description or summary of such provisions; and

(C) the Bond Ordinance constitutes legal, valid and binding special, limited obligation of the Authority enforceable in accordance with its terms;

(viii) an opinion of Stelzner Winter Warburton Flores Sanchez & Dawes, PA, as general counsel to the Authority, addressed to the Authority and the Underwriters, that (A) the Authority has the legal right, power and authority to execute, deliver and perform its obligations under the Bond Ordinance, the Bonds, the Continuing Disclosure Undertaking, the Escrow Agreement and this Agreement; (B) the Authority has duly authorized the execution, delivery and performance of its obligations under the Bond Ordinance, the Bonds, the Continuing Disclosure Undertaking, the Escrow Agreement and this Agreement and all actions contemplated by or referred to therein or contemplated by the Official Statement; (C) the Authority has duly executed and delivered the Official Statement; (D) the Authority has duly authorized the use by the Underwriters, in connection with the offering and sale of the Bonds, of the Official Statement and has ratified the use by the Underwriters of the Preliminary Official Statement; (E) except as may be required under blue sky or other securities laws of any state, all approvals, consents and orders of any governmental authority having jurisdiction in the matter have been given which would constitute a condition precedent to any of the actions required to be taken prior to the date of Closing; and (F) to such counsel's knowledge and except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, involving the Authority (1) with respect to the Bond Ordinance, in any way questioning (a) the authority of any officer of the Authority to exercise the duties and responsibilities of his or her office or (b) the existence, powers or authority of the Authority material to the Bonds or the security for the Bonds; (2) seeking to restrain or enjoin (a) the issuance, sale, execution or delivery of, or the performance by the Authority of its obligations under, the Bonds or (b) materially affecting the collection of the Net Revenues or the pledge thereof under the Bond Ordinance; (3) in any way contesting or affecting (a) the issuance, sale, execution or delivery of the Bonds or (b) the validity or enforceability of the Bonds, the Bond Ordinance, the Continuing Disclosure Undertaking, the Escrow Agreement, this Agreement, or any action contemplated by or pursuant to any of the foregoing or (c) any of the rights, powers, duties or obligations of the Authority with respect to the Bonds or the security related thereto or the pledge thereof under the Bond Ordinance; (4) which may result, either individually or in the aggregate, in final judgments against the Authority materially adversely affecting the security for the Bonds; or (5) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ix) an opinion or opinions of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Disclosure Counsel to the Authority ("Disclosure Counsel"), addressed to the Authority and the Underwriters, to the effect that:

(A) without passing upon, or assuming responsibility for, the accuracy, completeness, or fairness of the statements contained in the Official Statement, based on their review of the documents and participation in the conferences referred to in such opinion, no facts have come to their attention which lead them to believe that the Official Statement (other than financial statements and other financial and statistical information and data contained therein and the information set forth under the captions "DESCRIPTION OF THE SERIES 2015 BONDS – Book-Entry-Only System" as to which they will express no comment or belief), as of its date contained, and as of the date of Closing contains, any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(B) the Continuing Disclosure Undertaking constitutes a legal, valid and binding special, limited obligation of the Authority enforceable in accordance with its terms;

(x) an opinion of Hogan Lovells US LLP, Counsel to the Underwriters, dated the date of the Closing and addressed to the Underwriters, to the effect that:

(A) under existing law the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Bond Ordinance is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) the Continuing Disclosure Undertaking provides a suitable basis for the Underwriters, in connection with the Offering (as defined in the Rule) of the Bonds, to make the reasonable determination required by paragraph (b)(5) of the Rule; and

(C) without passing upon, or assuming responsibility for, the accuracy, completeness, or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, based on their review of the documents and participation in the conferences referred to in such opinion, no facts have come to their attention which lead them to believe that the Preliminary Official Statement or the Official Statement (other than financial statements and other financial and statistical information and data contained therein and the information set forth under the captions "DESCRIPTION OF THE SERIES 2015 BONDS – Book-Entry-Only System" and "LITIGATION" and in Appendices A and B as to which they will express no comment or belief), as of their respective dates contained, and as of the date of Closing contain, any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xi) an executed copy of the Blanket Representation Letter between the Authority and DTC;

(xii) blue sky memoranda;

(xiii) a certificate of the Authority in form and substance satisfactory to Bond Counsel and counsel to the Underwriters setting forth the facts, estimates and circumstances in existence on the date of the Closing that establish that the proceeds of the Bonds are not expected to be used in a manner that would cause the Bonds 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 a commitment by the Authority to file a Form 8038-G for each series of the Bonds after Closing;

(xiv) a verification report relating to the escrow fund established under the Escrow Agreement; and

(xv) such additional agreements, documents, instruments and certificates as the Underwriters, Bond Counsel and Counsel to the Underwriters may reasonably deem necessary to evidence the validity of the Bonds and the tax status of the interest thereon, the truth and accuracy as of the time of Closing of the representations and warranties of the Authority contained in this Agreement and the due performance or satisfaction at or prior to such time of all other conditions to be satisfied pursuant to this Agreement.

7. Underwriters' Right to Terminate Agreement. If any of the conditions to the obligations of the Underwriters contained in Section 6 hereof or elsewhere in this Agreement shall not have been satisfied when and as required herein, the Underwriters may waive such conditions or all obligations of the Underwriters hereunder may be terminated by the Underwriters at or at any time prior to, the Closing by written notice to the Authority.

8. Payment of Expenses. The Authority shall pay, from proceeds of the Bonds or other lawfully available funds, the following costs of issuance of the Bonds: (a) the reasonable fees and disbursements of Bond Counsel to the Authority; (b) the fees of Moody's, S&P and Fitch for ratings on the Bonds; (c) the reasonable costs of any experts, accountants, consultants or advisors required for issuance of the Bonds, including the Authority's Independent Registered Municipal Advisor; (d) the costs of preparing, printing and delivering the Preliminary Official Statement, the Official Statement, any supplements or amendments thereto and other investor presentations; (e) the reasonable fees and disbursements of General Counsel to the Authority; (f) the reasonable fees and disbursements of Disclosure Counsel to the Authority; and (g) all other expenses incurred in connection with the issuance of the Bonds.

The Underwriters shall pay the following costs of issuance of the Bonds: (i) the reasonable fees and disbursements of Counsel to the Underwriters; (ii) the cost of preparing, printing and delivery of this Agreement; (iii) the cost of all "blue sky" and legal investment memoranda and related filing fees; and (iv) all advertising expenses.

If this Agreement is terminated by the Underwriters or the Bonds are not issued by the Authority, the Underwriters shall be under no obligation to pay the costs of issuance for which the Authority is responsible, and the Authority shall pay such costs of issuance from other legally available moneys of the Authority.

9. Notices. Any notice or other communication to be given under this Agreement may be given (a) to the Authority by delivering the same in writing to the attention of Commissioner Maggie Hart Stebbins, Chair of the Authority, with a copy to Mark Sanchez, Executive Director of the Authority, at the address on the first page to this Agreement and (b) to the Underwriters, by delivering the same in writing to J.P. Morgan Securities LLC, 1125 Seventeenth Street, 2nd Floor, Denver, CO 80202, Attention: Public Finance Department.

10. Entire Agreement: Parties in Interest. This Agreement when accepted by the Authority in writing as heretofore specified shall constitute the entire agreement between the Underwriters and the

Authority and is made solely for the benefit of the Authority and the Underwriters, and no other person shall acquire or have any right hereunder or by virtue hereof.

11. Special Limited Obligations. No provision, covenant or agreement contained in this Agreement or any obligation in this Agreement imposed upon the Authority or the breach thereof, shall constitute an indebtedness of the Authority within the meaning of any constitutional provision or statutory limitation or shall constitute or give rise to a charge against the general credit of the Authority. All of the obligations of the Authority under this Agreement are payable from, and in making the agreements, provisions and covenants set forth in this Agreement, the Authority has not obligated itself except with respect to, the security for the Bonds which shall be applied as provided in this Agreement and the Bond Ordinance.

12. No Liability of Officers and Employees. No recourse shall be had for any payments required of the Authority pursuant to this Agreement or for any claim based thereon or upon any other obligation, covenant or agreement in this Agreement against any past, present or future officer, employee or member of the Authority and all such liability of any such officer, employee or member as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Agreement and the issuance of the Bonds by the Authority.

13. Survival of Representations and Warranties. The representations and warranties of the Authority set forth in or made pursuant to this Agreement, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of, and shall remain operative and in full force regardless of (a) any investigation made by or on behalf of the Underwriters and (b) delivery of and payment of the Bonds hereunder.

14. Effectiveness. This Agreement shall become effective and binding upon the respective parties hereto only upon the execution, acceptance and delivery hereof by the Authority and approval by the Authority of the execution and delivery hereof.

15. Governing Law. The validity, interpretation and performance of this Agreement shall be governed by the laws of the State of New Mexico.

16. Counterparts. This Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By: _____

Title: Vice President

Time: _____ p.m., Mountain Daylight Time.

ACCEPTED AND AGREED TO THIS

18th day of March, 2015 at ____ p.m., Mountain Daylight Time.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY

By: _____

Title: _____

EXHIBIT A
SCHEDULE OF MATURITIES, INTEREST RATES, INITIAL OFFERING PRICES

\$ _____
 ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
 Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds
 Series 2015

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Yield to Maturity</u>
2016	\$	%	%		
2017					
2018					
2019					
2020					
2020					
2021					
2022					
2022					
2023					
2024					
2025					
2026					
2026					

^c Priced to the first call date.

ESCROW AGREEMENT

THIS ESCROW AGREEMENT DATED as of the 27th day of April, 2015, by and between the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”), and BOKF, N.A. dba Bank of Albuquerque, a national banking association duly organized and existing under the laws of the United States of America and a member of the Federal Deposit Insurance Corporation, possessing and exercising full trust powers and doing business in the State of New Mexico (the “Escrow Agent”).

WHEREAS, pursuant to the provisions of law, the Water Authority Board (the “Board”), by Ordinance No. O-15-2 and Resolution No. R-15-3 duly adopted on February 25, 2015 and Resolution No. R-15-__ duly adopted on March 18, 2015 (collectively, the “Bond Ordinance”), has authorized the issuance and sale of the Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015, in the aggregate principal amount of \$_____ (the “Refunding Bonds”), a copy of which Bond Ordinance has been delivered to the Escrow Agent herewith and which is incorporated herein by reference in its entirety, including to the extent not inconsistent herewith, the definitions; and

WHEREAS, the Bond Ordinance provides for paying and advance refunding \$37,625,000 aggregate principal amount of the outstanding 2007 New Mexico Finance Authority Public Project Revolving Fund Loan Agreement maturing on and after May 1, 2018 (the “2007 Refunded PPRF Loan”) and the payment of interest on the 2007 Refunded PPRF Loan until the first optional redemption date with respect to the 2007 Refunded PPRF Loan of May 1, 2017 (the “2007 PPRF Call Date”) at which time the 2007 Refunded PPRF Loan maturing on and after May 1, 2018 will be called for prior redemption pursuant to the Water Authority’s call for prior

redemption (the 2007 PPRF Loan maturities of May 1, 2015, May 1, 2016, and May 1, 2017 will remain outstanding until paid at maturity); and

WHEREAS, the Bond Ordinance calls for the paying and advance refunding \$55,630,000 aggregate principal amount of the Water Authority's outstanding Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A maturing on and after July 1, 2026 (the "2008A Refunded Bonds") and the payment of interest on the 2008A Refunded Bonds until the first optional redemption date with respect to the 2008A Refunded Bonds of July 1, 2018 (the "2008A Bonds Call Date") at which time the outstanding 2008A Refunded Bonds will be called for prior redemption pursuant to the Water Authority's call for prior redemption; and

WHEREAS, the Bond Ordinance calls for the paying and advance refunding \$76,475,000 aggregate principal amount of the Water Authority's outstanding Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1 maturing on and after July 1, 2020 (the "2009A Refunded Bonds", and together with the 2007 PPRF Refunded Loan and the 2008A Refunded Bonds, the "Refunded Obligations") and the payment of interest on the 2009A Refunded Bonds until the first optional redemption date with respect to the 2009A Refunded Bonds of July 1, 2019 (the "2009A Bonds Call Date") at which time the outstanding 2009A Refunded Bonds will be called for prior redemption pursuant to the Water Authority's call for prior redemption (the 2009A Bonds maturing on July 1st in the years 2015, 2016, 2017, 2018 and 2019 will remain outstanding until paid at maturity); and

WHEREAS, pursuant to the Bond Ordinance, the Water Authority has sold and delivered the Refunding Bonds to the purchaser thereof and has provided that \$_____ being a portion of the proceeds derived from the sale of the Refunding Bonds shall be deposited with the Escrow Agent and used to make a cash deposit into the Escrow Account of \$_____

(the “Cash Deposit”) and to purchase the securities (the “Federal Securities”) for deposit in the Escrow Account described in Exhibit I attached hereto and made a part hereof and which will be sufficient to pay the principal of and interest on the Refunded Obligations when due on and until the respective Call Dates; and

WHEREAS, the Bond Ordinance authorizes and directs officers of the Water Authority to take all necessary or appropriate action to approve, enter into and execute this Escrow Agreement with the Escrow Agent so as to insure the payment of the principal of and interest on the Refunded Obligations on and until the respective Call Dates.

NOW, THEREFORE, THIS ESCROW AGREEMENT, WITNESSETH:

In consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged by the Escrow Agent, and in order to protect the Federal Securities and moneys provided by the Water Authority and held in trust to pay the interest on the Refunded Obligations, until their prior redemption, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

Section 1.

There is hereby created a special and separate trust account, designated as the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System 2015 Escrow Account (the “Escrow Account”).

The Federal Securities shown in Exhibit I and the Cash Deposit shall be immediately deposited in the Escrow Account upon receipt thereof by the Escrow Agent. The Federal Securities shown in Exhibit I and the Cash Deposit are sufficient, together with interest income and profits, if any, realized and accrued on the Federal Securities, to assure that the funds

available in the Escrow Account will at all times be sufficient to promptly pay the principal of and interest on the Refunded Obligations on and until the respective Call Dates for the Refunded Obligations as described in Exhibits II, III and IV attached hereto and made a part hereof. The proceeds from and interest on the Federal Securities shall be used by the Escrow Agent and the Water Authority to make the payments due on the Refunded Obligations on and until the respective Call Dates for the Refunded Obligations.

Section 2. The Escrow Agent shall, at all times, hold the Federal Securities and the Cash Deposit in the Escrow Account for the account of the Water Authority and for the benefit of the holders of the Refunded Obligations and shall maintain the Escrow Account wholly segregated from other funds and securities on deposit with the Escrow Agent, shall never commingle such Federal Securities and Cash Deposit, and other moneys with other funds or securities of the Escrow Agent, and shall never at any time use, loan or borrow the same in any way, so that sufficient funds will be available to pay the interest and principal requirements of the Refunded Obligations as the same become due and payable.

Section 3. The Water Authority hereby represents that, and the Escrow Agent may conclusively rely on, the report of Causey, Demgen and Moore, P.C., Certified Public Accountants, dated April __, 2015, which certifies that the Federal Securities and Cash Deposit, together with any earnings on such deposits in the Escrow Account will be sufficient to pay the interest and principal requirements of the Refunded Obligations as the same become due and payable on and until their respective Call Dates.

Section 4.

(a) On each respective interest payment date, the Escrow Agent shall transfer immediately available funds to the Water Authority, as paying agent for the Refunded

Obligations, to fully pay all principal of and interest on the Refunded Obligations to be paid and redeemed on the Call Dates, all as shown on Exhibits II, III and IV.

(b) After the payments described in Section 4(a) above are made, the Escrow Agent shall remit to the Water Authority all moneys (expected to be \$_____) then remaining in the Escrow Account for deposit in the debt service account created in the Bond Ordinance for the Refunding Bonds.

Section 5. The Escrow Account created hereby shall be irrevocable and the holders of the respective Refunded Obligations shall have an express lien on, and are hereby granted a security interest in, all moneys and Federal Securities, including the interest earned thereon, in the Escrow Account until paid, used and applied in accordance with this Escrow Agreement.

Section 6. The Escrow Agent shall hold any uninvested moneys in the Escrow Account in cash, except as otherwise permitted by Section 17(c) hereof.

Section 7. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Escrow Agreement and made in compliance with the provisions hereof. The Escrow Agent has received all compensation to which it is entitled by virtue of this Escrow Agreement.

Section 8. If the Escrow Agent fails to account for any of the moneys and the Federal Securities received by it, such moneys and the Federal Securities shall be and remain the property of the Water Authority in trust for the holders of the Refunded Obligations, and if for any reason such moneys and the Federal Securities cannot be identified, the holders of the Refunded Obligations shall have and retain a preferred claim and first lien thereon and the proceeds thereof wherever located.

Section 9. The Escrow Agent shall immediately notify the Chief Financial Officer of the Water Authority by telephone and by registered, first-class mail, postage prepaid, whenever for any reason the moneys and Federal Securities on hand in the Escrow Account will be insufficient to pay the principal of and interest on the Refunded Obligations to be paid from the Escrow Account as the same become due and payable, and the Chief Financial Officer of the Water Authority shall forthwith cause to be deposited into the Escrow Account such additional funds as may be required to pay in full the amount of principal and interest prior to the date on which it becomes due and payable.

Section 10. The Escrow Agent, within fifteen (15) days after each respective Call Date, shall forward by first-class mail to the Chief Financial Officer of the Water Authority, a statement with respect to the Escrow Account stating in detail the income, investments, if any, and withdrawals of moneys therefrom.

Section 11. The Water Authority covenants and agrees that it will restrict the use of the moneys at any time in the Escrow Account in such manner and to such extent, if any, as may be necessary so that the Refunding Bonds and the Refunded Obligations will not constitute arbitrage bonds under Section 148 of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder in effect at the time of such use and applicable to the Refunding Bonds and the Refunded Obligations. In furtherance of the covenant and agreement of the Water Authority set forth in this section, the Escrow Agent covenants and agrees it will follow all instructions set forth in this Agreement and other instructions of the Water Authority necessary to prevent the Refunding Bonds and the Refunded Obligations from constituting arbitrage bonds.

Section 12.

(a) The Water Authority has irrevocably elected and does hereby declare its intent to exercise, on behalf of and in the name of the Water Authority, its option to prior redeem (a) on May 1, 2017, the outstanding 2007 Refunded PPRF Loan maturing on and after May 1, 2018, at a redemption price equal to the principal amount of the 2007 Refunded PPRF Loan to be optionally redeemed, plus accrued interest to May 1, 2017; (b) on July 1, 2018, the outstanding 2008A Refunded Bonds maturing on and after July 1, 2026, at a redemption price equal to the principal amount of the 2008A Refunded Bonds to be optionally redeemed, plus accrued interest to July 1, 2018; and (c) on July 1, 2019, the outstanding 2009A Refunded Bonds maturing on and after July 1, 2020, at a redemption price equal to the principal amount of the 2009A Refunded Bonds to be optionally redeemed, plus accrued interest to July 1, 2019.

(b) Notice of Redemption of the Refunded Obligations shall be posted electronically on EMMA and distributed by the Escrow Agent, for and on behalf of the Water Authority, as paying agent for the Refunded Obligations, by mailing a copies of each Notice of Redemption by first class mail, postage pre-paid, to the registered owners of the Refunded Obligations and by posting the notice on EMMA no later than the date specified on each notice attached hereto. The forms of such notices of redemption are attached as Exhibit V, VI, and VII. Notices of Defeasance and Redemption shall be posted on EMMA and mailed by first-class, postage prepaid mail to each registered owner of the Refunded Obligations as soon as possible after issuance of the Refunding Bonds. The forms of such Notices of Defeasance are attached as Exhibits VIII, IX, and X.

Section 13. Time shall be of the essence in the performance of the obligations from time to time imposed upon the Escrow Agent and the Water Authority by this Agreement.

Section 14. The duties and responsibilities of the Escrow Agent are limited to those expressly and specifically stated in this Agreement. The Escrow Agent shall not be personally liable for any act which it may do or omit to do hereunder, while acting with reasonable care, except for duties expressly imposed upon the Escrow Agent hereunder or as otherwise expressly provided herein. The Escrow Agent shall be under no obligation to inquire into or be in any way responsible for the performance or non-performance by the Water Authority of any of its obligations, nor shall it be responsible in any manner for the recitals or statements contained herein, in the Bond Ordinance, in the Refunding Bonds, in the Refunded Obligations or in any proceedings taken in connection therewith, such recitals and statements being made solely by the Water Authority. Nothing in this instrument creates any obligation or liabilities on the part of the Escrow Agent to anyone other than the Water Authority and the holders of the Refunded Obligations.

