



# Albuquerque Bernalillo County Water Utility Authority

Albuquerque/Bernalillo  
County  
Government Center  
One Civic Plaza  
Albuquerque, NM 87102

## Agenda

*Councillor Klarissa J. Peña, Chair*  
*Commissioner Maggie Hart Stebbins, Vice Chair*  
*Mayor Richard J. Berry*  
*Commissioner Art De La Cruz*  
*Councillor Rey Garduño*  
*Councillor Trudy E. Jones*  
*Commissioner Debbie O'Malley*  
*Trustee Pablo Rael, Ex Officio Member*

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Wednesday, May 21, 2014

5:00 PM

Vincent E. Griego Chambers

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1. **CALL TO ORDER**
2. **INVOCATION/PLEDGE OF ALLEGIANCE**
3. **APPROVAL OF MINUTES - April 23, 2014**
4. **PROCLAMATIONS AND AWARDS**
5. **PUBLIC COMMENT**
6. **ANNOUNCEMENTS/COMMUNICATIONS**
- A. **Next Scheduled Meeting - June 18, 2014 at 5:00 PM**
7. **INTRODUCTION (FIRST READING) OF LEGISLATION**
8. **CONSENT AGENDA**

*(Any Board Member may request that a Consent Agenda item be placed under Approvals)*

- A. **C-14-15** Approving an Agreement with SKS.com LLC dba Real Time Solutions to Replace City of Albuquerque Cognos Reporting for Title Companies and Diversion and Return Flow Data, and Complete Phase 2 of the Web Self-Service Portal
- B. **C-14-16** Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013
9. **APPROVALS**

- A.     **O-14-1**     Amending the Albuquerque Bernalillo County Water Utility Authority Water and Sewer Rate Ordinance
- B.     **R-14-8**     Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for the Fiscal Year Beginning July 1, 2014 and Ending June 30, 2015
- C.     **R-14-9**     Appropriating Funds for the Capital Implementation Program for the Albuquerque Bernalillo County Water Utility Authority for the Fiscal Year Beginning July 1, 2014 and ending June 30, 2015

**10.     OTHER BUSINESS**

- A.     **OB-14-8**     Drought and Water Use Update
- B.     **OB-14-9**     Update on Water Authority Activities and the Independent Conceptual Model and Plume Containment for the Kirtland Air Force Base (KAFB) Bulk Fuels Facility (BFF) Site

**11.     ADJOURNMENT**

*Visit Our Website at [www.abcwua.org](http://www.abcwua.org)*

NOTICE TO PERSONS WITH DISABILITIES: If you have a disability and require special assistance to participate in this meeting, please contact the Authority Office as soon as possible before the meeting date at 768-2500 or by the TTY at 1-800-659-8331.

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Meeting Date: May 21, 2014  
Staff Contact: H Warren, Customer Service Manager

**TITLE: C-14-15 – Approving an Agreement with SKS.com LLC dba Real Time Solutions to Replace City of Albuquerque Cognos Reporting for Title Companies and Diversion and Return Flow Data, and Complete Phase 2 of the Web Self-Service Portal.**

**ACTION: Recommend Approval**

**SUMMARY:**

The Water Authority currently uses the City of Albuquerque's Cognos reporting tool to provide Title Company and diversion and return flow information to customers through the Water Authority's website. The Cognos tool will no longer be supported and the Water Authority must replace this software application. It is the intent of the Water Authority to have Real Time Solutions develop this tool in the new Web Self-Service interface that is currently under development and host the application on the same servers as the Water Authority's website to reduce hosting fees.

The application is comprised of a public Web-Self Service site where customers may login to their accounts. They will be able to see billing information, request electronic bills, see hourly usage on AMI accounts, and enroll for online payments. Also, Customer Service staff members are able help customers on the Web-Self-Service application. This area provides functionality to better assist customers with billing issues.

Real Time Solutions currently hosts both the City of Albuquerque and the Water Authority's website. In addition, they have a state wide pricing agreement (10-000-00-00051AW) with the State of New Mexico, which will be used for this project.

**FISCAL IMPACT:**

The total cost of this project is approximately \$104,000

This is contained in the Capital Budget and will achieve annual savings of hosting fees of \$70,000.