Section 15. The Escrow Agent may not resign from the trust hereby created except with the prior written consent of the Water Authority, which consent shall not be unreasonably withheld.

Section 16. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Agreement and each and every other section, paragraph, subdivisions, sentence, clause or phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains any ambiguity which may be construed as either valid or invalid, the valid constructions shall be adopted.

Section 17.

(a) The Federal Securities initially deposited in the Escrow Account pursuant to this Agreement may be exchanged for or substituted by direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and which are not callable prior to maturity by the issuer of such obligations (“Substitute Securities”) upon delivery to the Escrow Agent of (i) a new verification report (calculated upon the assumption that such substitution will be made) from a nationally recognized firm of certified public accountants verifying the sufficiency of the Substitute Securities to provide for the payments required by Section 4 of this Agreement, (ii) an opinion of bond counsel to the effect that such substitution will not affect the tax-exempt status of interest on the Refunding Bonds or the Refunded Obligations, and (iii) written instructions to proceed with such substitution from the Chief Financial Officer of the Water Authority.

(b) Upon written direction from the Chief Financial Officer of the Water Authority, the Escrow Agent shall reinvest, to the extent possible, moneys not required to pay the Refunded Obligations in Substitute Securities purchased by the Escrow Agent for the account of the Water Authority which mature on or prior to the next required payment of the Refunded Obligations for which they are required, do not cause the Refunded Obligations to be diminished in rating from a rating previously accorded by each rating agency then rating the Refunded Obligations, and have a yield lower than _____%, the federal arbitrage yield of the Refunding Bonds. In the event that such Substitute Securities are state and local government series securities (“slgs”) purchased by the Escrow Agent for the account of the Water Authority directly from the United States Government, the Escrow Agent agrees to comply with Part 344 of Title 31, Code of Federal Regulations and with such other regulations of the United States

Treasury, Bureau of Public Debt, as are from time to time in effect in subscribing for and purchasing such slgs, including without limitation requirements with respect to submitting subscriptions to a Federal Reserve Bank or Branch in advance of the date of purchase of the slgs.

(c) Except as set forth in the preceding paragraphs, the Escrow Agent shall not otherwise invest surplus cash which it holds from time to time in the Escrow Account unless it receives an opinion of bond counsel as to the legality of any such investment and its effect, if any, on the tax exemption of the interest on the Refunding Bonds and the Refunded Obligations and it makes such investment in accordance with the provisions of this Section.

(d) Except as provided in this Section 17, and except for the purpose of curing any ambiguity herein, or to make minor corrections not inconsistent with the terms of the Bond Ordinance, or for further assuring the security and rights hereunder of the owners of the Refunded Obligations, this Agreement shall not be modified, altered or amended by the parties hereto without the prior written consent of the owners of all of the outstanding Refunded Obligations. The Water Authority shall send a copy of any such modification, alteration or amendment to each rating agency then rating the Refunded Obligations.

Section 18. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of New Mexico. This Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject matter hereof and no party hereto has made or shall be bound by any agreement or any representation to any other party which is not expressly set forth in this Agreement.

Section 19.

(a) Whenever in this Agreement the Water Authority or the Escrow Agent is named or is referred to, such provision is deemed to include any successor of the Water

Authority or the Escrow Agent, respectively, immediate or intermediate, whether so expressed or not.

(b) All of the stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Water Authority or the Escrow Agent contained in this Agreement:

(1) shall bind and inure to the benefit of any such successor; and

(2) shall bind and inure to the benefit of any officer, board, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any relevant right, power or duty of the Water Authority or the Escrow Agent, respectively, or of its successor.

Section 20. All notices, requests, approvals and other similar instruments permitted or required hereunder shall be in writing and shall be deemed to have been properly received three days after they are sent by first-class United States mail, postage prepaid, to the following addresses:

If to the Water Authority:

Albuquerque Bernalillo County Water Utility Authority
Attn: Chief Financial Officer
P.O. Box 568
Albuquerque, New Mexico 87103
Telephone Number: (505) 289-3080
E-mail: sallred@abcwua.org

If to the Escrow Agent:

BOKF, N.A. dba Bank of Albuquerque
Attn: Corporate Trust Department
201 Third Street, NW, Suite 1400
Albuquerque, New Mexico 87102
Telephone Number: (505) 222-8458
E-mail: sellis@bankofalbuquerque.com

If to Registrar/Paying Agent for the Refunded Obligations:

Albuquerque Bernalillo County Water Utility Authority
Attn: Chief Financial Officer
P.O. Box 568
Albuquerque, New Mexico 87103
Telephone Number: (505) 289-3080
E-mail: sallred@abcwua.org

or to such other address as a party may designate in the future by giving written notice of such address to other parties.

IN WITNESS WHEREOF, the Water Authority, duly authorized thereunder by its governing body, has caused this Agreement to be signed by the Chair and attested by the Secretary thereof, and BOKF, N.A. dba Bank of Albuquerque has caused this Agreement to be signed in its corporate name by its authorized officer and attested by its authorized officer and its corporate seal to be hereunto affixed, all as of the day and year first above written.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY

By: _____
Chair

ATTEST:

By: _____
Secretary

BOKF, N.A. dba Bank of Albuquerque,
As Escrow Agent

By: _____
Cindy Mitchell, Trust Officer

[BANK SEAL]

ATTEST:

By: _____
Susen Ellis, Assistant Vice President

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[SIGNATURE PAGE FOR ESCROW AGREEMENT]

EXHIBIT I

ESCROW SECURITIES IN THE LOAN ESCROW ACCOUNT

As of April 27, 2015

<u>Type</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>Cost</u>
TNote –	6/30/2015	\$	%	\$	\$
TNote –	10/31/2015	\$	%	\$	\$
TNote –	12/31/2015	\$	%	\$	\$
TNote –	04/30/2016	\$	%	\$	\$
TNote–	06/30/2016	\$	%	\$	\$
TNote –	10/31/2016	\$	%	\$	\$
TNote–	12/31/2016	\$	%	\$	\$
TNote –	04/30/2017	\$	%	\$	\$
TNote–	06/30/2017	\$	%	\$	\$
TNote–	12/31/2017	\$	%	\$	\$
TNote–	06/30/2018	\$	%	\$	\$
TNote –	12/31/2018	\$	%	\$	\$
TNote –	06/30/2019	\$	%	\$	\$

EXHIBIT II

2007 REFUNDED PPRF LOAN DEBT SERVICE

\$37,625,000

New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2007)

<u>Date</u>	<u>Principal Maturing</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Premium</u>	<u>Total</u>
05/01/2015	-0-	\$979,275	-0-	-0-	\$ 979,275
11/01/2015	-0-	\$979,275	-0-	-0-	\$ 979,275
05/01/2016	-0-	\$979,275	-0-	-0-	\$ 979,275
11/01/2016	-0-	\$979,275	-0-	-0-	\$ 979,275
05/01/2017	-0-	\$979,275	\$37,625,000	-0-	\$ 38,604,275

2007 REFUNDED PPRF LOAN DETAILED DESCRIPTION

<u>Maturity May 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2018	\$ 6,950,000	5.25%
2019	7,360,000	5.25%
2020	1,550,000	5.25%
2021	1,985,000	5.25%
2022	2,165,000	5.25%
2023	6,505,000	5.25%
2024	6,705,000	5.00%
2025	4,405,000	5.25%

EXHIBIT III

2008A REFUNDED BONDS DEBT SERVICE

\$55,630,000

Albuquerque Bernalillo County Water Utility Authority
 Joint Water and Sewer System Improvement Revenue Bonds
 Series 2008A

<u>Date</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Premium</u>	<u>Total</u>
07/01/2015	\$1,390,750.00	-0-	-0-	\$ 1,390,750.00
01/01/2016	\$1,390,750.00	-0-	-0-	\$ 1,390,750.00
07/01/2016	\$1,390,750.00	-0-	-0-	\$ 1,390,750.00
01/01/2017	\$1,390,750.00	-0-	-0-	\$ 1,390,750.00
07/01/2017	\$1,390,750.00	-0-	-0-	\$ 1,390,750.00
01/01/2018	\$1,390,750.00	-0-	-0-	\$ 1,390,750.00
07/01/2018	\$1,390,750.00	\$ 55,630,000.00	-0-	\$57,020,750.00

2008A REFUNDED BONDS DETAILED DESCRIPTION

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
<u>July 1</u>			
2026	\$ 5,825,000	5.000%	013493 BZ3
2027	6,115,000	5.000%	013493 CA7
2028	6,420,000	5.000%	013493 CB5
2029	6,745,000	5.000%	013493 CC3
2030	7,080,000	5.000%	013493 CD1
2033*	23,445,000	5.000%	013493 CG4

*Term Bond

EXHIBIT IV

2009A-1 REFUNDED BONDS DEBT SERVICE

\$76,475,000

Albuquerque Bernalillo County Water Utility Authority
 Joint Water and Sewer System Improvement Revenue Bonds
 Series 2009A-1

<u>Date</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Premium</u>	<u>Total</u>
07/01/2015	\$ 2,045,750	-0-	-0-	\$ 2,045,750
01/01/2016	\$ 2,045,750	-0-	-0-	\$ 2,045,750
07/01/2016	\$ 2,045,750	-0-	-0-	\$ 2,045,750
01/01/2017	\$ 2,045,750	-0-	-0-	\$ 2,045,750
07/01/2017	\$ 2,045,750	-0-	-0-	\$ 2,045,750
01/01/2018	\$ 2,045,750	-0-	-0-	\$ 2,045,750
07/01/2018	\$ 2,045,750	-0-	-0-	\$ 2,045,750
01/01/2019	\$ 2,045,750	-0-	-0-	\$ 2,045,750
07/01/2019	\$ 2,045,750	\$76,475,000	-0-	\$ 78,520,750

2009A-1 REFUNDED BONDS DETAILED DESCRIPTION

<u>Maturity July 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
2020	\$ 8,805,000	5.500%	013493 CW9
2021	9,285,000	5.000%	013493 CX7
2022	3,205,000	5.500%	013493 CY5
2023	3,375,000	5.500%	013493 CZ2
2024	3,560,000	5.500%	013493 DA6
2025	3,755,000	5.500%	013493 DB4
2026	3,965,000	5.500%	013493 DC2
2027	4,180,000	5.500%	013493 DD0
2028	4,410,000	5.500%	013493 DE8
2029	4,655,000	5.500%	013493 DF5
2034*	27,280,000	5.250%	013493 DG3

*Term Bond

EXHIBIT V

NOTICE OF REDEMPTION OF
\$37,625,000
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
2007 NEW MEXICO FINANCE AUTHORITY PUBLIC PROJECT REVOLVING FUND
LOAN (2081-PP)

MATURING ON AND AFTER
MAY 1, 2018

NOTICE IS HEREBY GIVEN to the New Mexico Finance Authority as holder of the Albuquerque Bernalillo County Water Utility Authority 2007 Public Project Revolving Fund Loan Agreement dated September 26, 2007, as amended by the Amendment to the Loan Agreement dated July 24, 2014, and maturing on and after May 1, 2018, in the total principal amount of \$37,625,000 (the “Refunded Loan”) and more completely described as follows:

\$37,625,000
Albuquerque Bernalillo County Water Utility Authority
2007 New Mexico Finance Authority Public Project Revolving Fund Loan Agreement

2007 REFUNDED PPRF LOAN DETAILED DESCRIPTION

<u>Maturity</u> <u>May 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2018	\$ 6,950,000	5.25%
2019	7,360,000	5.25%
2020	1,550,000	5.25%
2021	1,985,000	5.25%
2022	2,165,000	5.25%
2023	6,505,000	5.25%
2024	6,705,000	5.00%
2025	4,405,000	5.25%

has been called for prepayment on May 1, 2017. On May 1, 2017, there will become due and payable the principal amount of the Refunded Loan and accrued interest to the prepayment date.

ALBUQUERQUE BERNALILLO COUNTY WATER
UTILITY AUTHORITY
Chief Financial Officer, as paying agent/registrar
for the Refunded Loan

Publication Requirements: None

Mailing Requirements: No later than March 15, 2017, by first-class United States mail, postage prepaid, to the New Mexico Finance Authority and BOKF, N.A. dba Bank of Albuquerque as Trustee

On the date mailed to registered owners, electronically to:

Municipal Securities Rulemaking Board
Electronic Municipal Market Access
<http://emma.msrb.org>

EXHIBIT VI

NOTICE OF REDEMPTION OF
\$55,630,000
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS
SERIES 2008A

MATURING ON AND AFTER
JULY 1, 2026

NOTICE IS HEREBY GIVEN to all owners of the outstanding Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A, originally issued on April 9, 2008, and maturing on and after July 1, 2026, in the total principal amount of \$55,630,000 (the "Called Bonds") and more completely described as follows:

\$55,630,000
Albuquerque Bernalillo County Water Utility Authority
Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A

2008A REFUNDED BONDS DETAILED DESCRIPTION

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1			
2026	\$ 5,825,000	5.000%	013493 BZ3
2027	6,115,000	5.000%	013493 CA7
2028	6,420,000	5.000%	013493 CB5
2029	6,745,000	5.000%	013493 CC3
2030	7,080,000	5.000%	013493 CD1
2033*	23,445,000	5.000%	013493 CG4

*Term Bond

have been called for redemption on July 1, 2018. On July 1, 2018, there will become due and payable the principal amount of the Called Bonds and accrued interest to the redemption date.

Owners of the Called Bonds should present their bonds to the Chief Financial Officer of the Albuquerque Bernalillo County Water Utility Authority, acting as the Paying Agent/Registrar, on or after July 1, 2018, at the following address for payment:

Albuquerque Bernalillo County Water Utility Authority
Attn: Chief Financial Officer
P.O. Box 568
Albuquerque, New Mexico 87103
Telephone Number: (505) 289-3080

E-mail: sallred@abcwua.org

Payment will be made upon presentation and surrender of the Called Bonds to be redeemed at the address stated above on or after July 1, 2018. From and after July 1, 2018, interest on the Called Bonds will cease to accrue.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Called Bonds or as contained herein.

Federal tax law requires individual holders of municipal bonds to submit their tax identification number (Social Security number) with each bond presented for payment (whether upon sale, maturity or redemption). Please submit a Form W-9 at the time the Called Bonds are presented for payment. Forms W-9 are available at your local bank or broker. FAILURE to comply with the tax law will subject payment of principal to the backup withholding provisions of the tax law which requires the withholding a portion of the principal payment as tax.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
Chief Financial Officer, as paying agent/registrar
for the Called Bonds

Publication Requirements: None

Mailing Requirements: No later than May 31, 2018, by first-class United States mail, postage prepaid, to all registered owners of the Called Bonds at the address shown on the registration books kept by the Paying Agent/Registrar.

On the date mailed to registered owners, electronically to:

Call Notification Department
The Depository Trust Company
3H – Brooklyn Army Terminal
Attn: Underwriting/Packaging
140 58th Street
Brooklyn, NY 11220-2521
(212) 855-4189
redemptionnotification@dtcc.com

Municipal Securities Rulemaking Board
Electronic Municipal Market Access
<http://emma.msrb.org>

EXHIBIT VII

NOTICE OF REDEMPTION OF
\$76,475,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS,
SERIES 2009A-1

MATURING ON AND AFTER
JULY 1, 2020

NOTICE IS HEREBY GIVEN to all owners of the outstanding Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1, originally issued on April 8, 2009, and maturing on and after July 1, 2020, in the total principal amount of \$76,475,000 (the "Called Bonds") and more completely described as follows:

\$76,475,000

**Albuquerque Bernalillo County Water Utility Authority
Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1**

<u>Maturity</u>		<u>Interest</u>	
<u>July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP</u>
2020	\$ 8,805,000	5.500%	013493 CW9
2021	9,285,000	5.000%	013493 CX7
2022	3,205,000	5.500%	013493 CY5
2023	3,375,000	5.500%	013493 CZ2
2024	3,560,000	5.500%	013493 DA6
2025	3,755,000	5.500%	013493 DB4
2026	3,965,000	5.500%	013493 DC2
2027	4,180,000	5.500%	013493 DD0
2028	4,410,000	5.500%	013493 DE8
2029	4,655,000	5.500%	013493 DF5
2034*	27,280,000	5.250%	013493 DG3

*Term Bond

have been called for redemption on July 1, 2019. On July 1, 2019, there will become due and payable the principal amount of the Called Bonds and accrued interest to the redemption date.

Owners of the Called Bonds should present their bonds to the Chief Financial Officer of the Albuquerque Bernalillo County Water Utility Authority, acting as the Paying Agent/Registrar, on or after July 1, 2019, at the following address for payment:
Albuquerque Bernalillo County Water Utility Authority

Attn: Chief Financial Officer
P.O. Box 568
Albuquerque, New Mexico 87103
Telephone Number: (505) 289-3080
E-mail: sallred@abcwua.org

Payment will be made upon presentation and surrender of the Called Bonds to be redeemed at the address stated above on or after July 1, 2019. From and after July 1, 2019, interest on the Called Bonds will cease to accrue.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Called Bonds or as contained herein.

Federal tax law requires individual holders of municipal bonds to submit their tax identification number (Social Security number) with each bond presented for payment (whether upon sale, maturity or redemption). Please submit a Form W-9 at the time the Called Bonds are presented for payment. Forms W-9 are available at your local bank or broker. FAILURE to comply with the tax law will subject payment of principal to the backup withholding provisions of the tax law which requires the withholding a portion of the principal payment as tax.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
Chief Financial Officer, as paying agent/registrar
for the Called Bonds

Publication Requirements: None

Mailing Requirements: No later than May 31, 2019, by first-class United States mail, postage prepaid, to all registered owners of the Called Bonds at the address shown on the registration books kept by the Paying Agent/Registrar.

On the date mailed to registered owners, electronically to:

Call Notification Department
The Depository Trust Company
3H – Brooklyn Army Terminal
Attn: Underwriting/Packaging
140 58th Street
Brooklyn, NY 11220-2521
(212) 855-4189
redemptionnotification@dtcc.com

Municipal Securities Rulemaking Board
Electronic Municipal Market Access
<http://emma.msrb.org>

EXHIBIT VIII

NOTICE OF DEFEASANCE AND REDEMPTION OF
\$37,625,000
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
2007 NEW MEXICO FINANCE AUTHORITY PUBLIC PROJECT REVOLVING FUND
LOAN (2081-PP)

MATURING ON AND AFTER
MAY 1, 2018

NOTICE IS HEREBY GIVEN that certain Senior Lien Joint Water and Sewer Refunding and Improvement Revenue Bonds, Series 2015, of the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”), have been issued by the Water Authority, and there is now deposited under the control of BOKF, N.A. dba Bank of Albuquerque, (the “Escrow Agent”), under an Escrow Agreement between the Water Authority and the Escrow Agent, cash and direct obligations of the United States of America in an amount which will be sufficient to pay \$37,625,000 of the outstanding principal amount of the 2007 New Mexico Finance Authority Public Project Revolving Fund Loan Agreement dated September 26, 2007 (2081-PP), as amended by the Amendment to the Loan Agreement dated July 24, 2014, maturing on and after May 1, 2018 (the “Refunded Loan”) on the first optional redemption date of May 1, 2017, plus accrued interest to the redemption date.

The Refunded Loan maturities listed below are deemed paid and discharged under the provisions of the Ordinance authorizing issuance of the Refunded Loan (the “Ordinance”).

\$37,625,000
Albuquerque Bernalillo County Water Utility Authority
2007 New Mexico Finance Authority Public Project Revolving Fund Loan Agreement

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>May 1</u> 2018	\$ 6,950,000	5.25%
2019	7,360,000	5.25%
2020	1,550,000	5.25%
2021	1,985,000	5.25%
2022	2,165,000	5.25%
2023	6,505,000	5.25%
2024	6,705,000	5.00%
2025	4,405,000	5.25%

Pursuant to the Escrow Agreement, \$37,625,000 aggregate principal amount of the Refunded Loan maturing on and after May 1, 2018 and thereafter will be called for early redemption on May 1, 2017 at a redemption price equal to the \$37,625,000 principal amount of such Refunded Loan, plus accrued interest to the redemption date.

THIS NOTICE IS GIVEN as of the ___ day of _____, 2015.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
Chief Financial Officer, as paying agent/registrar
for the Refunded Loan

Publication Requirements: None

Mailing Requirements: No later than May 7, 2015, by first-class United States mail, postage prepaid, to the New Mexico Finance Authority and BOKF, N.A. dba Bank of Albuquerque as Trustee for the Refunded Loan.

On the date mailed to the NMFA and Trustee, electronically to:

Municipal Securities Rulemaking Board
Electronic Municipal Market Access
<http://emma.msrb.org>

EXHIBIT IX

NOTICE OF DEFEASANCE AND REDEMPTION OF
\$55,630,000
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS,
SERIES 2008A

MATURING ON AND AFTER
JULY 1, 2026

NOTICE IS HEREBY GIVEN that certain Senior Lien Joint Water and Sewer Refunding and Improvement Revenue Bonds, Series 2015, of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), have been issued by the Water Authority, and there is now deposited under the control of BOKF, N.A. dba Bank of Albuquerque, (the "Escrow Agent"), under an Escrow Agreement between the Water Authority and the Escrow Agent, cash and direct obligations of the United States of America in an amount which will be sufficient to pay \$55,630,000 of the outstanding principal amount of the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A maturing on and after July 1, 2026 (the "Refunded Bonds") on their first optional redemption date of July 1, 2018, plus accrued interest to the redemption date.

The Refunded Bonds listed below are deemed paid and discharged under the provisions of the Ordinance authorizing issuance of the Refunded Bonds (the "Ordinance").

\$55,630,000
Albuquerque Bernalillo County Water Utility Authority
Joint Water and Sewer System Revenue Improvement Bonds, Series 2008A

2008A REFUNDED BONDS DETAILED DESCRIPTION

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1			
2026	\$ 5,825,000	5.000%	013493 BZ3
2027	6,115,000	5.000%	013493 CA7
2028	6,420,000	5.000%	013493 CB5
2029	6,745,000	5.000%	013493 CC3
2030	7,080,000	5.000%	013493 CD1
2033*	23,445,000	5.000%	013493 CG4

*Term Bond

Pursuant to the Escrow Agreement, \$55,630,000 aggregate principal amount of the Refunded Bonds maturing on and after July 1, 2026 and thereafter will be called for early redemption on July 1, 2018 at a redemption price equal to the \$55,630,000 principal amount of such Refunded Bonds, plus accrued interest to the redemption date.

THIS NOTICE IS GIVEN as of the ___ day of _____, 2015.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
Chief Financial Officer, as paying agent/registrar
for the Called Bonds

Publication Requirements: None

Mailing Requirements: No later than May 7, 2015, by first-class United States mail, postage prepaid, to all registered owners of the Bonds at the address shown on the registration books kept by the Paying Agent/Registrar.

On the date mailed to registered owners, electronically to:

Call Notification Department
The Depository Trust Company
3H – Brooklyn Army Terminal
Attn: Underwriting/Packaging
140 58th Street
Brooklyn, NY 11220-2521
(212) 855-4189
redemptionnotification@dtcc.com

Municipal Securities Rulemaking Board
Electronic Municipal Market Access
<http://emma.msrb.org>

EXHIBIT X

NOTICE OF DEFEASANCE AND REDEMPTION OF
\$76,475,000
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
JOINT WATER AND SEWER SYSTEM IMPROVEMENT REVENUE BONDS,
SERIES 2009A-1

MATURING ON AND AFTER
JULY 1, 2020

NOTICE IS HEREBY GIVEN that certain Senior Lien Joint Water and Sewer Refunding and Improvement Revenue Bonds, Series 2015, of the Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”), have been issued by the Water Authority, and there is now deposited under the control of BOKF, N.A. dba Bank of Albuquerque, (the “Escrow Agent”), under an Escrow Agreement between the Water Authority and the Escrow Agent, cash and direct obligations of the United States of America in an amount which will be sufficient to pay \$76,475,000 of the outstanding principal amount of the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1 maturing on and after July 1, 2020 (the “Refunded Bonds”) on their first optional redemption date of July 1, 2019, plus accrued interest to the redemption date.

The Refunded Bonds listed below are deemed paid and discharged under the provisions of the Ordinance authorizing issuance of the Refunded Bonds (the “Ordinance”).

\$76,475,000
Albuquerque Bernalillo County Water Utility Authority
Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1

<u>Maturity</u> <u>July 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u>
2020	\$ 8,805,000	5.500%	013493 CW9
2021	9,285,000	5.000%	013493 CX7
2022	3,205,000	5.500%	013493 CY5
2023	3,375,000	5.500%	013493 CZ2
2024	3,560,000	5.500%	013493 DA6
2025	3,755,000	5.500%	013493 DB4
2026	3,965,000	5.500%	013493 DC2
2027	4,180,000	5.500%	013493 DD0
2028	4,410,000	5.500%	013493 DE8
2029	4,655,000	5.500%	013493 DF5
2034*	27,280,000	5.250%	013493 DG3

*Term Bond

Pursuant to the Escrow Agreement, \$76,475,000 aggregate principal amount of the Refunded Bonds maturing on and after July 1, 2020 and thereafter will be called for early redemption on July 1, 2019 at a redemption price equal to the \$76,475,000 principal amount of such Refunded Bonds, plus accrued interest to the redemption date.

THIS NOTICE IS GIVEN as of the ___ day of _____, 2015.

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
Chief Financial Officer, as paying agent/registrar
for the Called Bonds

Publication Requirements: None

Mailing Requirements: No later than May 7, 2015, by first-class United States mail, postage prepaid, to all registered owners of the Bonds at the address shown on the registration books kept by the Paying Agent/Registrar.

On the date mailed to registered owners, electronically to:

Call Notification Department
The Depository Trust Company
3H – Brooklyn Army Terminal
Attn: Underwriting/Packaging
140 58th Street
Brooklyn, NY 11220-2521
(212) 855-4189
redemptionnotification@dtcc.com

Municipal Securities Rulemaking Board
Electronic Municipal Market Access
<http://emma.msrb.org>

NOTICE
\$232,175,000*
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds
Series 2015

Preliminary Official Statement, subject to completion,
dated March 6, 2015

The Preliminary Official Statement, dated March 6, 2015 (the "Preliminary Official Statement"), relating to the above-described bonds (the "Bonds") of the Albuquerque Bernalillo County Water Utility Authority (the "Authority" or "ABCWUA"), has been posted as a matter of convenience. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format. Although this format should replicate the Preliminary Official Statement available from the 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.

The Preliminary Official Statement and the information contained therein are subject to completion or 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 Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the "Official Statement" that the 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 Authority since the date of the Preliminary Official Statement.

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 March 6, 2015

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 MARCH 6, 2015

New Issue – Book-Entry Only

Standard Poor's: AA+

Moody's: Aa2

Fitch: AA

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX MATTERS" herein, interest on the Series 2015 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof, for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Series 2015 Bonds will be included in the adjusted current earnings of certain corporations, and (c) is excludable from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2015 Bonds for certain owners of such bonds, see "TAX MATTERS" herein.

\$232,175,000*

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds Series 2015

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 Refunding and Improvement Revenue Bonds, Series 2015 (the "Series 2015 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 will act as securities depository for the Series 2015 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2015 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2015 Bonds will be made in book-entry form only, and beneficial owners of the Series 2015 Bonds will not receive physical delivery of bond certificates representing their ownership of the Series 2015 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 2015 Bonds, as more fully described herein.

The Series 2015 Bonds are being issued to provide funds for: (i) the advance refunding of certain outstanding Senior Obligations which may include (a) the New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2007) maturing on and after May 1, 2018, (b) the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A maturing on and after July 1, 2026, and (c) the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1 maturing on and after July 1, 2020, (ii) acquiring additional Water and Sewer System assets, and extending, repairing, replacing and improving the Water and Sewer System, and (iii) costs of issuance related to the Series 2015 Bonds.

Interest on the Series 2015 Bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2015. Payments of principal of and interest on the Series 2015 Bonds will be made directly to DTC or its nominee, Cede & Co., by the Chief Financial Officer of the Authority, as Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Principal of the Series 2015 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 2015 Bonds may be subject to optional and mandatory sinking fund redemption as described herein.

The Series 2015 Bonds are special, limited obligations of the Authority, payable solely from and secured by the Net Revenues of the Authority's Joint Water and Sewer System. The lien of the Series 2015 Bonds on the Net Revenues is on parity with the Senior Obligations of the Authority (currently outstanding in the aggregate principal amount of \$507,916,214, and post-refunding in the amount of \$570,776,214^{*}). The issuance of the Series 2015 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 Authority does not have taxing power.

In connection with the issuance of the Series 2015 Bonds, the Authority will commit to provide certain annual information and notice of certain material events as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING." The Series 2015 Bonds are offered when, as, and if issued by the Authority and purchased by the Underwriters and subject to the delivery of approving opinions by Modrall, Sperling, Roehl, Harris & Sisk, P.A., and certain other conditions. Certain legal matters will be passed on for the Authority by its General 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 Hogan Lovells US LLP. Delivery of the Series 2015 Bonds is expected on or about April 27, 2015 through the facilities of The Depository Trust Company, New York, New York, against payment therefor.

J.P. MORGAN

BAIRD

STIFEL

PIPER JAFFRAY & CO.

Official Statement dated March __, 2015

*Preliminary, subject to change.

MATURITY SCHEDULE

\$232,175,000*

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds
Series 2015**

Maturity Date (July 1)	Principal Amount*	Interest Rate	Price or Yield	Cusip No.†
2015	-0-			
2016	-0-			
2017	\$3,000,000			
2018	12,005,000			
2019	12,530,000			
2020	15,830,000			
2021	16,965,000			
2022	11,345,000			
2023	16,135,000			
2024	16,800,000			
2025	15,000,000			
2026	17,015,000			
2027	17,865,000			
2028	10,550,000			
2029	11,090,000			
2030	11,640,000			
2031	12,225,000			
2032	12,835,000			
2033	13,480,000			
2034	5,865,000			

†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 2015 Bonds. Neither the Authority nor the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2015 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 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 Maggie Hart Stebbins, Chair
Councilor Trudy E. Jones, Vice-Chair
Mayor Richard J. Berry
Commissioner Art De La Cruz
Councilor Rey Garduño
Commissioner Debbie O'Malley
Councilor Ken Sanchez
Trustee Pablo R. Rael (ex-officio member)

WATER UTILITY AUTHORITY ADMINISTRATION

Mark Sanchez, Executive Director
John Stomp, Chief Operating Officer
Stan Allred, Chief Financial Officer
Dr. James H. "Jim" Olsen, Jr. P.E., Field Operations Manager
Charles S. Leder, P.E., Plant Operations Manager
David J. Price, Water Resources, Planning and Engineering Manager
Cody R. Stinson, Chief Information Officer
Charles Kolberg, Esq., Chief Counsel
Hobert "H" Warren, Customer Service and Area Operations Manager
David Morris, Public Affairs Manager
Frank Roth, Senior Policy Manager
Judy Bentley, Human Resources Manager
Mark Kelly, Compliance 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 COUNSEL

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

FINANCIAL ADVISOR

RBC Capital Markets, LLC
Albuquerque, New Mexico

No dealer, salesperson or other person has been authorized by the 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 2015 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 Authority and from other sources believed by the 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 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 Series 2015 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 2015 Bonds in accordance with applicable provisions of the securities law of the states in which the Series 2015 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2015 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is "deemed final" by the Authority for purposes of Rule 15c2-12 of the Municipal Securities Rulemaking Board. The Authority has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

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 2015 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 2015 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 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 AUTHORITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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OFFICIAL STATEMENT

\$232,175,000*

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds
Series 2015

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 Refunding and Improvement Revenue Bonds, Series 2015 (the "Series 2015 Bonds" or "Bonds") by the Albuquerque Bernalillo County Water Utility Authority (the "Authority"). Capitalized terms used herein and not defined have the meanings specified in Authority Ordinance WUA O-15-2 and Authority Resolution No. WUA R-15-3 adopted by the Authority on February 25, 2015, and Authority Resolution No. WUA R-15-___ to be adopted on March 18, 2015 (collectively, the "Bond Ordinance"). See "DESCRIPTION OF BOND ORDINANCE - Definitions" in Appendix C hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2015 Bonds to potential investors is made only by means of the entire Official Statement.

Albuquerque Bernalillo County Water Utility Authority

The joint water and sanitary sewer system (the "System") was owned by the City of Albuquerque, New Mexico (the "City") and operated by its Public Works Department prior to creation of the Authority. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Authority and resulted in the City transferring to the Authority all functions, appropriations, money, records, equipment and other real and personal property pertaining to the System. The legislation also provides that the obligations of the City payable from net revenues of the System are obligations of the Authority and that the Authority shall not impair the rights of holders of outstanding obligations of the System. The policy-making functions for the System were also transferred to the Authority. Revenue bond obligations relating to the System issued by the City prior to the transfer of the System to the Authority are now the obligations of the Authority. The Authority has a minimal relationship with the City under the current Memorandum of Understanding, dated July 1, 2013, by and between the Authority and the City which expires in 2018. These ties include the Authority's rental of space and computer equipment from the City and Authority employees may participate in certain City employment benefits such as medical, dental, vision and life insurance. Other than these limited connections, the Authority operates independently of the City and Bernalillo County, New Mexico (the "County").

*Preliminary, subject to change.

The Authority's Board (the "Board") governs the water and sewer utility for all of the City and County. The Authority's membership 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 Maggie Hart Stebbins, Chair; Councilor Trudy E. Jones, Vice-Chair; Mayor Richard J. Berry; Commissioner Art De La Cruz; Councilor Rey Garduño; Commissioner Debbie O'Malley; Councilor Ken Sanchez and Trustee Pablo R. Rael, Ex-Officio (non-voting). The Executive Director of the Authority is Mark Sanchez.

The Authority focuses on drinking water delivery and wastewater treatment services in its service area and has approximately 630 employees. Attached as Appendix B hereto is Bernalillo County Economic and Demographic Information.

Purpose of the Bonds

Proceeds from the sale of the Series 2015 Bonds will be used to provide funds for (i) the advance refunding of certain Senior Obligations which may include: (a) the New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2007) maturing on and after May 1, 2018 in the aggregate principal amount of \$37,625,000 (the "2007 NMFA Loan"), (b) the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A maturing on and after July 1, 2026 in the aggregate principal amount of \$55,630,000 (the "Series 2008A Bonds"), and (c) the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1 maturing on and after July 1, 2020 in the aggregate principal amount of \$76,475,000 (the "Series 2009 Bonds"), (ii) acquiring additional Water and Sewer System assets through regular System improvements, expansion, maintenance, and upgrades pursuant to the Authority's Basic Capital Program, and (iii) payment of costs of issuance of the Series 2015 Bonds. The advance refunding of all, or part of, the 2007 NMFA Loan, Series 2008A Bonds and Series 2009 Bonds will result in debt service savings for the Authority.

At the time of issuance of the Series 2015 Bonds, the Authority will deposit proceeds of the Series 2015 Bonds to an escrow fund held with BOKF, NA dba Bank of Albuquerque, pursuant to an Escrow Agreement by and between the Authority and Bank of Albuquerque, resulting in the defeasance of the 2007 NMFA Loan, Series 2008A Bonds and Series 2009 Bonds. See "PLAN OF FINANCING – The Refunding Project."

Authority for Issuance

The Series 2015 Bonds are issued under the authority of and pursuant to the Constitution and laws of the State of New Mexico, and all enactments of the Board relating to the issuance of the Series 2015 Bonds.

Sources of Payment for the Bonds

Special Limited Obligations

The Series 2015 Bonds are special, limited obligations of the 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 2015 Bonds are outstanding, the Bond Ordinance prohibits the Authority from issuing additional System Obligations (as defined in the Bond Ordinance) with a lien on Net Revenues prior and superior to the lien of the Series 2015 Bonds. System Obligations with a lien on Net Revenues on parity with the Series 2015 Bonds or subordinate thereto may be issued under certain circumstances as set forth in the Bond Ordinance. See "DESCRIPTION OF THE SERIES 2015 BONDS – Issuance of Additional System Obligations."

Net Revenues

Net Revenues are 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 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 "The Joint Water and Sanitary Sewer System" under this caption and "SECURITY AND SOURCES OF PAYMENT –Estimated Total Combined Debt Service and Coverage Ratios."

Attached as Appendix A hereto is an excerpt from the Authority's audited financial statements for the Fiscal Year ended June 30, 2014.

Outstanding Senior and Subordinate Obligations

Upon issuance, the Series 2015 Bonds will have a lien on Net Revenues that is on parity with the lien of the following Outstanding Senior Obligations:

- New Mexico Finance Authority Drinking Water State Revolving Fund Loan (2003);
- New Mexico Finance Authority Public Project Revolving Fund Loan (2005);
- Joint Water and Sewer System Improvement Revenue Bonds, Series 2005;
- Joint Water and Sewer System Improvement Revenue Bonds, Series 2006A;
- New Mexico Finance Authority Public Project Revolving Fund Loan (2007);
- Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A;
- Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1;
- New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009);
- New Mexico Finance Authority Public Project Revolving Fund Loan (2011);
- Joint Water and Sewer System Improvement and Refunding Revenue Bonds, Series 2013A-B; and
- Senior Lien Joint Water and Sewer System Refunding Revenue Bonds, Series 2014A.

All the Outstanding Senior Obligations were issued pursuant to ordinances and resolutions adopted by the City or, after January 2004, 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 2015 Bonds is expected to be approximately \$570,776,214*.

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 and Super Subordinate Obligations." The total principal amount of the Outstanding Subordinate Obligations as of March 1, 2015 was \$95,845,187. None of the Subordinate Obligations will be redeemed with proceeds from the Series 2015 Bonds.

The Authority has incurred additional obligations with a super subordinate lien on the Net Revenues of the System. The Super Subordinate Obligations are six outstanding loans with the New Mexico Water Trust Board which were outstanding as of March 1, 2015 in the aggregate principal amount of \$1,262,193. None of the Super Subordinate Obligations will be redeemed with proceeds from the Series 2015 Bonds.

Protective Covenants

The Authority covenants in the Bond Ordinance to charge all purchasers of services of the System reasonable and just rates sufficient to produce Net Revenues annually to pay 133% of the annual Debt Service Requirements on all Senior Obligations and to pay 120% of the annual Debt Service Requirements on all Senior Obligations and Subordinate Obligations. See "SECURITY AND SOURCES OF PAYMENT - Estimated Total Combined Debt Service and Coverage Ratios" and "DESCRIPTION OF BOND ORDINANCE - Protective Covenants" in Appendix C hereto.

The Joint Water and Sanitary Sewer System

The Water System provides water services to approximately 656,305 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the Water System. As of January 1, 2015, service is provided to approximately 194,360 customers, including 174,193 residential and 20,167 multi-family, commercial, institutional and industrial accounts. Approximately 60% 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 2014, the Authority's water resources use consisted of 38.2% from groundwater and 61.8% from San Juan-Chama surface water. The groundwater supply is produced from 101 wells grouped in 25 well fields located throughout the metropolitan area and the surface water is diverted from the Rio Grande. Total well production capacity is approximately 294 million gallons per day ("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 Sanitary Sewer System (the "Sewer System") 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, final clarification, and effluent chlorination and dechlorination prior to discharge in the Rio Grande. See "JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY."

Terms of the Bonds

Payments

The Series 2015 Bonds will be dated the date of delivery. Interest on the Series 2015 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2015. The Series 2015 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.

Record Date

The record date for the Series 2015 Bonds is the fifteenth day of the calendar month preceding each January 1 and July 1.