**State of New Mexico  
General Services Department**

**Statewide Price Agreement**

**Awarded Vendor**

0000053378

SKS.com

PO Box 525

Albuquerque, NM 87103

Telephone No. 505-830-0414

Price Agreement Number: 10-000-00-00051AW

Payment Terms: Per Contract

F.O.B.: Per Contract

Delivery: Per Contract

**Ship To:**

All State of New Mexico agencies, commissions, institutions, political subdivisions and local public bodies allowed by law.

Procurement Specialist: Gerrie Becker

Telephone No.: 505-476-3121

**Invoice:**

As Requested

**Title: IT Professional Services**

**Term: July 1, 2011 thru March 30, 2012**

**This Price Agreement is made subject to the "terms and conditions" shown on the reverse side of this page, and as indicated in this Price Agreement.**

**Accepted for the State of New Mexico**

A handwritten signature in black ink, appearing to be "J. Lopez", written over a horizontal line.

New Mexico State Purchasing Agent

Date: 6/29/11



**State of New Mexico  
Information Technology**

**Price Agreement**

Price Agreement No. 10-000-00-00051AW

THIS Information Technology Price Agreement ("Agreement") is made by and between the State of New Mexico, State Purchasing Division, hereinafter referred to as the "Agency" and SKS.com, LLC dba Real Time Solutions, hereinafter referred to as the "Contractor" and collectively referred to as the "Parties".

WHEREAS, pursuant to the Procurement Code, NMSA 1978 13-1-28 *et. seq*; and Procurement Code Regulations, NMAC 1.4.1 *et. seq*; the Contractor has held itself out as expert in implementing the Scope of Work as contained herein and the Agency has selected the Contractor as the Offeror most advantageous to the State of New Mexico; and

WHEREAS, all terms and conditions of this Agreement, the Contractor's proposal, including any best and final offers, and the RFP are hereby incorporated by reference in this contract. In the event of a conflict between these items, the conflict will be resolved by giving priority in the following order:

1. All federal and New Mexico laws, rules and regulations regarding services within the Contractor's scope of work.
2. This Agreement and any written amendments to this Agreement.
3. The Request for Proposal (RFP), all RFP amendments, written clarifications to the RFP, and written answers to written questions concerning the RFP.
4. Contractor's Best and Final Offer
5. Contractor's Proposal.

**ARTICLE 1 – DEFINITIONS**

- A. "Acceptance" shall mean the approval, after Quality Assurance, of all Deliverables by an executive level representative ("Executive Level Representative") of the Agency.
- B. "Change Request" shall mean the document utilized to request changes or revisions in the Scope of Work.
- C. "Chief Information Officer ("CIO")" shall mean the Secretary of the Department of Information Technology for the State of New Mexico or designated representative.
- D. "Deliverable" shall mean any verifiable outcome, result, service or product that must be delivered, developed, performed or produced by the Contractor as defined by the Scope of Work.
- E. "DoIT" shall mean the Department of Information Technology.
- F. "DFA" shall mean the Department of Finance and Administration; "DFA/CRB" shall mean the Department of Finance and Administration, Contracts Review Bureau.
- G. "Escrow" shall mean a legal document (such as the software source code) delivered by the contractor into the hands of a third party, to be held by that party until the performance of a condition is

accepted; in the event contractor fails to perform, the grantee agency receives the legal document, in this case, source code.

H. “Enhancement” means any modification or addition that, when made or added to the program, materially changes its or their utility, efficiency, functional capability, or application, but does not constitute solely an Error Correction. After conferring with Agency, an Enhancement may be identified as minor or major.

I. “Know How” shall mean all technical information, data and knowledge including, but not limited to, all documents, computer storage devices, drawings, flow charts, plans, proposals, records, notes, memoranda, manuals and other tangible items containing, relating or causing the enablement of any Intellectual Property developed under this Agreement.

J. “Intellectual Property” shall mean any and all proprietary information developed pursuant to the terms of this Agreement.

K. “Independent Verification and Validation (“IV&V”)” shall mean the process of evaluating a project and the project’s product to determine compliance with specified requirements and the process of determining whether the products of a given development phase fulfill the requirements established during the previous stage, both of which are performed by an entity independent of the Agency.