Denominations

The Series 2015 Bonds will be issued in denominations of \$5,000, or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2015 Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the Series 2015 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Authority's Chief Financial Officer, or its successor, as Paying Agent (the "Paying Agent"), so long as DTC or Cede & Co. is the sole registered owner. DTC will remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Bonds, all as more fully described in "DESCRIPTION OF THE SERIES 2015 BONDS - Book-Entry Only System." *While the Series 2015 Bonds are in book-entry only form, references in this Official Statement to Owners should be read to include the person for whom the DTC Participant acquires an ownership interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system, and (ii) notices that are to be given to Owners by the Authority or the Paying Agent will be given only to DTC.*

Redemption of the Series 2015 Bonds

The Series 2015 Bonds may be subject to optional and mandatory sinking fund redemption prior to maturity at the redemption prices and during the periods described under "DESCRIPTION OF THE SERIES 2015 BONDS – Redemption Prior to Maturity."

Issuance of Additional System Obligations

The Authority must meet certain tests prior to the issuance of additional Senior Obligations and Subordinate Obligations. For a description of these tests and consents, see "DESCRIPTION OF THE SERIES 2015 BONDS - Issuance of Additional System Obligations." The Authority may incur or issue Super Subordinate Obligations payable from Net Revenues without restriction.

Tax Considerations

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents relating to the Series 2015 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2015 Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax for individuals, estates, trusts and corporations, but such interest on the Series 2015 Bonds will be included in the adjusted current earnings of certain corporations, and is excludable from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2015 Bonds for certain owners of such bonds, see "TAX MATTERS."

Continuing Disclosure Undertaking

The Authority will execute a Continuing Disclosure Undertaking for the benefit of the Owners (the "Continuing Disclosure Undertaking") and will (i) provide audited financial statements and certain other financial information and operating data and (ii) file notices of certain specific material events in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. See "CONTINUING DISCLOSURE UNDERTAKING" and Appendix E hereto.

Historically, the Authority has timely filed its annual financial information and audited financial statements consistent with the terms of its outstanding Continuing Disclosure Undertakings and is in material compliance with these Undertakings. However, at the time the Authority filed annual financial information in January 2010, January 2011 and March 2014, related to Fiscal Years 2009, 2010 and 2013 respectively, audited financial statements were not complete for these fiscal years and the Authority chose not to provide unaudited financial information. As discussed elsewhere herein, the Authority's financial statements have been tied to the City of Albuquerque's financial system which has experienced problems and resultant delays over the past several years. These delays resulted in the Authority having incomplete and

unreliable financial information at the time it filed its annual financial information. To avoid providing investors with unreliable information, the Authority waited until the respective audited financial statements were available and timely filed them with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. Starting with Fiscal Year 2014, the Authority's audit will no longer be contingent on completion of the City's audit and the Authority does not anticipate any problems with the timely completion of its audited financial statements or providing reliable unaudited financial information as necessary. See "RISK FACTORS -- New Enterprise Resource Planning System/Decrease in Debt Service Coverage" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2015 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 2015 Bonds will be passed on for the Authority by Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A., General Counsel, and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Hogan Lovells US LLP. See "LEGAL MATTERS."

RBC Capital Markets, LLC ("RBC") is employed as Financial Advisor to the Authority in connection with the issuance of the Series 2015 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2015 Bonds is contingent upon the issuance and delivery of the Series 2015 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, completeness, or fairness 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.

Offering and Delivery of the Bonds

The Series 2015 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 in New York, New York on or about April 27, 2015.

Other Information

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

The quotations from, and summaries and explanations of the laws, regulations and documents contained herein do not purport to be complete and reference is made to the laws, regulations and documents for full and complete statements of their provisions. Copies of such laws, regulations and documents may be obtained, upon request and payment to the Authority of a charge for copying, mailing and handling, at One Civic Plaza, N.W., Room 5012, Albuquerque, New Mexico 87102, Attention: Office Coordinator.

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 Authority and the Owners of any of the Series 2015 Bonds.

RISK FACTORS

The ability of the Authority to pay principal of and interest on the Series 2015 Bonds depends primarily upon the receipt by the Authority of sufficient Net Revenues. Some of the events which could prevent the Authority from receiving a sufficient amount of Net Revenues to enable it to pay the principal of and interest on the Series 2015 Bonds are summarized below. The following description of risks is not intended to be an exhaustive list of the risks associated with the purchase of the Series 2015 Bonds and the order of the risks set forth below does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The obligation of the Authority to pay debt service on the Series 2015 Bonds is a limited obligation of the Authority and is not secured by a legal or equitable pledge or charge or lien upon any property of the Authority or any of its income or receipts, except the Net Revenues. The obligation of the Authority to pay debt service on the Series 2015 Bonds does not constitute an obligation of the Authority to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The Authority is obligated under the Bond Ordinance to pay debt service on the Series 2015 Bonds 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), general and local economic conditions, and changes in 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 Authority, the ability of the Authority to provide water and wastewater service to its customers, the ability of the Authority to establish, maintain and collect charges for the water and wastewater service to its customers and the ability of the Authority to establish, maintain and collect rates and charges sufficient to pay debt service on the Series 2015 Bonds.

System Net Revenues and Expenditures

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, labor and administration can substantially affect System expenses. Although the Authority has covenanted to prescribe, revise and collect rates and charges in amounts sufficient to pay debt service on the Series 2015 Bonds, 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 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 public agency 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 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 2015 Bonds.

Risks Relating to the Water Supply

The ability of the System to operate effectively can be affected by the water supply available to the 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 vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the 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. The Authority has established reserve funds, which may be used by the 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 Current Economic Conditions on System Net Revenues

The major economic disruptions and recession of the past several years have adversely affected the economic activity of the region in general, in particular resulting in decreased

economic activity, increased unemployment and a reduction in residential and commercial construction. The Authority cannot predict the extent of the fiscal problems that will be encountered in this or 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 2015 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 2015 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.

New Enterprise Resource Planning System/Decrease in Debt Service Coverage

As a component unit of the City, the Authority experienced a delay in obtaining timely and reliable financial performance information from the City's financial reporting system in Fiscal Years 2009 and 2010. The lack of timely and reliable information led to the deterioration of the Authority's financial position which resulted in debt service coverage falling below 133% of the annual Debt Service Requirements (the amount necessary to satisfy the rate covenant) on Senior Obligations and delayed audited financial information. The Authority subsequently employed a rate consultant to assess and make recommended revisions to the Authority's rate structure and other charges for use of the System to comply with the rate covenant as soon as practicable. The Authority has since implemented 5% rate increases in Fiscal Years 2012, 2014, and 2015 and has approved 5% rate increases for Fiscal Years 2016 and 2018. The Authority has implemented a new Enterprise Resource Planning System to better assess its financial performance and provide audited financial information in a timely manner. The Authority successfully utilizes the Enterprise Resource Planning System to more actively monitor its financial performance and provide timely audited financial information.

DESCRIPTION OF THE SERIES 2015 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2015 Bonds. This summary is qualified in its entirety by reference to the Bond Ordinance and the Series 2015 Bonds. See "DESCRIPTION OF BOND ORDINANCE" in Appendix C. Copies of the approved form of the Bond Ordinance are available from the Authority.

The Series 2015 Bonds will be dated the date of delivery. Interest on the Series 2015 Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2015, with a record date of the fifteenth day of the calendar month preceding each January 1 and July 1. The Series 2015 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 2015 Bonds will be issued in denominations of \$5,000 or integral multiples thereof.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority, Financial Advisor, Bond Counsel nor the Underwriters or their counsel take responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, 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 Standard & Poor's 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 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 2015 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 2015 Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2015 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 2015 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 2015 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 2015 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 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 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 2015 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2015 Bonds are required to be printed and delivered.

The 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 2015 Bonds will be printed and delivered to DTC.

Redemption Prior to Maturity

Optional Redemption

The Series 2015 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 2015 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption. Interest on any Series 2015 Bonds called for redemption shall cease to accrue on the redemption date designated in the notice.

Unless money sufficient to pay the principal of and interest on the Series 2015 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 2015 Bonds called for redemption is not received by that time, (i) the Paying Agent will redeem only those Series 2015 Bonds for which the redemption price was received and the Series 2015 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 2015 Bonds for which the redemption price was not received and those Series 2015 Bonds will not be redeemed. The Registrar will give notice to the owners of the Series 2015 Bonds not redeemed in the manner in which the notice of redemption was given, identifying the Series 2015 Bonds previously called for redemption which were not redeemed and stating that the redemption did not take place with respect to those Series 2015 Bonds, and the Registrar will promptly return any Series 2015 Bonds not redeemed to the owners thereof.

Mandatory Sinking Fund Redemption

The Series 2015 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 sinking fund requirement for such Series 2015 Bonds at a redemption price of the principal amount of such Series 2015 Bonds called for redemption plus interest accrued to the date fixed for redemption, without premium, as follows:

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 (also referred to herein as the "Rate Reserve 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.

No refunding bonds or other refunding obligations may be issued by the 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 Authority, subject to the following requirements, to issue additional System Obligations with a lien on Net Revenues subordinate to the lien of the Senior Obligations on Net Revenues. See "SECURITY AND SOURCES OF PAYMENT - Outstanding System Obligations – Subordinate and Super Subordinate Obligations."

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

(1) The 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 Obligations¹; 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 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 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 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.

Super Subordinate Obligations

The 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. See "SECURITY AND SOURCES OF PAYMENT - Outstanding System Obligations – Subordinate and Super Subordinate Obligations."

¹ This requirement is applicable only for so long as the 2005 Bonds, 2006A Bonds, 2008A Bonds, 2009 Bonds, 2013A&B Bonds, Drinking Water State Revolving Fund Loan (2003), Public Project Revolving Fund Loan Agreement (2005), Public Project Revolving Fund Loan Agreement (2007), Drinking Water State Revolving Loan Fund (2009), and Public Project Revolving Fund Loan Agreement (2011) are Outstanding. After these Senior Obligations are no longer Outstanding, the Authority shall be required to only meet the tests set forth in (i) and (iii) under paragraph (1).

Superior System Obligations Prohibited

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

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The estimated sources and uses of funds to be received in connection with the sale of the Series 2015 Bonds are set forth in the following table.

PRINCIPAL AMOUNT OF SERIES 2015 BONDS	\$
Reoffering Premium.....	
TOTAL SOURCES OF BOND PROCEEDS	<u>\$</u>
USES OF BOND PROCEEDS:	
Deposit to Escrow for Refunding	
Deposit to Acquisition Fund.....	
Underwriters' Discount ⁽¹⁾	
Costs of Issuance ⁽²⁾	
TOTAL USES OF BOND PROCEEDS	<u>\$</u>

(1) See "Underwriting."

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

The Project

Refunding Project

Proceeds from the sale of the Series 2015 Bonds will be used, in part, to provide funds for the advance refunding of certain Outstanding Senior Obligations which may include: the New Mexico Finance Authority Public Project Revolving Fund Loan Agreement (2007) maturing on and after May 1, 2018 in the aggregate principal amount of \$37,625,000 (the "2007 NMFA Loan"), (ii) the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2008A maturing on and after July 1, 2026 in the aggregate principal amount of \$55,630,000 (the "Series 2008A Bonds"), and (iii) the Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1 maturing on and after July 1, 2020 in the aggregate principal amount of \$76,475,000 (the "Series 2009 Bonds" and collectively with the 2007 NMFA Loan and Series 2008A Bonds, the "Advanced Refunded Obligations"). The advance refunding of all or part of the Advanced Refunded Obligations will result in debt service savings for the Authority.

At the time of issuance of the Series 2015 Bonds, the Authority will deposit proceeds of the Series 2015 Bonds to a special escrow account (the "Escrow Fund") held with BOKF, NA dba Bank of Albuquerque (the "Escrow Agent"), pursuant to an Escrow Agreement by and between the Authority and the Escrow Agent, resulting in the defeasance of the 2007 NMFA Loan, Series 2008A Bonds and Series 2009 Bonds.

The principal and interest due on the Advance Refunded Obligations are to be paid on the scheduled interest payment dates of May 1, 2015, November 1, 2015, May 1, 2016 and November 1, 2016 (for the 2007 NMFA Loan), July 1, 2015, January 1, 2016, July 1, 2016, January 1, 2017, July 1, 2017, January 1, 2018 and July 1, 2018 (for the Series 2008A Bonds), and July 1, 2015, January 1, 2016, July 1, 2016, January 1, 2017, July 1, 2017, January 1, 2018, July 1, 2018, January 1, 2019 and July 1, 2019 (for the Series 2009 Bonds) from amounts to be deposited on the closing date to the Escrow Fund pursuant to the Escrow Agreement. The Bond Ordinance provides, that from the proceeds of the sale of the Series 2015 Bonds received from the Underwriters and other available funds of the Authority, the Authority will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Advance Refunded Obligations on the prepayment date. Such funds will be held by the Escrow Agent in the Escrow Fund and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Advance Refunded Obligations.

Causey, Demgen & Moore P.C., Certified Public Accountants, Denver, Colorado, will verify at the time of delivery of the Series 2015 Bonds, the mathematical accuracy of the schedules and demonstrate that the Federal Securities will mature and bear interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay the principal of and interest on the Advance Refunded Obligations on the redemption dates of May 1, 2017 (for the 2007 NMFA Loan), July 1, 2018 (for the Series 2008A Bonds), and July 1, 2019 (for the Series 2009 Bonds), and all payment dates prior to the redemption date. Such maturing principal of and interest on the Federal Securities will not be available to pay the Series 2015 Bonds. See "VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of the Advance Refunded Obligations in accordance with the requirements of the ordinances authorizing issuance of the Advance Refunded Obligations and applicable law, and the Advance Refunded Obligations will no longer be outstanding as Parity Obligations. The Authority has covenanted in the Escrow Agreement to make timely deposits to the Escrow Account of any additional amounts required to pay the principal of, premium and interest on the Advance Refunded Obligations if, for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Account is insufficient to make such payments.

Improvement Project

Proceeds from the sale of the Series 2015 Bonds will be used to provide funds for acquiring additional Water and Sewer System assets through regular System improvements, expansion, maintenance, and upgrades pursuant to the Authority's Basic Capital Program. Proceeds of the Series 2015 Bonds will be allocated as follows: (i) approximately \$57 million of

Bond proceeds will be used for projects under the Authority's Capital Improvement Plan, (ii) approximately \$15 million for projects that were deferred in previous capital cycles due to reductions in consumption and revenue, and (iii) approximately \$6 million for odor control improvements at Central Avenue and Yucca Avenue. Proceeds of the Series 2015 Bonds will also be used to pay costs of issuance of the Series 2015 Bonds.

SECURITY AND SOURCES OF PAYMENT

Special, Limited Obligations

The Series 2015 Bonds are special, limited obligations of the 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 2015 Bonds are equally and ratably secured by Net Revenues. The Series 2015 Bonds are being issued with a senior lien on Net Revenues on parity with the lien of the other Outstanding Senior Obligations. The Authority has the right, subject to specified conditions, to issue additional Senior Obligations. The Bond Ordinance permits the 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 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 2015 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 Authority does not have any taxing power.

Reserve Fund

No debt service reserve fund will be funded for the Series 2015 Bonds, nor has a debt service reserve fund been funded for any of the Authority's Outstanding Senior or Subordinate Obligations.

Covenant as to Lien for Delinquent Charges

To the extent permitted by law, the 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 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 Authority covenants in the Bond Ordinance to charge all purchasers of services of the System, including the Authority, the City and the County, reasonable and just rates sufficient to produce Net Revenues annually to pay 133% of the annual Debt Service Requirements on the Series 2015 Bonds and all other Outstanding Senior Obligations and to pay 120% of the annual

Debt Service Requirements on all Outstanding Senior Obligations and all other Outstanding Subordinate Obligations (excluding accumulation of any reserves therefor). The 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 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 Authority. The Authority will request that the consultant or manager make recommendations, if any, as to revisions of the 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 Authority. So long as the Authority substantially complies with the recommendations of the consultant or manager on a timely basis, the 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 "Estimated Total Combined Debt Service and Coverage Ratios" under this caption.

In November 2010, the Authority received the Fiscal Year 2009 Audit and determined that it was not in compliance with the rate covenant for System Obligations. See "SECURITY AND SOURCES OF PAYMENT – Historic Coverage Ratios" and "RISK FACTORS – New Enterprise Resource Planning System/Decrease in Debt Service Coverage." In response, the Authority promptly hired a rate consultant to evaluate the current rates for the System and related operations and expenses for the System. The Authority has since implemented 5% rate increases in Fiscal Years 2012, 2014, and 2015 and has approved 5% rate increases for Fiscal Years 2016 and 2018. See "FINANCIAL INFORMATION – Rates and Charges of the System."

Outstanding System Obligations

Senior Obligations

Obligations with a senior lien on Net Revenues as of March 1, 2015 are shown below:

Outstanding Senior Obligations as of March 1, 2015

<u>System Issue</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Post-Refunding Principal Amount</u>
NMFA Drinking Water State Revolving Fund Loan (2003)	\$3,600,000	\$333,826	\$333,826
NMFA – Public Project Revolving Fund Loan (2005)	20,000,000	1,010,000	1,010,000
Revenue Bonds, Series 2005	132,985,000	10,355,000	10,355,000
Revenue Bonds, Series 2006A	133,390,000	13,505,000	13,505,000
NMFA – Public Project Revolving Fund Loan (2007)	77,005,000	51,820,000	14,195,000
Revenue Bonds, Series 2008A	55,630,000	55,630,000	-0-
Revenue Bonds, Series 2009A-1	135,990,000	114,890,000	38,415,000
NMFA – Drinking Water Revolving Fund Loan (2009)	1,010,000	862,388	862,388
NMFA – Public Project Revolving Fund Loan (2011)	53,400,000	46,025,000	46,025,000
Revenue Bonds, Series 2013A-B	118,215,000	116,215,000	116,215,000
Revenue Bonds, Series 2014A	97,270,000	97,270,000	97,270,000
Revenue Bonds, Series 2015	232,175,000*	<u>232,175,000*</u>	<u>232,175,000*</u>
Total Senior Obligations		<u>\$740,091,214</u>	<u>\$570,361,214</u>

*Preliminary, subject to change.

Subordinate and Super Subordinate Obligations

Other obligations payable on a subordinate basis from Net Revenues, as of March 1, 2015, are shown below:

**Outstanding Subordinate Obligations
as of March 1, 2015**

<u>Obligation⁽¹⁾</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
New Mexico Finance Authority Drinking Water Loan (2008)	\$9,627,877	\$8,840,187
Revenue Bonds, Series 2014B	87,005,000	<u>87,005,000</u>
Total Subordinate Obligations		<u>\$95,845,187</u>

(1) None of the Subordinate Obligations are part of the Refunding Project.

Other obligations payable on a super subordinate basis from Net Revenues, as of March 1, 2015, of the System are shown below:

**Outstanding Super Subordinate Obligations
as of March 1, 2015**

<u>Obligation⁽¹⁾</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
Water Trust Board Loan (2009)	\$50,000	\$38,524
Water Trust Board Loan (2009)	100,000	77,163
Water Trust Board Loan (2010)	190,235	160,795
Water Trust Board Loan (2011)	452,000	385,632
Water Trust Board Loan (2011)	640,000	546,028
Water Trust Board Loan (2011)	63,354	<u>54,051</u>
Total Super Subordinate Debt		<u>\$1,262,193</u>

(1) None of the Super Subordinate Obligations are part of the Refunding Project.

Debt Service Requirements for the Series 2015 Bonds*

The following tables show the estimated annual debt service payments on the Series 2015 Bonds for each period ending on July 1st.

\$232,175,000* Series 2015 Bonds

Period Ending (July 1)	Principal Amount*	Interest ⁽¹⁾ *	Total Debt Service*
2015	-0-	\$2,009,493	\$2,009,493
2016	-0-	11,303,400	11,303,400
2017	\$3,000,000	11,303,400	14,303,400
2018	12,005,000	11,213,400	23,218,400
2019	12,530,000	10,733,200	23,263,200
2020	15,830,000	10,232,000	26,062,000
2021	16,965,000	9,440,500	26,405,500
2022	11,345,000	8,592,250	19,937,250
2023	16,135,000	8,025,000	24,160,000
2024	16,800,000	7,218,250	24,018,250
2025	15,000,000	6,378,250	21,378,250
2026	17,015,000	5,628,250	22,643,250
2027	17,865,000	4,777,500	22,642,500
2028	10,550,000	3,884,250	14,434,250
2029	11,090,000	3,356,750	14,446,750
2030	11,640,000	2,802,250	14,442,250
2031	12,225,000	2,220,250	14,445,250
2032	12,835,000	1,609,000	14,444,000
2033	13,480,000	967,250	14,447,250
2034	5,865,000	293,250	6,158,250

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

*Preliminary, subject to change.

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 1st for the Series 2015 Bonds and all other Outstanding Obligations through their final maturity dates (taking into account the Refunding Project).

<u>Year End (July 1)</u>	<u>Outstanding Senior Lien Debt Service*</u>	<u>Senior Lien 2015 Debt Service*</u>	<u>Combined Senior Lien Debt Service*</u>	<u>Subordinate Debt Service*</u>	<u>Combined Total Debt Service*</u>	<u>Net Revenues</u>	<u>Senior Coverage*</u>	<u>Senior and Subordinate Coverage*</u>
2015	\$63,836,910	\$2,009,493	\$65,846,403	\$4,134,543	\$69,980,946	\$90,999,984	1.38x	1.30x
2016	50,274,894	11,303,400	61,578,294	13,505,600	75,083,894	90,999,984	1.48x	1.21x
2017	45,724,632	14,303,400	60,028,032	15,024,725	75,052,757	90,999,984	1.52x	1.21x
2018	39,924,659	23,218,400	63,143,059	11,881,225	75,024,284	90,999,984	1.44x	1.21x
2019	39,928,111	23,263,200	63,191,311	11,653,200	74,844,511	90,999,984	1.44x	1.22x
2020	31,140,862	26,062,000	57,202,862	11,381,638	68,584,500	90,999,984	1.59x	1.33x
2021	31,187,863	26,405,500	57,593,363	10,990,500	68,583,863	90,999,984	1.58x	1.33x
2022	31,324,865	19,937,250	51,262,115	10,779,388	62,041,503	90,999,984	1.78x	1.47x
2023	27,454,452	24,160,000	51,614,452	10,428,100	62,042,552	90,999,984	1.76x	1.47x
2024	22,536,455	24,018,250	46,554,705	10,068,138	56,622,843	90,999,984	1.95x	1.61x
2025	19,926,956	21,378,250	41,305,206	9,704,750	51,009,956	90,999,984	2.20x	1.78x
2026	13,149,957	22,643,250	35,793,207	637,938	36,431,145	90,999,984	2.54x	2.50x
2027	2,483,008	22,642,500	25,125,508	637,700	25,763,208	90,999,984	3.62x	3.53x
2028	2,480,760	14,434,250	16,915,010	637,288	17,552,298	90,999,984	5.38x	5.18x
2029	2,484,073	14,446,750	16,930,823	636,700	17,567,523	90,999,984	5.37x	5.18x
2030	2,479,825	14,442,250	16,922,075	<u>656,125</u>	17,578,200	90,999,984	5.38x	5.18x
2031	2,481,827	14,445,250	16,927,077	-	16,927,077	90,999,984	5.38x	5.38x
2032	2,426,894	14,444,000	16,870,894	-	16,870,894	90,999,984	5.39x	5.39x
2033	2,425,644	14,447,250	16,872,894	-	16,872,894	90,999,984	5.39x	5.39x
2034	2,421,719	6,158,250	8,579,969	-	8,579,969	90,999,984	10.61x	10.61x
2035	2,427,625	-	2,427,625	-	2,427,625	90,999,984	37.49x	37.49x
2036	2,423,813	-	2,423,813	-	2,423,813	90,999,984	37.54x	37.54x
2037	1,350,500	-	1,350,500	-	1,350,500	90,999,984	67.38x	67.38x
2038	1,349,250	-	<u>1,349,250</u>	-	<u>1,349,250</u>	90,999,984	67.44x	67.44x
TOTAL	<u>\$443,645,551</u>	<u>\$354,162,893</u>	<u>\$797,808,444</u>	<u>\$122,757,558</u>	<u>\$920,566,002</u>			

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

*Preliminary, subject to change.

**Water/Sewer System
Debt Service Coverage Calculation
Fiscal Years 2010-2014**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total operating revenues	\$182,350,428	\$173,048,307	\$170,541,065	\$158,514,065	\$148,746,484
Non-operating revenues (expenses):					
Interest	75,920	211,411	148,000	208,699	1,706,705
Expansion charges	7,872,236	8,197,016	8,035,123	6,240,073	6,834,161
Other Expenses	-	(1,150,019)	-	-	-
Other Revenues	<u>8,935,575</u>	<u>4,031,540</u>	<u>1,547,000</u>	<u>1,688,693</u>	<u>1,240,513</u>
Total adjusted revenues	<u>\$199,234,159</u>	<u>\$184,338,255</u>	<u>\$180,271,188</u>	<u>\$166,651,530</u>	<u>\$158,527,863</u>
Total operating expenses	\$199,169,329	\$195,436,545	\$185,893,000	\$185,482,555	\$174,749,235
Less:					
Franchise fees	-0-	(6,629,318)	(6,524,000)	(5,843,692)	(5,141,465)
Bad debt expense	(56,973)	-	-	-	-
Non-capitalized system obligations	(5,641,663)	-	-	-	-
OPEB Life Insurance Benefits	-	(1,108,722)	-	-	-
Depreciation	(84,788,418)	(86,644,314)	(84,850,000)	(83,447,066)	(81,443,032)
Amortization	<u>(448,100)</u>	<u>(442,748)</u>	<u>(434,000)</u>	<u>(401,370)</u>	<u>(396,555)</u>
Total adjusted operating expenses	<u>\$108,234,175</u>	<u>\$100,611,443</u>	<u>\$94,085,000</u>	<u>\$95,790,427</u>	<u>\$87,768,183</u>
Release from Rate Reserve Fund	-	<u>\$4,000,000</u>	-	<u>\$7,000,000</u>	-
Net revenues available for debt service	\$90,999,984	\$87,726,812	\$86,186,188	\$77,861,103	\$70,759,680
Total senior debt service	<u>\$67,968,843</u>	<u>\$63,504,816</u>	<u>\$61,574,823</u>	<u>\$66,395,314</u>	<u>\$66,695,922</u>
Senior debt service coverage	1.34x	1.38x	1.40x	1.17x ⁽¹⁾	1.06x ⁽¹⁾
Subordinate debt service ⁽²⁾	<u>\$1,316,774</u>	<u>\$1,957,641</u>	<u>\$3,403,355</u>	<u>\$3,052,316</u>	<u>\$3,047,571</u>
Combined total debt service	<u>\$69,285,617</u>	<u>\$65,462,457</u>	<u>\$64,978,178</u>	<u>\$69,447,630</u>	<u>\$69,743,493</u>
All in debt service coverage	1.31x	1.34x	1.33x	1.12x ⁽¹⁾	1.01x ⁽¹⁾

(1) In Fiscal Years 2010-2011, the Authority failed to meet the debt service coverage requirement of 1.33x for Senior Obligations. See "SECURITY AND SOURCES OF PAYMENT – Rate Covenant" and "RISK FACTORS – New Enterprise Resource Planning System."

(2) This total does not include Outstanding Super Subordinate Obligations.

Source: Albuquerque Bernalillo County Water Utility Authority.

JOINT WATER AND SANITARY SEWER SYSTEM OF THE AUTHORITY

Water System

The Water System provides water services to approximately 656,305 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the Water System. As of January 1, 2014, service is provided to approximately 194,360 customers, including 174,193 residential and 20,167 multi-family, commercial, institutional and industrial accounts. Approximately 60% of the water sales are for residential uses.

Groundwater from the middle Rio Grande basin aquifer and surface water from the San Juan-Chama Drinking Water Project are the primary sources of supply used for the Water System. In Calendar Year 2014, the Authority's water resources use consisted of 38.2% from groundwater and 61.8% from San Juan-Chama surface water. The groundwater supply is produced from 101 wells grouped in 25 well fields located throughout the metropolitan area and the surface water is diverted from the Rio Grande. Total well production capacity is approximately 294 million gallons per day ("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.

Groundwater 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. Forty-five reservoirs are located throughout the service area, with a total reservoir storage capacity of 211 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 110 boosters, with a total capacity of 680 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 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>
Thru 2015	132,100
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous groundwater permit limited the Authority's pumping to 132,000 acre-feet per year. The new 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 Authority also holds groundwater diversion permit RG-4462 with 14 groundwater wells permitted in the Corrales trunk. The permit and wells were acquired when the Authority acquired New Mexico Utilities, Inc. in 2009.

The average annual withdrawal for the five years ending in Calendar Year 2014 was 101,541 acre-feet with a maximum occurring in Calendar Year 2010. Additionally, the Authority has the right to use consumptively 74,549 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, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other water rights totaling 8,474 acre-feet. By means of its program of water rights acquisition, the Authority attempts to increase its holdings each year. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Authority also has approximately 163,200 acre-feet of San Juan-Chama water from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu and Heron Reservoirs). In addition to Abiquiu and Heron Reservoirs in northern New Mexico, the Authority also has approximately 8,700 acre-feet of San Juan-Chama water stored in Elephant Butte Reservoir which is located downstream of the City. In July 2003, the Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for Calendar Year 2014 were 59,398 acre-feet with an average of 47,442 acre-feet over the last five years.

The Authority believes that water received pursuant to the contract for San Juan-Chama water and the 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 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 656,305, and the current usage is approximately 134 gallons per capita per day (Fiscal Year 2014), down from an average of 250 gallons per capita per day between 1987 through 1993. The Authority believes this decrease can be attributed to the 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 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. The Authority Board has approved 5% rate increases effective July 1, 2015 and July 1, 2017.

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 and the surface water treatment plant was completed in January 2009. 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 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 the current dependence on an increasingly depleted deep 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 San Juan-Chama Drinking Water Project can currently provide about 90% of annual demand when excess San Juan-Chama water can be stored in the aquifer during the winter months and recovered for use in the summer months. The San Juan-Chama Drinking Water Project is expected to be able to provide up to 70% of the projected annual demand in 2050. The San Juan-Chama Drinking Water Project provides 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 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 Authority's wastewater return flows were sufficient to offset the annual seepage from the Rio Grande associated with the Authority's groundwater pumping. Technical work is continuing to provide water resources information needed for long-term management and to develop water supply solutions.

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 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 and provide a non-potable industrial water supply source; (3) provides for the development of a groundwater drought reserve, which was recommended by resource economists in a report commissioned to provide for the 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 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 future annual operating and maintenance costs for the WRMS program are estimated at \$14.8 million.

The four specific projects identified in the 1997 WRMS have been implemented. The 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 completes the legal process. The 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 concludes 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 and has provided water to the Albuquerque International Balloon Fiesta Park and recreational complex. The North I-25 Non-Potable Surface Water Reuse Project began full operations in January 2004. The Authority has diverted San Juan-Chama water for industrial and irrigation use in the Northeast Heights of the City. The Southside Municipal Effluent Polishing and Reuse Project utilizes treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of Albuquerque. 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).

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. Aquifer storage and recovery is another water resources management tool that the Authority is implementing to ensure a safe and sustainable water supply. The Authority initiated the first land application project, called the Bear Canyon ASR Project, in 2009 and has since stored approximately 1,000 acre-feet of water in the aquifer. In November 2014, the Authority received the full-scale permit for the Bear Canyon ASR project and began operations in winter 2014. The Authority is moving towards the permitting and design of a large scale ASR project capable of injecting 10,000 acre-feet a year into the aquifer. The large scale ASR project is scheduled to start construction in 2015 with operations to begin in late 2016.

South Valley Expansion Projects

Construction of the South Valley Water System Expansion Project is being done in phases and is managed by the Bernalillo County Public Works Department. The Authority is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of Bernalillo 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 Authority paid \$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 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 Authority committed to providing \$8.4 million.

New Arsenic Standard Applicable to Water Supply

The United States Environmental Protection Agency (“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 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.

The Authority is now in compliance with the EPA's arsenic regulations. 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 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 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 gallons per capita per day to achieve the 30% conservation savings goal. At the end of 2005, Authority customers had reduced their per capita use 33% compared with use during the established baseline period. When weather is taken into account, through regression model analysis, comparative water usage was down by 36%.

In 2004, the 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 gallons per capita per day ("GPCD"). In conjunction with a new citizen Water Resources Advisory Committee, the Authority established a new water conservation plan to meet the new goal. As of the end of 2014, GPCD was 134.

In 2013, the 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 Authority Board. The new elements consist of increased public education, test your toilet month, a donation program for customers to provide some of their rebate funding to other important water resources programs, and revisions to the xeriscape program. GPCD for 2014 was 134 and the Authority's current goal is to maintain water use at or below the 135 GPCD goal.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing effort, financial incentives for customers who attend

classes to learn about efficient irrigation techniques, replacement of high volume toilets with low volume toilets, converting high water use landscaping with xeriscaping, replacing high water use washing machines with low use models, installing rain water harvesting equipment, evaporative cooler thermostats, rain sensors, hot water recirculation units and more efficient sprinkler system heads. Free water use audits are available to all customers. Residential audits include retrofits of showerheads, faucet aerators, and hose nozzles. Finally, the 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 more successful water conservation programs in the United States. As discussed, the Authority has imposed 5% rate increases in Fiscal Years 2012, 2014 and 2015 and authorized 5% rate increases in Fiscal Years 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 Bernalillo County, to facilitate clean-up of existing contamination, and to promote the coordinated protection and prudent use of groundwater. The 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 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 Bernalillo County. The Authority has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the 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 2014 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 southeast Albuquerque. 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. The Authority’s groundwater supply remains safe, has not experienced contamination

and is tested on a monthly basis. The Air Force, New Mexico Environment Department and the 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 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. The Air Force has recently ramped up efforts to clean up this site, providing additional expert staff to the project from their Civil Engineering Center in San Antonio, Texas. For additional information concerning the Air Force fuel spill, please see www.kirtlandjetfuelremediation.com.

Drought Relief Measures

The Authority adopted the City’s Drought Management Strategy when the Authority was created in 2004. The Drought Management Strategy was updated and approved by the Board 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. The current Drought Management Strategy identifies four levels of drought -- 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 Water System 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 Fiscal Years 2010-2014, the Water System has supplied the following to customers within the service area:

**Usage⁽¹⁾
2010-2014**

<u>Fiscal Year</u>	<u>Gallons Pumped (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2010	31,742,000	28,422,497	89.54%
2011	32,104,000	28,621,945	89.15%
2012	32,964,000	29,662,707	89.99%
2013	33,222,000	29,829,025	89.79%
2014	30,211,000	27,722,857	91.76%

(1) There is a difference between gallons pumped and gallons billed. Gallons which are pumped 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.

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten customers of the Water System are:

Water System Top Ten Customers⁽¹⁾

Fiscal Year 2014

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total FY 2014 Revenue</u>	<u>% of Total FY 2014 Revenue</u>
City of Albuquerque	2,446,486	\$6,439,686	5.66%
Albuquerque Public Schools	689,789	2,408,558	2.12%
University of New Mexico	269,600	985,043	0.87%
Bernalillo County	201,189	600,705	0.53%
Kirtland Air Force Base	142,385	413,546	0.36%
Lovelace Health Systems	111,820	269,454	0.24%
Central New Mexico Community College	79,961	265,325	0.23%
ABCWUA	59,027	224,933	0.20%
Sumitomo	101,277	204,004	0.18%
New Mexico Fair Grounds	54,943	198,412	0.17%
Total		<u>\$12,009,666</u>	<u>10.56%</u>
Total Revenue for Water System		<u>\$113,696,174</u>	

⁽¹⁾Includes non-potable water customers.

Source: Albuquerque Bernalillo County Water Utility Authority.

Sewer System

The Sewer System 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 are about 56 MGD. The Authority has an operational industrial pretreatment program approved by the United States Environmental Protection Agency. The EPA recognized that the Authority's pollution prevention efforts have been largely responsible for the Authority maintaining compliance with strict standards contained in National Pollution Discharge Elimination System ("NPDES") permits. The Authority's wastewater effluent discharge consistently meets all NPDES permit requirements. The EPA renewed the Authority's NPDES permit in 2012, effective for five years.

The Authority received an Administrative Order 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 Authority responded to the Administrative Order and

met with EPA officials in July 2011. The response to EPA included a commitment for rehabilitation and replacement of process and other facilities at the Southside Water Reclamation Plant totaling approximately \$250 million over ten years. The Authority has not received a response to the Corrective Action Plan (CAP) submitted in 2011 which was updated in 2012. The Authority received another Administrative Order in June 2013 and responded in July 2013 regarding reporting and corrections that were necessary in the 2012 NPDES permit. The Authority is proceeding with the implementation of the CAP including the recent start of construction of a new \$30 million Preliminary Treatment Facility. Many other projects are in the planning or design phase and will be implemented according to the CAP.

The treatment plant has a 6.6 mega-watt cogeneration facility. This facility supplies 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 Authority continues to research how to sell its RECs to increase revenue. For example, the Authority issued an RFB for the unused REC's which were purchased by El Paso Electric. In addition to the cogeneration facility, the Authority has a one mega-watt solar energy facility at the Southside Water Reclamation Plant on-line effective the end of Calendar Year 2012.

Total beneficial reuse of sludge is accomplished by three methods: surface disposal (62% of sludge produced); land application on 5,000 acres of public-private range land (0% of sludge produced); and production of compost (38% of sludge produced). The Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated land application site is used when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). The 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 Authority reduces expenses by analyzing all of the bacteriological samples at the Authority's internal water quality lab.

The following table sets forth the quantity of water treated and customers served through the Sewer System for Fiscal Years 2010-2014:

**Treated Water
2010-2014**

<u>Fiscal Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2010	19,978,000	190,833
2011	19,937,440	191,506
2012	20,595,000	191,810
2013	20,378,630	192,387
2014	18,214,780	194,360

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten customers of the Sewer System are:

Sewer System Top Ten Customers

Fiscal Year 2014

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected FY 2014 Revenue</u>	<u>% of Total FY 14 Revenue</u>
Intel Corporation	-	\$1,759,019	2.90%
Kirtland Air Force Base	640,563	\$1,058,944	1.75%
University of New Mexico	547,474	830,762	1.37%
Albuquerque Public Schools	167,665	736,671	1.22%
City of Albuquerque	166,092	533,975	0.88%
Creamland Dairies	53,826	430,769	0.71%
Lovelace Health Services	96,842	178,276	0.29%
General Mills	-	167,872	0.28%
Sumitomo	-	157,999	0.26%
Bernalillo County	48,509	148,291	0.24%
Total		\$6,002,578	9.91%
Total Revenue for Sewer System		\$60,600,108	

Source: Albuquerque Bernalillo County Water Utility Authority.

Management of the System

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 Authority.

Mark Sanchez, Executive Director. Mr. Sanchez has been the Executive Director of the Authority since its inception 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 business and government policy, housing and community development, health, human and social services, job training and economic development. Mr. Sanchez serves as a Commissioner on the New Mexico Interstate Stream Commission and on the Board of the Multi-State Salinity Coalition and National Association of Clean Water Agencies. He has been very active at the local, state and national levels on intergovernmental issues.

John M. Stomp, P.E., Chief Operating Officer. Mr. Stomp is responsible for the Authority's operations group including the water and wastewater treatment plants, wastewater collection systems and lift/vacuum stations, and water distribution and transmission lines. 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 Authority as successor, since April 1996. Prior to employment with the 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 27 years. He has a Bachelor's and Master's Degree in Civil Engineering from the University 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 Authority warehouse functions. He has approximately 27 years of financial and cost accounting experience. Prior to employment with the 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.

Dr. James H. "Jim" Olsen, Jr., P.E., Field Operations Manager. Mr. Olsen has worked for the City, and now the Authority, for over 36 years and has served in his current position since 2008. Past assignments have included: Transmission & Distribution Manager for PNM Water Services (Santa Fe water system), Chief Utility Engineer for ECO Resources (Rio Rancho water & wastewater systems), Project Manager for the Pueblo of Laguna, NM Jackpile Mine Reclamation Project, management and engineering/technical assignments for ARCO-Anaconda, the Standard Oil Company (Ohio), and the City of Albuquerque Water System. He holds a Mining Engineering degree from New Mexico Institute of Mining & Technology (Socorro, NM) and a Masters in Business Administration from the Anderson School of Management, University of New Mexico. He completed his Doctorate in Education at the University of New Mexico in 1996. He has served on the faculty of the University of Phoenix since 1987 and taught graduate and undergraduate courses in management, environmental science, engineering processes, economics, project management, statistics, algebra, geography and business research methods & projects, and motivation theory; served as

Lead Faculty and Area Chair for Undergraduate Mathematics and Graduate Research and Quantitative Methods.