L. “Payment Invoice” shall mean a detailed, certified and written request for payment of services rendered from the Contractor to the Agency. Payment Invoice(s) must contain the fixed price Deliverable cost and identify the Deliverable for which the invoice is submitted.

M. “Performance Bond” shall mean a surety bond which guarantees that the contractor will fully perform the contract and guarantees against breach of contract.

N. “Project” shall mean a temporary process undertaken to solve a well-defined goal or objective with clearly defined start and end times, a set of clearly defined tasks, and a budget. The project terminates once the project scope is achieved and project approval is given by the Executive Level Representative and verified by the agency CIO to the DoIT.

O. “Project Manager” shall mean a qualified person from the Agency responsible for all aspects of the Project

P. “Quality Assurance” shall mean a planned and systematic pattern of all actions necessary to provide adequate confidence that a Deliverable conforms to established requirements, customer needs, and user expectations.

Q. “State Purchasing Agent (SPA)” - shall mean the State Purchasing Agent for the State of New Mexico or designated representative.

R. “State Purchasing Division (SPD)” - shall mean the State Purchasing Division of the General Services Department for the State of New Mexico



## **ARTICLE 2 – SCOPE OF WORK**

A. **Scope of Work.** The Contractor shall provide information technology services to the Procuring Agency in accordance with the completed IT Professional Services Contract and the terms and conditions of the price agreement at the rate shown in Exhibit A.

B. **Performance Measures.** In addition, each IT Professional Services Contract will become a part of the agreement. In the event of any conflict among these documents, the following order of precedence shall apply:

- 1) The terms and conditions of this document;
- 2) The completed Contract/Purchase Order;
- 3) The request for proposals document; and
- 4) The contractor's written proposal including the Best and Final Offer, if one was submitted.

C. This is not an exclusive Price Agreement. Procuring Agencies may obtain services from other sources during the Price Agreement term. The SPA makes no expressed or implied warranties whatsoever that any particular number of Purchase Orders will be issued or that any particular quantity or dollar amount of services will be procured.

## **ARTICLE 3 - COMPENSATION**

All payments under this Price Agreement are subject to the following provisions:

a. Acceptance - In accordance with Section 13~1-158 NMSA 1978, Project Manager shall determine if the services provided meet Purchase Order specifications contained therein. No payment shall be made for any service until the services have been accepted in writing by the Project Manager. Unless otherwise agreed upon between Procuring Agency and the Contractor, within fifteen (15) days from the date the Project Manager receives written notice (Contractor's Invoice) from the Contractor that payment is requested for services, the Project Manager shall issue a written certification to the Contractor of complete or partial acceptance or rejection of the services.

b. Rejection - Unless the Executive Level Representative gives notice of rejection within the fifteen (15) day business day Acceptance period, the Deliverable will be deemed to have been accepted. If the Deliverable is deemed unacceptable under Quality Assurance, fifteen (15) days from the date the Executive Level Representative receives the Deliverable(s) and accompanying Payment Invoice, the Executive Level Representative will send a consolidated set of comments indicating issues, unacceptable items, and/or requested revisions accompanying the rejection. Upon rejection and receipt of comments, the Contractor will have ten (10) business days to resubmit the Deliverable to the Executive Level Representative with all appropriate corrections or modifications made and/or addressed. The Executive Level Representative will again determine whether the Deliverable(s) is Acceptable under Quality Assurance and provide a written determination within fifteen (15) business days of receipt of the revised or amended Deliverable. If the Deliverable is once again deemed unacceptable under Quality Assurance and thus rejected, the Contractor will be required to provide a remediation plan that shall include a timeline for corrective action acceptable to the Executive Level Representative. The Contractor shall also be subject to all damages and remedies attributable to the late delivery of the Deliverable under the terms of this Agreement and available at law or equity. In the event that a Deliverable must be resubmitted

more than twice for Acceptance, the Contractor shall be deemed as in breach of this Agreement. The Agency may seek any and all damages and remedies available under the terms of this Agreement and available at law or equity. Additionally, the Agency may terminate this Agreement.