Charles S. Leder, P.E., Plant Operations 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 approximately 37 years-experience in planning, design, construction, and operations of water and wastewater facilities. Mr. Leder has a BS from the Johns Hopkins University, and an MS in Sanitary Engineering from the Georgia Institute of Technology.

David J. Price, P.E., Water Resources, 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 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 16 years of Information Technology experience, including work for the New Mexico State Judiciary, and as Deputy Chief Information Officer for Bernalillo 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.

Charles W. Kolberg, Chief Counsel. Mr. Kolberg has been with the Authority since January 1, 2008. Prior to becoming Chief Counsel, Mr. Kolberg was the Risk Manager for the City for four years. In this role he managed an internally funded insurance company covering all municipal liability exposures. Prior to becoming Risk Manager, Mr. Kolberg practiced as an attorney for seventeen years with twelve of those years as an Assistant City Attorney handling all aspects of municipal law including substantial litigation on water resource issues. Mr. Kolberg attended the University of New Mexico before obtaining his B.A. in Political Science from the University of Colorado in 1981. He received his Juris Doctorate in 1986 from Arizona State University.

Hobert "H" Warren, Customer Services and Area Operations Manager. Mr. Warren has held the manager position since 2012. He has approximately 19 years-experience in operations, compliance, construction, transition planning, automated meter reading implementation, billing systems, and rate studies. Prior to employment with the 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.

Mark P. Kelly, P.E., Compliance Division 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 10 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.

Administrative Services

The City provides certain services to the Authority pursuant to a Memorandum of Understanding ("MOU"), dated July 1, 2013 with a termination date of June 30, 2018. These services include the Authority's rental of space and computer equipment from the City and Authority employees' participation in certain City employment benefits. Since July 1, 2013, the operations of the Authority are largely autonomous from the City and County.

FINANCIAL INFORMATION

Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years 2010-2014:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSETS					
Current Assets					
Cash and investments	\$23,118,415	\$4,376,391	\$41,250,713	\$21,457,906	\$2,919,291
Cash held for debt service	37,717,945	34,205,405	33,547,414	35,929,424	34,368,648
Accounts receivable	14,513,349	15,487,864	15,861,463	11,723,252	11,921,552
Due from other governments	2,616,356	2,194,935	768,235	963,280	3,704,003
Prepaid assets	0	15,851	93,054	0	0
Notes receivable	817,849	920,432	989,359	1,915,253	996,841
Total Current Assets	78,783,914	57,200,878	92,510,238	71,989,115	53,910,335
Noncurrent Assets					
Long-term receivables	3,946,792	5,216,608	5,719,123	4,938,586	5,373,172
Restricted Assets ⁽¹⁾					
Cash and investments	31,848,311	3,057,077	0	0	80,606,014
Post-Employment life insurance benefit trust	818,273	0	0	0	0
Other	0	0	0	0	6,703
Total Restricted Assets	32,666,584	3,057,077	0	0	80,612,717
Capital Assets					
Net capital assets other than purchased water rights	1,145,714,147	1,222,710,534	1,257,370,901	1,245,796,694	1,271,495,144
Purchased water rights	45,116,733	44,581,533	43,720,597	40,443,654	39,962,117
Land	25,702,293	0	0	0	0
Construction work in progress	16,202,781	3,892,953	10,384,658	53,427,401	37,482,194
Total Capital Assets	1,232,735,954	1,271,185,020	1,311,476,156	1,339,667,749	1,348,939,455
Capitalized bond issuance costs	0	0	3,537,317	3,682,601	4,096,379
Total Noncurrent Assets	1,269,349,330	1,279,458,705	1,320,732,596	1,348,288,936	1,439,021,723
TOTAL ASSETS	1,348,133,244	\$1,336,659,583	\$1,413,242,834	\$1,420,278,051	\$1,492,932,058
LIABILITIES					
Current Liabilities					
Accounts payable	5,587,981	2,817,948	3,959,680	4,852,804	3,804,920
Accrued payroll	2,305,108	1,912,951	434,532	1,599,945	1,538,836
Accrued compensated absences	3,349,805	3,071,653	3,264,417	3,307,594	3,086,228
Deposits	766,419	702,845	673,903	734,559	710,183
Construction contracts payable	5,272,729	4,274,419	6,283,258	8,127,643	9,049,436
Current portion debt obligations bonds	24,735,000	23,545,000	22,235,000	24,130,000	22,065,000
Loan agreements/lines of credit	10,109,815	18,609,698	18,422,091	14,093,477	12,429,723
Water rights contract	1,069,622	1,038,005	1,007,322	977,546	948,650
Accrued interest payable	276,343	11,829,953	12,426,778	12,880,851	13,457,424
Accrued interest for debt obligations	13,349,967	0	0	0	0
Total Current Liabilities	66,822,789	67,802,472	68,706,981	70,704,419	67,090,400
Noncurrent Liabilities					
Debt obligations					
Bonds net premium/discounts	490,715,000	410,568,603	438,180,426	455,544,109	481,998,268
Loan agreements/line of credit	121,404,738	192,195,579	211,221,688	179,629,299	194,971,769
Water rights contract	9,817,168	10,886,790	11,924,795	12,932,117	13,909,663
Unamortized premium	23,863,736	0	0	0	0
Total Debt Obligations	645,800,642	613,650,972	661,326,909	648,105,525	690,879,700
Other Noncurrent Liabilities					
OPEB life insurance obligation	390,711	1,108,722	0	0	0
Accrued compensated absences	1,222,954	746,797	52,457	108,563	93,260
Total Other Noncurrent Liabilities	1,613,665	1,855,519	52,457	108,563	93,260
Total Noncurrent Liabilities	647,414,307	615,506,491	661,379,366	648,214,088	690,972,960
TOTAL LIABILITIES	714,237,096	683,308,963	730,086,347	718,918,507	758,063,360
NET POSITION					
Net investment in capital assets	582,869,186	617,398,422	636,174,669	656,043,802	728,364,793
Restricted for construction	0	0	0	0	11,071,808
Unrestricted	51,026,962	35,952,198	46,981,818	45,315,742	(4,567,903)
TOTAL NET POSITION	\$633,896,148	\$653,350,620	\$683,156,487	\$701,359,544	\$734,868,698

(1) The Authority's external auditor re-identified assets previously accounted for in 'restricted assets' to 'current assets' in FY2011.
Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

Revenues and Expenditures

The following table shows the historical revenues and expenditures for the System for Fiscal Years 2010-2014:

	<u>Fiscal Years</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues					
Charges for services	<u>\$182,350,428</u>	<u>\$179,677,625</u>	<u>\$177,054,690</u>	<u>\$158,514,826</u>	<u>\$153,144,852</u>
Operating Expenses					
Salaries and fringe benefits	50,381,058	48,510,025	46,482,075	43,501,259	40,631,826
Professional services	1,726,252	882,847	297,125	445,835	601,889
Utilities	15,076,188	12,889,006	13,125,123	12,748,440	11,360,534
Supplies	1,504,730	9,295,557	8,985,061	9,103,638	9,010,015
Travel ⁽¹⁾	-	-	-	59,449	52,167
Fuels, repairs and maintenance	18,749,564	13,095,120	9,447,368	11,898,221	11,809,235
Chemicals	5,943,487	-	-	-	-
Contractual services	9,179,077	9,694,480	9,449,591	9,338,703	8,812,586
Franchise fees ⁽²⁾	6,714,627	6,629,318	6,524,463	5,843,692	-
Tort and other legal fees ⁽²⁾	2,306,928	2,618,768	2,489,935	3,335,152	-
Workman's compensation costs ⁽²⁾	351,186	754,159	831,048	1,579,826	-
Administrative fees other governments ⁽²⁾	271,588	1,550,000	1,550,000	1,550,000	-
Other operating expenses ⁽²⁾	1,671,153	1,294,397	1,350,532	1,350,814	12,718,153
Depreciation	84,788,418	86,644,314	84,849,475	83,447,066	81,443,032
Amortization	448,100	442,748	434,139	401,370	396,555
Bad debt expense	<u>56,973</u>	<u>27,084</u>	<u>77,124</u>	<u>358,090</u>	<u>-</u>
Total Expenses	<u>199,169,329</u>	<u>195,436,545</u>	<u>185,893,059</u>	<u>184,961,555</u>	<u>176,835,992</u>
Operating Income/Loss	<u>(16,818,901)</u>	<u>(15,758,920)</u>	<u>(8,838,369)</u>	<u>(26,446,729)</u>	<u>(23,691,140)</u>
Non-operating revenues (expenses)					
Interest on investments	159,870	42,009	148,520	208,699	865,763
Interest expense	(27,545,590)	(24,565,918)	(23,806,064)	(25,324,138)	(24,977,661)
Water service expansion charges	7,872,236	8,197,016	8,035,123	6,240,073	6,834,261
Bond issue amortization	(812,445)	-	(348,123)	(413,779)	(516,023)
Lease of stored water	3,536,037	-	-	-	-
Other	<u>4,766,159</u>	<u>1,685,449</u>	<u>1,546,894</u>	<u>1,688,693</u>	<u>1,535,045</u>
Total non-operating income	<u>(12,023,733)</u>	<u>(14,641,444)</u>	<u>(14,423,650)</u>	<u>(17,600,452)</u>	<u>(16,258,615)</u>
Income (loss) before contributions	<u>(28,842,634)</u>	<u>(30,400,364)</u>	<u>(23,262,019)</u>	<u>(44,017,181)</u>	<u>(39,949,755)</u>
Capital contributions	<u>9,388,162</u>	<u>4,131,814</u>	<u>5,058,962</u>	<u>10,538,027</u>	<u>18,917,211</u>
Change in Net Position	<u>(19,454,472)</u>	<u>(26,268,550)</u>	<u>(18,203,057)</u>	<u>(33,509,154)</u>	<u>(21,032,544)</u>
Net Position July 1, as restated⁽³⁾	<u>653,350,620</u>	<u>679,619,170</u>	<u>701,359,544</u>	<u>734,868,698</u>	<u>755,901,242</u>
Net Position June 30	<u>\$633,896,148</u>	<u>\$653,350,620</u>	<u>\$683,156,487</u>	<u>\$701,359,544</u>	<u>\$734,868,698</u>

(1) Reclassified to other operating expenses for the 2012 financial statements.

(2) Reclassified from other operating expenses for the 2011 financial statements.

- (3) Net positions as of July 1, 2012 was restated to conform to GASB No. 65 which eliminated deferred bond issuance costs as an asset.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

Operating Revenue

The following table outlines the Authority's revenue from water and sewer charges and other operating revenue as measured in the Statement of Revenues, Expenses and Changes in Fund Net Assets for the past five years.

Revenue from Water and Sewer Charges and Other Operating Revenue

Fiscal Year	Revenue from Water Charges		Revenue From Sewer Charges	Other Operating Revenue ⁽²⁾	Total Operating Revenue
	For General Operations	For WRMS ⁽¹⁾			
2010	\$74,773,904	\$23,483,160	\$47,685,066	\$7,202,722	\$153,144,852
2011	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2013	84,994,139	29,558,320	57,072,020	8,053,146	179,677,625
2014	84,706,829	28,989,346	60,600,108	8,054,145	182,350,428

(1) These revenues are attributable to rate increases adopted to finance capital costs and operating expenses to implement the Water Resource Management Strategy.

(2) 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 sewer 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, Sections 5-8-1 through 5-8-42 NMSA 1978, 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 Authority and the City. Under the Development Fees Act, the 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 sewer 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 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 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 below.

The following table sets forth the current water and sewer utility expansion charges.

Current Utility Expansion Charges

<u>Meter Size</u>	<u>Water Charge</u>	<u>Sewer Charge</u>
¾”	\$2,902	\$2,177
1”	4,836	3,628
1 ½”	9,673	7,254
2”	15,479	11,607
3”	30,952	23,270
4”	48,365	37,191
6”	96,732	74,387
8” & over	154,771	116,073

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

During Fiscal Years 2010 through 2014, the following revenue from the collection of UECs was received.

Revenue from Utility Expansion Charges

<u>Fiscal Year</u>	<u>Total UEC Revenues</u>
2010	\$6,834,261
2011	6,240,073
2012	8,035,123
2013	8,197,016
2014	7,872,236

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the 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 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 Supply Charge

The Water Supply Charge (“WSC”) is assessed by the 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 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 Authority’s Regional Water Plan and Water Resources Management Strategy and other guiding principles adopted by the Authority. The amount of the WSC is adjusted annually by BCI or CCI as published by ENR. The WSC does not apply to non-potable water service. The Authority’s rate consultant has reviewed the methodology used in the calculation in developing the WSC and has agreed to its development and it is one that is widely applied in the industry.

The following table sets forth the current water supply charges.

Current Water Supply Charges

<u>Meter Size</u>	<u>Water Supply Charge</u>
¾ ”	\$1,499
1”	2,507
1 ½ ”	4,994
2”	7,991
3”	15,983
4”	24,971
6”	50,053
8” & over	79,911

Source: Albuquerque Bernalillo County Water Utility Authority

Rate Reserve Fund

The Rate Reserve Fund (also referred to as the “Rate Stabilization Fund”) reserves water and sewer revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The Rate Reserve Fund is currently funded at \$2 million annually. There is no funding cap set for the Rate Reserve Fund and the current balance is approximately \$2.0 million for Fiscal Year 2015. Consistent with the Rate Reserve Fund’s intended use, the Authority withdrew \$4.0 million of available funds in Fiscal Year 2013 due to declining revenues. Any expenditure from this Rate Reserve Fund requires an appropriation approved by the 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 \$1.653 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 mean 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 mean 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. A third tier surcharge for each unit exceeding 400% of the customer's individual winter mean 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.

Sewer Commodity Charge: All wastewater discharged is charged at a rate of \$1.357 per unit for residential, commercial, industrial and institutional customers and \$0.709 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 Authority continues to keep water and sewer rates at a competitive level. Based on results for the 2012 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the American Water Works Association, the Authority was ranked at or below average for water and sewer rates, based upon a usage of 11,200 gallons for water and 7,480 gallons for sewer.

System Billing and Collections

The Authority imposes all rates and charges through a water and sewer 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 Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The 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 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 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 2.18%.

Rates and Charges of the System

The 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 sewer services. Ordinances authorizing issuance of System obligations prohibit Net Revenues of the System from being transferred to other funds of the City or the County, 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 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 Authority receives federal grant funds through the United States Environmental Protection Agency, the requirements under the Amendments must be met. Accordingly, the Authority has incorporated the following items into the sewer rate structure:

(i) Costs benefiting both water and sewer operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and sewer service.

(ii) Budgeted sewer categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for sewer 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 sewer 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 Authority’s water conservation efforts. Residential customers pay fixed water rates (depending on service size) between \$14.43 and \$2,746.62, while commercial customers pay between \$15.11 and \$2,848.99. For sewer service, residential customers pay a fixed sewer rate (depending on service size) between \$9.12 and \$1,016.41, while commercial customers pay between \$11.28 and \$1,291.19.

Increases to Rates and Charges

The Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2010-2015 as described below and has approved 5% rate increases effective July 1, 2015 and July 1, 2017, respectively, 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>
2010	0	0	0
2011	0	0	0
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

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 2010 through 2014.

Meter Size	History of Water Users by Meter Sizes				
	Fiscal Year				
	2010	2011	2012	2013	2014
¾"	169,406	169,984	171,103	171,874	171,395
1" and 1 ¼"	17,828	17,820	17,717	17,645	17,474
1 ½"	2,195	2,195	2,221	2,249	2,238
2"	2,228	2,228	2,320	2,352	2,303
3"	714	714	634	634	578
4"	268	268	273	286	270
6"	58	58	61	63	60
8" and over	40	40	46	47	42
Total	192,737	193,307	194,375	195,150	194,360

Source: Albuquerque Bernalillo County Water Utility Authority.

Class	History of Water Users by Class				
	Fiscal Year				
	2010	2011	2012	2013	2014
Residential	172,787	173,339	174,277	174,909	174,193
Multi-Family	6,349	6,364	6,393	6,430	6,569
Commercial	11,272	11,226	11,287	11,321	11,303
Institutional	2,223	2,279	2,316	2,391	2,196
Industrial	106	99	102	99	99
Total	192,737	193,307	194,375	195,150	194,360

Source: Albuquerque Bernalillo County Water Utility Authority.

According to the Authority's records for Fiscal Year 2014, the top ten retail customers of the System, in the aggregate, accounted for no more than 11.38% of the total billed consumption for the Water System, 9.41% of the total revenue of the Water System, 9.28% of

the total billed consumption for the Sewer System and 6.17% of the total revenue of the Sewer System.

During Fiscal Year 2014, 54.43% of billed water consumption was residential, while 16.05% was classified as commercial. The balance consisted of multi-family users consuming 13.26%, institutional users consuming 5.42%, industrial users at 0.52% and special contracts and hydrants meters at 10.32%.

**Selected Water/Sewer System Statistics
(Calendar Year)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Estimated Population (Service Area)	623,700	634,284	638,887	643,881	656,305
Number of Meters Billed	200,498	201,884	203,912	204,791	206,944
Estimated Persons Per Meter	3.11	3.14	3.13	3.14	3.17
Annual Pumpage (1,000 Gallons)	33,830,964	33,577,000	33,318,000	30,945,000	30,836,000
Annual Water Billed (1,000 Gallons)	29,949,844	28,627,945	30,044,094	28,188,695	28,075,612
Average Daily Pumpage (Gallons)	92,687,573	91,991,781	91,282,192	84,780,822	84,482,192
Peak Day Pumpage (Gallons)	226,902,542	182,000,000	175,000,000	157,000,000	144,000,000
Average Daily Production Per Meter (Gallons)	462	456	448	415	408
Well Pumping Capacity (per 24 Hour Period)	282,000,000	282,000,000	196,000,000	187,000,000	183,000,000
Storage Capacity (Gallons)	249,000,000	249,000,000	249,000,000	249,000,000	253,000,000
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	14,879	14,996	15,110	15,249	15,344
Water Reclamation Treatment Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	84,000,000
Number of Miles of Lines ⁽¹⁾					
-Water	2,636	2,650	2,663	2,680	2,691
-Sewer	1,863	1,866	1,869	1,875	1,879
Surface Water	37	37	37	37	37

(1) Estimated

Source: Albuquerque Bernalillo County Water Utility Authority.

Financial Management

Financial Policies

The Authority has implemented various financial policies to facilitate its performance based budgeting process which requires balanced budgets. The Authority expects to spend approximately \$48 million in Fiscal Year 2015, and increase \$3.0 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 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 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 Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

Budget Process

The Authority operates on a fiscal year basis, from July 1 through June 30. The Board has adopted a Budget Ordinance that provides for the formulation and approval of the 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 Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The 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 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 Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the 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 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.

Capital Implementation Program

The blueprint for the 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 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 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 Authority's capital program is comprised of categories of projects, each with its own funding rules. The Basic Program is funded by recurring revenues generated from the water/sewer rate structure. Special Projects are done outside of the Basic Program but are funded from the same revenue stream that funds the Basic Program. Since the Basic 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 Authority has increased in recent years its utilization of state and federal grants to fund some capital projects in whole or in part.

Basic Program capital needs are incorporated into the water/sewer rate structure. The Rate Ordinance requires that Basic Program needs are funded, on average, by 50% from cash, with the balance of capital funding obtained through revenue bond or loan 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 Program. System growth projects are funded through Utility Expansion Charge ("UEC") revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct

appropriation to Authority capital projects. UEC revenue is considered cash for purposes of meeting the 50% test.

The current decade plan, Fiscal Year 2014 – Fiscal Year 2023, 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 water system reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at a targeted \$40 million per year level of rehabilitation investment starting in Fiscal Year 2014 and increasing every year thereafter by \$3.0 million.

The development of this decade plan continued the use of risk analysis techniques combined with an asset management strategy to determine where the Authority's capital resources should be expended in order to maximize the benefit to rate payers. The 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 Authority. Project prioritization resulted from discussions within the Authority and with outside consultants engaged to assist the Authority in charting a path for its capital program.