c. Compensation - The approved maximum rates to be paid for services rendered are contained in the Services Schedule. The Procuring Agency may reimburse Contractor for reasonable travel/per diem expenses for work performed at distances greater than 100 miles from the Contractor's primary place of business in New Mexico. The conditions for travel, the type and amount expenses to be reimbursed shall be stated in the Procuring Agency Agreement. Travel time from the Contractor's primary place of business and the worksite is not billable.

d. Payment of Invoice - Payment will be made to the Contractor's designated mailing address.

e. Payment of Taxes - The Contractor shall be reimbursed by the Procuring Agency for applicable New Mexico gross receipts taxes or local option taxes for services rendered. Such taxes must be itemized separately on the invoice.

The payment of taxes for any money received under this Price Agreement shall be the Contractor's sole responsibility and shall be reported under the Contractor's Federal and State tax identification number(s).

f. Invoices - Invoices shall be submitted to the Project Manager.

g. Facilities and Equipment - The Procuring Agency shall provide contractor personnel with reasonable office work space and facilities including access to a local telephone service, copy machine usage and office supplies. Unless otherwise stated in the Procuring Agency Agreement, the contractor shall provide contractor personnel with any required personal computer equipment and software and shall reimburse the procuring agencies for all long distance telephone calls charged to the Procuring Agency.

h. Appropriations - The terms of this Price Agreement and any Purchase Orders are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico or other appropriate governing bodies for performance pursuant to this Price Agreement. Notwithstanding any language to the contrary in this Price Agreement or in any Purchase Order or other document, a Procuring Agency may terminate its obligation under a Purchase Order, or any extension thereof, if sufficient appropriations and authorization are not made by the Legislature or other appropriate governing body to pay amounts due. The Procuring Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final and binding. However, Procuring Agencies agree not to use insufficient appropriations as a means of terminating a Purchase Order in order to acquire functionally equivalent services from a third party.

i. Release - The Contractor, upon final payment of the amount due under a Purchase Order, releases the State of New Mexico, and its agencies and public employees, from all liabilities, claims and obligations whatsoever arising from or under this Price Agreement. The Contractor agrees not to purport to bind the State of New Mexico to any obligation not assumed herein by the State of New Mexico, unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

#### **ARTICLE 4 – TERM**



The initial term of this Price Agreement shall be March 31, 2011 or as soon as possible thereafter, through March 30, 2012.

The SPA may extend the initial term of the Price Agreement for three (3) additional one-year terms, or portions thereof, by giving the Contractor a written offer to renew the agreement at least thirty (30) days prior to the expiration of the then-current term. Service rates can change each year at the time of renewal if exercised, any proposed increase in the maximum rates for each authorized service shall not exceed the lower of the increase in the published Consumer Price Index (or other index approved by the Agreement Administrator) during the previous agreement term~ or the percentage increase in the Contractor's published consultant rates.

Except as noted elsewhere in this paragraph, the SPA expects all terms and conditions of this Price Agreement to apply to any option temps exercised. No changes to terms and conditions shall be effective unless reduced to written amendment in accordance with Paragraph 15 of this Price Agreement.

#### **ARTICLE 5 – TERMINATION**

This Agreement may be terminated as follows:

- A. General. By either Party upon written notice to be delivered to the other party not less than thirty (30) business days prior to the intended date of termination.
- C. Obligations and Waiver. By termination pursuant to this Article, neither party may nullify obligations already incurred for performance or failure to perform prior to the date of termination. THIS ARTICLE IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED THE AGENCY AND THE STATE OF NEW MEXICO CAUSED BY THE CONTRACTOR'S DEFAULT OR BREACH OF THIS AGREEMENT.