The 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 2011, the Authority completed a comprehensive Asset Management Plan ("AMP") used to provide a framework for understanding and planning of long-range asset renewal (rehabilitation and replacement) requirements. The AMP consolidates the Authority's asset information into a structured framework and uses it to provide a justifiable basis to support long-term organization, operations, and asset management decisions. In Fiscal Year 2012, the Authority began work on preparing a set of 10-year asset management plans for various asset classes (i.e., small diameter pipes, large diameter pipes, and wastewater treatment plant, and groundwater and collection system facilities). The 10-year plans are generated to provide the Authority with a more accurate understanding of the short and intermediate-term renewal requirements. In Fiscal Year 2014, the Authority completed the planned 10-year asset management plans and will continue to improve on its asset management practices going forward.

The internal assessment of the condition of the Authority's infrastructure and future system needs as well as changes in the external environment in which the Authority operates will necessarily lead to changes in revenue allocation over time. The next decade plan, Fiscal Year 2016 – Fiscal Year 2025, that will be in place before the start of Fiscal Year 2016 can be expected to reflect some change in priorities from the current decade plan.

The Authority anticipates \$549 million in capital needs through Fiscal Year 2023.

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>Total</u>	<u>%</u>
Capital Needs	\$50,000	\$53,000	\$56,000	\$59,000	\$62,000	\$65,000	\$65,000	\$68,000	\$71,000	\$549,000	100%
Bond Proceeds	\$39,000	\$31,000	\$33,000	\$28,000	\$28,000	\$26,000	\$26,000	\$26,000	\$26,000	\$263,000	50%
Difference Funded with Cash	\$11,000	\$22,000	\$23,000	\$31,000	\$34,000	\$39,000	\$39,000	\$42,000	\$45,000	\$286,000	50%

These projections are subject to change.

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 2015 growth program budget will continue 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 asset management program, the Authority continues to participate in the American Water Works Association's QualServe program. The QualServe program provides a framework for water and wastewater utilities to continually improve using a Plan-Do-Check-Act framework. It currently offers a well-developed toolbox of benchmarking, self-assessment and peer review for water and wastewater utilities. The QualServe program has assisted the Authority in identifying what it does well and areas where improvement is necessary. The Authority has used the information and recommendations gathered from the QualServe program to provide guidance in the one-year objectives, the performance plan and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented in the Authority.

Approved Fiscal Year 2015 Budget

The approved Fiscal Year 2015 budget is the Authority's financial plan for Fiscal Year 2015. The development of this financial plan has been guided by the Authority's Five-year Goals, One-year Objectives, Performance Plan and the Guiding Principles. In the development of this approved budget, the Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources. This approved budget is balanced and fiscally conservative.

For Fiscal Year 2015 the approved budget includes a 5% revenue rate adjustment effective July 1, 2014. The Authority believes that the working capital balance will be 1/12th of annual budgeted expenditures by Fiscal Year 2016. Looking forward, the Authority must continue to spend \$250 million to upgrade its sewage treatment plant and adding an additional \$36 million 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 Authority. The CIP infrastructure renewal budget is planned to increase by \$3 million per year starting in Fiscal Year 2015.

In the preparation of this budget, the Authority has developed a maintenance of effort budget within the projected estimated revenues. Staffing levels have an increase of 3.5 net positions in Fiscal Year 2015. There is a 2.5% increase in other employee benefits. General operating expenditures decrease \$51,919. The most significant expense of the Authority continues to be debt service payments which will comprise 37% of the total operating expense in Fiscal Year 2015.

In Fiscal Year 2014, the Authority implemented the SunGard Enterprise Resource Planning System. This project implemented a full range of financial and human capital resources modules. In Fiscal Year 2014, Phase 1 was completed and the project went live on July 1, 2013. The Authority's first payroll run was in June of 2013. Phase 1 included all the Financial Modules, Payroll and the HR functions as they relate to Payroll. Phase 2 implements the remaining HR modules to include items such as Employee Self Service. Other SunGard modules will become available during Fiscal Year 2015 and the Authority will develop work plans to implement those modules.

The Authority received a positive ruling from the NM Court of Appeals which was upheld by the NM Supreme Court for permit SP-4830 which is the San Juan-Chama Drinking Water Project permit. The Authority anticipates a minor change in the permit by summer 2014. The project continues to have a major positive impact on the ground water resources in the Middle Rio Grande with continuing increases in aquifer elevations observed throughout the basin.

The San Juan-Chama Drinking Water Project is expected to increase surface water treatment to provide 60% of water supplied to the service area, but this may change as the Authority enters the fifth year of drought in the Middle Rio Grande. With the pending drought, the Authority provided a loan of 20,000 acre-feet to the Middle Rio Grande Conservancy District along with providing supplemental water for the Bureau of Reclamation. The goal is to sustain endangered species and partner with other water entities during this irrigation season. It is anticipated that the Authority will still have more than three years of water available at the end of calendar year 2014.

The Plant Division began a major renovation of the Southside Water Reclamation Plant (SWRP) in FY10 called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Construction began on the Preliminary Treatment Facility in late Calendar Year 2013 and will continue until summer 2015. Engineering evaluation of alternatives for the Solids Dewatering facility continue including replacing the facility with a new facility or rehabilitation of the existing facility. Construction improvements to the blower complex, aeration basins and

systems, digester mixers and electrical systems are underway and will continue in Calendar Year 2014. The funding for the RRAMP improvements will be provided through the Authority's Capital Implementation Program.

The approved budget also includes nonrecurring funding for an employee incentive program. This program rewards employees for cost savings as a result of a decrease in work related losses. Funding for this program is contingent on the Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Authority's Workers Compensation expense.

The Fiscal Year 2015 budget represents a financial plan that will 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 Authority's priorities for Fiscal Year 2015.

INVESTMENT POLICIES AND PROCEDURES

The Authority's funds are invested by the Authority's Chief Financial Officer pursuant to the 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 Authority's portfolio; and
- Recognize the impact of the Authority's investment program on the local economy.

The Investment Policy permits the 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 of New Mexico 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) SEC2a-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 Authority participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. 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 New Mexico participate in the Plan. The Authority's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The 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 approved Statement No. 68 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 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. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

PERA members are required to contribute 13.5% or 14.65% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The Authority has elected to pay a percentage of the employee's contributions. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article ii, NMSA 1978. The requirements may be amended by acts of the State Legislature. The Authority's employer contribution to PERA for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,664,487, \$2,703,455 and \$2,668,261, respectively, which equal the amount of the required contributions for each fiscal year. The Authority's total paid contributions for fiscal year ended June 30, 2014 were \$7,178,794.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2014**

Membership ¹	92,732
Actuarial Information	
Actuarial Accrued Liability ²	\$17,744,186,900
Actuarial Value of Assets ³	\$14,428,500,519
Unfunded Actuarial Accrued Liability	\$3,315,686,381
Funded Ratio	81.31%

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 7.75% annual return are smoothed in over a four-year period.

Source: Public Employees Retirement Association

In Fiscal Year 2013, PERA reported an Unfunded Actuarial Accrued Liability (“UAAL”) of \$4.6 billion, approximately \$1.6 billion less than the previous fiscal year. The decline in the UAAL was the result of comprehensive pension reform legislation proposed by the PERA Board and enacted by the State Legislature during the 2013 legislative session.¹ Also as a result of the passage of pension reform legislation, PERA’s 30 year projected funded ratio increased from 29% to 108.8%. PERA saw a further \$300 million decline in the UAAL, and increase in the 30 year projected funded ratio to 133% at the end of Fiscal Year 2014. The improvement in Fiscal Year 2014 was due largely to excess investment returns. PERA’s Fiscal Year 2014 return was 17.03%, higher than the 7.75% return assumption.

Defined Contribution Retirement Plan

The Authority approved a Declaration of Trust for a 401 qualified defined contribution retirement plan through ICMA Retirement Corporation for 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. 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 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

¹ Senate Bill 27 significantly amends the Public Employees’ Retirement Act by creating a new tier of reduced benefits for new hires. The law reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provides for an increase in the statutory employee contribution rate of 1.5% (subject to certain requirements) for employees earning \$20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4% beginning in Fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5% for most members; and makes several other clarifying and technical changes.

contribution is required with employees to make a one-time election to contribute a specified percentage of the employee's salary. Total contributions to the plan were \$154,667 in fiscal year 2014, of which \$115,961 were from employer contributions and \$38,706 was from employee contributions.

New Mexico Retiree Health Care Authority

Authority employees also participate in the State-sponsored New Mexico Retiree Health Care Authority (the "NMRHCA"). The NMRHCA administers the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service in the State and eligible dependents. The Retiree Health Care Act provides that the benefits offered to retired public employees may be modified, diminished or extinguished by the Legislature, and that the act does not create any contract, trust or other rights in public employees to health care benefits.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Association, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.000% of each employee's annual salary. The Authority's contributions (employer and employee) to the NMRHCA for the fiscal years ended June 30, 2014, 2013 and 2012 were \$913,779, 883,814 and \$819,943, respectively, which equal the required contributions for each year.

Based on the Governmental Accounting Standards Board ("GASB") Statement 43 valuation for the Fiscal Year ended June 30, 2013, and assuming that the NMRHCA Fund is an equivalent arrangement to an irrevocable trust and, hence using a discount rate of 5.0 percent, the unfunded actuarial accrued liability ("UAAL") has been calculated to be approximately \$3.6 billion. The Annual Required Contribution ("ARC") is approximately \$353.6 million. Both the UAAL and the ARC are slightly higher than the Fiscal Year 2010 evaluation. An underlying reason for this is that a majority of the Public Employee Retirement Association and Educational Retirement Board active employees have incurred an additional two years of service credit and the baseline of health care costs used to project liabilities

forward has increased since Fiscal Year 2010. Also, a significant portion of additional liability is the result of interest accrued on the \$3.3 billion unfunded liability from Fiscal Year 2010.

The annual solvency analysis performed by independent actuaries in June 2012 indicates NMRHCA is solvent at least through 2029. Insurance plan design changes, premium subsidy adjustments, the increases in the employer/employee revenue stream and suspense fund contribution, increasing principal amounts of investments, and an 8% market trend annual adjustment are the primary causes of the improved outlook. The NMRHCA continues to look for additional opportunities to strengthen the financial standing of the NMRHCA. The NMRHCA Board of Directors has passed a five-year solvency plan to ensure the long-term financial stability of the program through a series of targeted benefit reductions and increases to contribution levels from participating employees and their employers. In addition to increased retiree cost-sharing through the plan design changes, the solvency plan calls for proportionately higher premiums for retirees who retired younger (decreased premium subsidies to pre-Medicare retirees), didn't work or pay into the system as long (increasing years of service required to receive maximum subsidy) and decreased subsidies for family members. Collectively, the NMRHCA projects these steps will extend the life of the trust fund to 2045.

Life Insurance Benefits

The Authority, as of the fiscal year ended June 30, 2014, participated in the City of Albuquerque'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 Authority. Upon retirement, an eligible 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 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 will no longer be offered employer paid life insurance in an amount after they retire. The number of Authority retired employees covered under the City Plan at June 30, 2014 was 153. The number of active employees at June 30, 2014 was 544.

In fiscal year 2014, the City and the Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the 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 contributions are expected to match or exceed the annual required contribution ("ARC") calculated in the actuarial study in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities of the plan for the remainder of the 30 year closed period. Total contributions made for the fiscal year ended June 30, 2014 exceeded the annual required contribution. The Authority's contributions to the trust for the fiscal year ended June 30, 2014 were \$793,005.

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 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individual corporations. 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 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 Authority 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 opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

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. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to 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 Authority as the taxpayer and the Bond owners may have no right to participate in such

procedure. Neither the Financial Advisor, the initial purchasers of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The 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 Authority, the Financial Advisor, the initial purchasers of the Bonds or 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 with the same tax exemption and alternative minimum tax status as regular interest. 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.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2015 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 2015 Bonds will be passed upon for the Authority by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A. Certain legal matters will also be passed upon for the Authority by Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, P.A., General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP.

INDEPENDENT ACCOUNTANTS

REDW LLC audited the financial statements of the Authority as of and for the year ended June 30, 2014 and delivered their report to the New Mexico State Auditor and the 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, 2014 is a public document and is available from the New Mexico

State Auditor and on the Authority website at <http://www.abcwua.org>. An excerpt from the 2014 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, 2014, 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 its issuance of the Series 2015 Bonds, the 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 2015 Bonds (i) to provide certain annual financial information and operating data relating to the Authority by not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2014, and (ii) to provide timely notice of certain enumerated events.

The Authority is currently in material compliance with all continuing disclosure undertakings entered in connection with Outstanding Senior Obligations. However, at the time the Authority filed annual financial information in January 2010, January 2011 and March 2014, related to Fiscal Years 2009, 2010 and 2013 respectively, audited financial statements were not complete for these fiscal years and the Authority chose not to provide unaudited financial information. As discussed elsewhere herein, the Authority's financial statements have been tied to the City of Albuquerque's financial system which has experienced problems and resultant delays over the past several years. These delays resulted in the Authority having incomplete and unreliable financial information at the time it filed its annual financial information. To avoid providing investors with unreliable information, the Authority waited until the respective audited financial statements were available and timely filed them with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. Starting with Fiscal Year 2014, the Authority's audit will no longer be contingent on completion of the City's audit and the Authority does not anticipate any problems with the timely completion of its audited financial statements or providing reliable unaudited financial information as necessary. See "RISK FACTORS -- New Enterprise Resource Planning System/Decrease in Debt Service Coverage" herein.

LITIGATION

At the time of the original delivery of the Bonds, the 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 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

It is expected that, upon issuance of the Series 2015 Bonds, the Series 2015 Bonds will receive a senior lien rating of "Aa2" from Moody's Investors Service, Inc., "AA+" from Standard & Poor's Rating Service and "AA" from Fitch Ratings. The ratings reflect only the respective views of the Rating Agencies, and the 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 Authority has furnished to each Rating Agency certain information and materials relating to the Series 2015 Bonds, the 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 2015 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 2015 Bonds. The 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 2015 Bonds from the Authority pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") at a price of \$_____ (being the par amount of the Series 2015 Bonds plus a net premium of \$_____ less an Underwriters' discount of \$_____). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2015 Bonds if any are purchased. The prices at which the Series 2015 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.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2015 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 (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2015 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015 Bonds that such firm sells.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2015 Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Federal Securities and other funds to be deposited in the Escrow Account, to provide for the payment, of the principal of, premium and interest on the Advance Refunded Obligations when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Federal Securities held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, will be verified by Causey Demgen & Moore, P.C., Denver, Colorado. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Financial Advisor.

ADDITIONAL INFORMATION

All quotations from, and summaries and explanations of the laws, regulations and documents contained herein do not purport to be complete and reference is made to such laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Authority's most recent Annual Information Statement, dated March 27, 2014) may be obtained upon request to the Authority at One Civic Plaza, N.W., Room 5012, Albuquerque, New Mexico 87102, Attention: Office Coordinator.

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 Authority and the purchasers or holders of any of the Series 2015 Bonds.

APPROVAL BY THE AUTHORITY

This Official Statement has been duly authorized and approved by the Authority and has been executed and delivered by the Chair of the Board on behalf of the Authority.

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, 2014**

APPENDIX B

BERNALILLO COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Bernalillo County (the "County") is the economic and population hub of New Mexico and is located in the north central region of the state at the conjunction of Interstate Highways 25 and 40. Its boundaries encompass the entire City of Albuquerque. With approximately 662,564 residents (2010 Census), the County comprises approximately 32% of New Mexico's total population. The County is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories. Government employment is a large factor in the economic livelihood within the County. Kirtland Air Force Base, Sandia National Laboratories, the City of Albuquerque, Bernalillo County, the University of New Mexico and Albuquerque Public Schools are some of the largest employers in the County. Because of its accessibility and tourist facilities, the County and the surrounding area is the gateway for tourism in New Mexico as well as an attraction in its own right. The County and the City of Albuquerque feature tourist attractions which include: "Old Town," the Sandia Peak Tramway and ski area, the Albuquerque International Balloon Fiesta, the National Hispanic Cultural Center, the Gathering of Nations Native American event and the New Mexico State Fair. While economic diversification has increased in recent years, the recent financial crisis and global economic recession have had a negative effect on the continuation of growth in the County.

Population

The Albuquerque Metropolitan Statistical Area ("MSA") includes Bernalillo, Sandoval, Tarrant and Valencia Counties. The Census added Tarrant County to the MSA in the 2000 Census.

POPULATION

<u>Year</u>	<u>City</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	201,189	262,199	292,500 ⁽¹⁾	951,023
1970	244,501	315,774	353,800 ⁽¹⁾	1,017,055
1980	332,920	420,262	485,500 ⁽¹⁾	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 ^{(2) (4)}	448,607	556,678	729,649	1,819,046
2005 ⁽³⁾	497,543	606,502	797,146	1,912,884
2010 ⁽⁴⁾	545,852	662,564	887,077	2,059,179
2011 ⁽³⁾	552,180	669,880	897,320	2,078,674
2012 ⁽³⁾	555,417	673,460	901,700	2,085,538

- (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 Tarrant 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.

Sources: 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 County, the State and the United States.

Population by Age Group

<u>Age</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
0-17	23.8%	25.0%	23.7%
18-24	9.6%	9.9%	10.0%
25-34	14.7%	13.0%	13.1%
35-44	12.6%	11.9%	12.9%
45-54	13.2%	13.3%	14.0%
55 and Older	26.1%	27.0%	26.3%

Source: The Nielsen Company, 2014

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

Calendar Year	Albuquerque MSA	New Mexico	United States
2003	\$28,801	\$25,639	\$32,295
2004	29,982	27,092	33,909
2005	31,299	28,641	35,452
2006	32,935	30,209	37,725
2007	33,920	31,675	39,506
2008	35,107	33,490	40,947
2009	33,881	32,200	38,637
2010	34,039	32,940	39,791
2011	35,007	34,133	41,560
2012	36,272	35,079	42,693

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

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**

Effective Buying Income Group	Bernalillo County	New Mexico	United States
Under \$25,000	28.95%	29.40%	24.44%
\$25,000 - \$34,999	11.45%	11.5%	10.6%
\$35,000 - \$49,999	14.40%	14.8%	13.9%
\$50,000 - \$74,999	17.30%	17.0%	18.0%
\$75,000 & Over	27.90 %	27.39%	33.18%
2010 Est. Median Household Income	\$47,209	\$43,932	\$52,795
2011 Est. Median Household Income	45,414	42,030	49,726
2012 Est. Median Household Income	45,307	41,958	49,581
2013 Est. Median Household Income	48,503	43,273	49,297
2014 Est. Median Household Income	44,997	44,292	51,579

Source: The Nielsen Company, 2014

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
2004	5,046	575,455,103	1,000	60,496,038	120	127,369,680	10	29,698,218	131,866,466	924,885,505
2005	4,967	720,890,242	470	25,206,921	131	113,672,827	16	58,844,052	166,695,983	1,085,310,025
2006	4,373	731,846,449	389	32,917,627	156	213,525,989	9	43,710,103	154,431,159	1,176,431,317
2007	2,490	467,022,842	1,083	103,574,132	125	206,558,035	4	14,681,069	268,512,462	1,060,348,540
2008	1,214	222,075,316	638	45,836,909	124	220,788,429	10	79,282,230	225,299,537	793,282,421
2009	436	77,223,886	198	18,549,849	81	103,040,438	20	58,529,283	233,224,405	490,567,861
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
Growth 2012 to 2013	9.1%	11.1%	170.0%	125.7%	75.0%	69.8%	0.0%	(82.6%)	36.8%	29.0%

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
1990-2000 Housing Units Added	31,844	24,863	7,354	(373)
As of 2000 Census	198,714	126,643	63,285	8,786
2000-2010 Housing Units Added	40,452	35,858	3,554	1,040
As of 2010 Census	239,166	162,501	66,839	9,826
2012-2013 Housing Units Added	4,067	2,494	1,573	n/a
Estimated Units as of July 2013	243,233	164,995	68,412	9,826

Sources: City of Albuquerque Planning Department; Census Bureau, U.S. Department of Commerce

Gross Receipts

The following table shows the total reported gross receipts generated (both in retail trade only and in total) in Bernalillo County and the State of New Mexico. For the purposes of this table, gross receipts means the total amount of money received from selling property in the State of New Mexico, from leasing property employed in the State and from performing services in the State.

Fiscal Year	<u>Bernalillo County</u>		<u>State of New Mexico</u>	
	Retail	Total	Retail	Total
2014	\$7,905,375,913	\$32,072,875,985	\$24,006,591,379	\$106,926,642,635
2013	7,859,661,182	32,119,382,356	23,910,504,702	107,473,874,912
2012	7,869,110,746	31,580,537,228	23,941,356,636	105,352,789,051
2011	7,048,760,758	31,156,765,623	23,979,155,514	104,217,123,006
2010	7,648,441,111	30,038,320,765	24,628,944,385	95,703,873,056

Source: Taxation and Revenue Department – State of New Mexico

Employment

Employment in the Albuquerque area in the period from Fiscal Year 2004 to Fiscal Year 2013 grew at an average of 0.2% a year. This growth is limited due to declines in employment in Fiscal Year 2009 through Fiscal Year 2012. The local economy posted strong growth in Fiscal Years 2006 and 2007 but growth slowed to 0.4% in Fiscal Year 2008 and declined by 2.2% in Fiscal Year 2009 and 3.4% in Fiscal Year 2010. In Fiscal Year 2011 employment declined by 0.7%, in Fiscal Year 2012 it was near flat with a 0.9% decline, and in Fiscal Year 2013 growth was flat at 0.0%.

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.

**Non-Agricultural Employment
(000s)**

Year	BERNALILLO COUNTY		STATE OF NEW MEXICO		UNITED STATES
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2014 ¹	301,757	6.10%	934,239	6.20%	5.80%
2013	303,450	6.70%	933,013	6.70%	7.40%
2012	304,440	7.10%	935,890	6.90%	8.10%
2011	305,623	7.10%	930,413	6.60%	8.70%
2010	315,362	8.10%	957,591	8.10%	9.40%
2009	316,865	7.60%	958,849	7.90%	9.90%
2008	320,586	4.50%	966,241	4.50%	7.20%
2007	314,621	2.90%	946,498	3.10%	4.90%
2006	317,844	3.10%	949,126	3.30%	4.50%
2005	316,477	3.90%	947,696	4.40%	4.90%

¹As of December 2014.

Source: University of New Mexico Bureau of Business and Economic Research

Civilian Employment/Unemployment Rates

Fiscal Year	Civilian Labor Force	Number Employed	Albuquerque MSA	New Mexico	United States
2004	383,328	362,304	5.48%	5.95%	5.80%
2005	389,323	369,149	5.18%	5.52%	5.30%
2006	396,772	379,431	4.37%	4.64%	4.82%
2007	403,738	389,569	3.51%	3.64%	4.54%
2008	406,748	391,537	3.74%	3.72%	4.84%
2009	406,700	382,776	5.88%	5.64%	7.27%
2010	401,586	370,035	7.86%	7.65%	9.73%
2011	399,627	367,115	8.14%	7.74%	9.29%
2012	397,445	366,932	7.68%	7.18%	8.60%
2013	399,252	370,674	7.16%	6.82%	7.83%

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 2014. The University of New Mexico, Albuquerque Public Schools, Kirtland Air Force Base, Sandia National Laboratories, Presbyterian Healthcare Services, UNM Hospital and the City were the largest employers in the Albuquerque area.

MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA
By Number of Employees – 2014

ORGANIZATION	EMPLOYEES	DESCRIPTION
University of New Mexico	15,360	Educational Institution
Albuquerque Public Schools	14,810	Public School District
Kirtland Air Force Base ⁽¹⁾	10,125	Air Force Material Command
Sandia National Labs	9,852	Science-Based Technologies that Support National Security
Presbyterian Healthcare Services	7,310	Hospital/Medical Services
UNM Hospital	5,960	Hospital/Medical Services
City of Albuquerque	5,500	Government
State of New Mexico	4,950	Government
Lovelace	4,000	Hospital/Medical Services
Intel Corporation	2,800	Semiconductor Manufacturer

(1) Kirtland’s employment includes active duty military, guard reserve, civil service and contract employees. Sandia National Laboratories employees are located at Kirtland Air Force Base, but employment number is shown separately.

Source: Bernalillo County, New Mexico.

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 2015 Bonds. These summaries and excerpts do not purport to be complete and reference is made to the Ordinance for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

Definitions

As used in the Bond Parameters Ordinance, the following terms have the meanings specified, unless the context clearly requires otherwise:

ACCREDITED VALUE. Unless stated otherwise in an ordinance or resolution of the Board, with respect to an Individual Capital Appreciation Bond, an amount equal to the original principal amount of that Capital Appreciation Bond plus the amount, assuming semiannual compounding of earnings, which would be produced on the investment of such original principal amount, beginning on the dated date of that Individual Capital Appreciation Bond and ending at the Accretion Term Date thereof, at an interest rate which, if continued until the Accretion Term Date, will produce the defined value of an Individual Capital Appreciation Bond at the Accretion Term Date. As of any Valuation Date, the Accreted Value of any Capital Appreciation Bond shall mean the amount set forth for such date in the applicable resolution or ordinance. As of any date other than a Valuation Date, the Accreted Value shall mean the sum of:

- (1) the Accreted Value on the preceding Valuation Date and
- (2) the product of:
 - (a) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days in a single compounding period, and
 - (b) the difference between the Accreted Values for the preceding Valuation Date and the next succeeding Valuation Date.

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

ACQUISITION FUND. The "Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Bonds Improvement Project Acquisition Fund."

ACT. 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 6-18-1 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).

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

BOND, BONDS OR SERIES 2015 BONDS. The Albuquerque Bernalillo County Water Utility Authority Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds, Series 2015 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 Parameters Ordinance, the Confirming Resolution and the Pricing Resolution.

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

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

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.

CAPITAL APPRECIATION BONDS. System Obligations on which the first scheduled date for payment of principal and/or interest is the Accretion Term Date. For the purposes of:

(1) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity or

(2) determining the principal amount of System Obligations held by the owner of a Capital Appreciation Bond in giving any notice, consent, request, or demand pursuant to an ordinance or resolution of the Board or related document for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

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 Parameters 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 Parameters 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 this Bond Parameters 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 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.

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

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.

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.

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

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

ESCROW FUND. The escrow fund for the Refunded Obligations created in the Bond Parameters Ordinance to be maintained by the Escrow Agent.

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, fees and costs of the Escrow Agent, legal fees and expenses, bidding agent's fees and costs relating to the initial purchase of securities for deposit with the Escrow Agent, including any fees and costs associated with any verification agent, 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.

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

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; and 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) 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).

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

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 the date set forth in the Pricing Resolution.

JOINT WATER AND SEWER FUND. The "City of Albuquerque, New Mexico, Joint Water and Sewer Fund" originally established in Section 16 of Ordinance No. 18-1984 and continued by this 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 or City 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 or the City 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 or City 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 Parameters 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 or the City 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 “participating government investment fund” 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 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.

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

PROJECT. Collectively, the Refunding Project, the Improvement Project 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), 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 (2005). The loan agreement dated October 28, 2005 between the NMFA and the Water Authority in the principal amount of \$20,000,000 and approved by Ordinance No. O-05-3 constituting a senior lien on the Net Revenues.

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

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.

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

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) 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 Parameters 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 Parameters Ordinance.

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

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

REFUNDING PROJECT. The advance refunding of the Refunded Obligations.

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 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, S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch. 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, S&P or Fitch if the Bonds are then rated by Moody's, S&P or Fitch.

S&P. Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., 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.

SENIOR OBLIGATIONS. The Drinking Water State Revolving Fund Loan Agreement (2003), the Series 2005 Bonds, the Public Project Revolving Fund Loan Agreement (2005), the

Series 2006A Bonds, the Public Project Revolving Fund Loan Agreement (2007), the Series 2008A Bonds, the Series 2009 Bonds, the Drinking Water State Revolving Fund Loan Agreement (2009), the Public Project Revolving Fund Loan (2011), the Series 2013A&B Bonds, the Series 2014A Bonds, the Series 2015 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 2005 BONDS. The Outstanding System Obligations designated as “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2005,” in the original principal amount of \$132,985,000 authorized and issued pursuant to Ordinance Enactment No. O-05-2 constituting a senior lien on the Net Revenues.

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

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

SERIES 2009 BONDS. The System Obligations designated as “Albuquerque Bernalillo County Water Utility Authority Joint Water and Sewer System Improvement Revenue Bonds, Series 2009A-1” in the original principal amount of \$135,990,000, authorized and issued pursuant to Ordinance No. O-09-1 and Resolution No. R-09-7 constituting a senior lien on the 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 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 2015 Bonds.

SERIES 2015 BONDS ACQUISITION ACCOUNT. An account of the Acquisition Fund established for the deposit of the portion of the proceeds of the Series 2015 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 (including those previously issued by the City) 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. The Water Trust Board Loans, 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 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 Parameters 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.

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

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 Section 72-1-10 NMSA 1978 as a joint agency of the City and the County and operating under the name Albuquerque Bernalillo County Water Utility Authority.

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

WATER TRUST BOARD LOANS. As of the date of adoption of the Bond Parameters Ordinance: (i) the 2009 loan made to the Water Authority by the Water Trust Board, evidenced by that loan agreement # 51-WTB in the amount of \$50,000; (ii) the 2009 loan made to the Water Authority by the Water Trust Board, evidenced by that loan agreement # 79-WTB in the amount of \$100,000; (iii) the 2010 loan made to the Water Authority by the Water Trust Board, evidenced by the loan agreement # 177-WTB in the amount of \$190,235; (iv) the 2011 loan made to the Water Authority by the Water Trust Board, evidenced by that loan agreement # 205-WTB in the amount of \$452,000; (v) the 2011 loan made to the Water Authority by the Water Trust Board, evidenced by that loan agreement # 206-WTB in the amount of \$640,000; and (vi) the 2011 loan made to the Water Authority by the Water Trust Board, evidenced by that loan agreement # 207-WTB in the amount of \$63,354.

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 Parameters Ordinance or as Subordinate Obligations by complying with the requirements for the issuance of additional Subordinate Obligations. See "DESCRIPTION OF THE SERIES 2015 BONDS – Issuance of Additional System Obligations."

Payment of Series 2015 Bonds

The principal of and premium, if any, on the Series 2015 Bonds are payable upon presentation and surrender of the Series 2015 Bonds at the principal office of the Paying Agent at or after their maturity or prior redemption dates. Interest on Series 2015 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 2015 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 2015 Bonds (or of one or more predecessor Series 2015 Bonds) as of the Record Date, but will be payable to the Owners of those Series 2015 Bonds (or of one or more predecessor Series 2015 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 2015 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 2015 Bond presented for payment remains unpaid at maturity, the unpaid principal will bear interest at the rate designated in that Series 2015 Bond. Payments of Series 2015 Bonds will be made without deduction for exchange or collection charges.

The 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 2015 Bonds, when due, to the Owners and comply with the requirements of any Credit Source. The Authority shall notify the Paying Agent if there is or will be an insufficient amount of money of the Authority legally available to pay principal and interest on the Series 2015 Bonds when due.

Registration, Transfer, Exchange and Ownership of Series 2015 Bonds

The Authority will cause books for registration, transfer and exchange of the Series 2015 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2015 Bond 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 Authority will execute and the Registrar will authenticate and deliver in the name of the transferee or Owner replacement Series 2015 Bonds of the same maturity, interest rate and aggregate principal amount in Authorized Denominations.

The person in whose name any Series 2015 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 2015 Bonds in Section 7(D) of the Ordinance. Payment of either the principal of or interest on any Series 2015 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 2015 Bonds to the extent of the amount paid.

If any Series 2015 Bond is lost, stolen, destroyed or mutilated, the Registrar, upon receipt of that Series 2015 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 2015 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 2015 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2015 Bond in lieu of replacement.

Exchanges and transfers of Series 2015 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 2015 Bonds which may be and is tendered for purchase, the Registrar will not be required to transfer or exchange (i) any Series 2015 Bond during the five-day period preceding the mailing of notice calling Series 2015 Bonds, as applicable, for redemption and (ii) any Series 2015 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 2015 Bonds for completion of the Improvement 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 2015 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.

Escrow Fund

The Escrow Fund is created as a separate fund for the advance refunding of the Refunded Obligations.

Use of Gross Revenues

As long as any Series 2015 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 Authority, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in the Bond Parameters 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 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 2015 Bonds Debt Service Account

Net Revenues are required to be transferred to the Series 2015 Bonds Debt Service Account sufficient to pay when due Debt Service Requirements of the Series 2015 Bonds.

Except as stated in the Bond Legislation, substantially equal monthly deposits of Net Revenues shall be made to the Series 2015 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 2015 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 2015 Bonds, the Authority determines that there are not sufficient funds accumulated in the Series 2015 Bonds Debt Service Account to pay the amount becoming due on that payment date, the Authority is

required to promptly deposit any available Net Revenues in the Series 2015 Bonds Debt Service Account in an amount equal to the deficiency. If, prior to any payment date for the Series 2015 Bonds, there has accumulated in the Series 2015 Bonds Debt Service Account the entire amount necessary to pay the amount becoming due on the Series 2015 Bonds payable from such account on that payment date, no additional Net Revenues need be deposited in the Series 2015 Bonds Debt Service Account prior to that payment date. In making the determinations permitted by this paragraph, the Authority may take into account the amount on deposit in any other fund or account or escrow relating to the Series 2015 Bonds irrevocably set aside for the next payment of the Series 2015 Bonds.

Amounts on deposit in the Series 2015 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 2015 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 2015 Bonds Termination Upon Deposits to Maturity

No payments need be made into the Series 2015 Bonds Debt Service Account if the amount in the Series 2015 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 2015 Bonds, both accrued and not accrued, and all proceeds paid under any Credit Facility for the Series 2015 Bonds have been reimbursed. The money retained in that account shall be used only to pay the Debt Service Requirements on the Series 2015 Bonds when due except that any money on deposit in the Series 2015 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 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, provided however that money in the Escrow Funds shall be invested as provided in the Escrow Agreement. 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 Authority or by an agent or custodian of or for the Authority for the benefit of the Authority as permitted by State law and the money and investments deposited in the Escrow Funds shall be held by the Escrow Agent. 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 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 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 Authority has covenanted and agreed with the Owners in the Ordinance as follows:

Use of Bond Proceeds

The Authority will promptly apply the proceeds of the Bonds to the Project and for the other purposes permitted by the Bond Parameters Ordinance.

Payment of Series 2015 Bonds

The Authority will promptly pay the Debt Service Requirements on Series 2015 Bonds at the place, on the dates and in the manner specified in the Bond Legislation and the Series 2015 Bonds.

Rate Covenants

(1) Senior Lien Obligations

The Authority will charge all purchasers of services of the System, including the 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 Authority will charge all purchasers of services of the System, including the 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 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 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 Authority. The Authority will request that consultant or manager to make its recommendations, if any, as to revisions of the 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 Authority substantially complies with the recommendations of the consultant or manager on a timely basis, the 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 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 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 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 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 Authority.

Levy of Charges

The Authority will promptly fix, establish and levy the rates and charges which are required by Section 29.(C) of the Bond Parameters Ordinance. No reduction in any initial or existing rate schedule for the System may be made unless:

(1) the Authority has fully complied with the provisions of Section 21 of the Bond Parameters 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 Parameters 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 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 Authority.

Records; Right to Inspect

So long as Series 2015 Bonds remain Outstanding, the 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 2015 Bonds are not subject to inspection or copying.

Audits

So long as the Series 2015 Bonds are Outstanding, within 270 days following the close of each Fiscal Year, the 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 Authority Ordinance. If permitted by law, if a bill is not paid within the period of time required by Authority ordinance, water and sanitary sewer services are to be discontinued as required by 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 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 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 Parameters 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 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 Authority will carry fire and extended coverage insurance. As required by law, the 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 Parameters Ordinance, while any Series 2015 Bonds are Outstanding, the 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 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 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 2015 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 2015 Bonds then Outstanding.

Competent Management; Performing Duties

The 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 Parameters 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.

Authority's Existence

The Authority will maintain its corporate identity and existence as long as Series 2015 Bonds remain outstanding.

Tax Compliance

The Authority covenants that it will use and will restrict the use and investment of the proceeds of the Series 2015 Bonds in such manner and to such extent as may be necessary so that the Series 2015 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 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 2015 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 2015 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 Authority as the 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 2015 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 Authority, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2015 Bonds, and (iii) to give one or more appropriate certificates of the Authority, for inclusion in the transcripts of the proceedings for the

Series 2015 Bonds, setting forth the reasonable expectations of the Water Authority regarding the amount and use of all the proceeds of the Series 2015 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 2015 Bonds.

Events of Default

Each of the following events is declared an "event of default" under the Bond Legislation:

- (1) Failure to pay the principal or Accreted Value of the Series 2015 Bonds when due and payable, either at maturity or otherwise.
- (2) Failure to pay any installment of interest on the Series 2015 Bonds when due and payable.
- (3) For any reason, the Authority becomes incapable of fulfilling its obligations under the Bond Legislation.
- (4) Default by the Authority in the due and punctual performance of its covenants, conditions, agreements and provisions contained in System Obligations or in any 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 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 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 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 Parameters 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 Parameters Ordinance. The failure of any Owner to exercise any right granted by this section shall not relieve the 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 2015 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 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 2015 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 Parameters Ordinance, the 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 Parameters Ordinance. If the Authority fails or refuses to proceed as provided in the Bond Parameters 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 2015 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 2015 Bonds and any Bond Insurance Policy will be discharged and those Series 2015 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 2015 Bonds to be defeased as the same become due to the final maturities or upon designated prior redemption dates, and (ii) any Series 2015 Bonds to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such Series 2015 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 2015 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 2015 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 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 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 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 2015 Bonds at maturity or on a prior redemption date, interest payments and dates thereof, exchange, registration of transfer and registration of Series 2015 Bonds, replacement of mutilated, destroyed, lost or stolen Series 2015 Bonds, the safekeeping and

cancellation of Series 2015 Bonds, non-presentment of Series 2015 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 2015 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 2015 Bonds is on deposit with the Paying Agent, and, in the case of Series 2015 Bonds to be redeemed, if notice of redemption has been given as provided in the Bond Parameters Ordinance, all liability of the Authority to the Owners of those Series 2015 Bonds will be discharged, those Series 2015 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 2015 Bonds.

Amendment of Ordinance

The Bond Legislation 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 2015 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 2015 Bonds from any rating agency if the amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners of the Series 2015 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 Authority of any additional consideration, but with the written consent of the

Owners of a majority of the principal amount of the Series 2015 Bonds then outstanding which are affected by the amendment or supplement (not including any Series 2015 Bonds which are then owned by or for the account of the 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 2015 Bond; or
- (2) A reduction in the principal amount of, premium, if any, or interest rate on any Series 2015 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 2015 Bonds required for consent to such amendment or supplement.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

April __, 2015

Albuquerque Bernalillo County Water Utility Authority
Albuquerque, New Mexico

\$ _____
Albuquerque Bernalillo County Water Utility Authority
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds,
Series 2015

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 Refunding and Improvement Revenue Bonds, Series 2015 (the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Authority Ordinance WUA O-15-2 and Authority Resolution No. WUA R-15-3 adopted by the Authority on February 25, 2015, and Authority Resolution No. WUA R-15-__ adopted on March 18, 2015 (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 not includible in 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 the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum tax 75% of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Although we are of the opinion that interest on the Bonds is not includible in 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

\$232,175,000*

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
Senior Lien Joint Water and Sewer System Refunding and Improvement Revenue Bonds
Series 2015**

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 the Issuer's Ordinance WUA O-15-2 adopted by the Authority on February 25, 2015, and Authority Resolution No. WUA R-15-___ adopted on March 18, 2015 (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 2016, 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.

*Preliminary, subject to change.

(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, if any, Annual Financial Information 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 Bondholders, if material;

(viii) bond calls, if material, or tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bond, 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 an obligated person or the sale of all or substantially all of the assets of the 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; and

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(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 Bondholders, 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, Bondholders may sue to enforce performance of the undertakings set forth herein.

(7) *Beneficiaries.* This certificate shall inure solely to the benefit of the Authority, the Purchasers and owners from time to time of the Bonds, and shall create no rights in any other persons or entity.

DATE: APRIL __, 2015

**ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY**

Chair