#### **ARTICLE 6 – TERMINATION MANAGEMENT**

- A. Contractor. In the event this Agreement is terminated for any reason, or upon expiration, and in addition to all other rights to property set forth in this Agreement, the Contractor shall:
- 1.) Transfer, deliver, and/or make readily available to the Agency property in which the Agency has a financial interest and any and all data, Know How, Intellectual Property, inventions or property of the Agency.
  - 2.) Incur no further financial obligations for materials, services, or facilities under the Agreement without prior written approval of the Agency;
  - 3.) Terminate all purchase orders or procurements and any subcontractors and cease all work, except as the Agency may direct, for orderly completion and transition;
  - 4.) Take such action as the Agency may direct, for the protection and preservation of all property and all records related to and required by this Agreement;
  - 5.) Agree that the Agency is not liable for any costs arising out of termination and that the Agency is liable only for costs of Deliverables Accepted prior to the termination of the Agreement;
  - 6.) Cooperate fully in the closeout or transition of any activities to permit continuity in the administration of Agency programs;
  - 7.) In the event that this Agreement is terminated due to the Contractor's course of performance, negligence or willful misconduct and that course of performance, negligence, or willful



misconduct results in reductions in the Agency's receipt of program funds from any governmental agency, the Contractor shall remit to the Agency the full amount of the reduction.

8.) Should this Agreement terminate due to the Contractor's default, the Contractor shall reimburse the Agency for all costs arising from hiring new contractor/subcontractors at potentially higher rates and for other costs incurred.

9.) In the event this Agreement is terminated for any reason, or upon its expiration, the Contractor shall assist and cooperate with the Agency in the orderly and timely transfer of files, computer software, documentation, system turnover plan, Know How, Intellectual Property and other materials, whether provided by the Agency or created by the Contractor under this Agreement, to the Agency, including but not limited to, user manuals with complete documentation, functional technical descriptions of each program and data flow diagrams. At the request of the Project Manager, the Contractor shall provide to the Agency a copy of the most recent versions of all files, software, Know How, Intellectual Property and documentation, whether provided by the Agency or created by the Contractor under this Agreement.

B. Agency. In the event this Agreement is terminated for any reason, or upon expiration, and in addition to all other rights to property set forth in this Agreement, the Agency shall 1) Retain ownership of all work products and documentation created pursuant to this Agreement; and 2) Pay the Contractor all amounts due for services Accepted prior to the effective date of such termination or expiration.

#### **ARTICLE 7 –INDEMNIFICATION**

A. General. The Contractor shall defend, indemnify and hold harmless the Agency, the State of New Mexico and its employees from all actions, proceedings, claims, demands, costs, damages, attorneys' fees and all other liabilities and expenses of any kind from any source which may arise out of the performance of this Agreement, caused by the negligent act or failure to act of the Contractor, its officers, employees, servants, subcontractors or agents, or if caused by the actions of any client of the Contractor resulting in injury or damage to persons or property during the time when the Contractor or any officer, agent, employee, servant or subcontractor thereof has or is performing services pursuant to this Agreement. In the event that any action, suit or proceeding related to the services performed by the Contractor or any officer, agent, employee, servant or subcontractor under this Agreement is brought against the Contractor, the Contractor shall, as soon as practicable, but no later than two (2) days after it receives notice thereof, notify, by certified mail, the legal counsel of the Agency, and the Risk Management Division of the New Mexico General Services Department.

B. The indemnification obligation under this Agreement shall not be limited by the existence of any insurance policy or by any limitation on the amount or type of damages, compensation or benefits payable by or for Contractor or any subcontractor, and shall survive the termination of this Agreement. Money due or to become due to the Contractor under this Agreement may be retained by the Agency, as necessary, to satisfy any outstanding claim that the Agency may have against the Contractor.

#### **ARTICLE 8 – INTELLECTUAL PROPERTY**

A. Product of Services: Copyright. All materials developed or acquired by the Contractor under this Price Agreement shall become the property of the Procuring Agency. Nothing produced, in whole or in part, by the Contractor under this Price Agreement shall be the subject of an application for copyright by or on behalf of the Contractor. The original and one copy of all materials, work papers, design documents, or other documents produced by the Contractor shall be indexed and placed in appropriately labeled binders and delivered to the Project Manager at the conclusion of a Purchase Order.

## **ARTICLE 9 – INTELLECTUAL PROPERTY INDEMNIFICATION**

A. **Intellectual Property Indemnification.** The Contractor shall defend, at its own expense, the Agency, the State of New Mexico and/or any other State of New Mexico body against any claim that any product or service provided under this Agreement infringes any patent, copyright or trademark, and shall pay all costs, damages and attorney's fees that may be awarded as a result of such claim. In addition, if any third party obtains a judgment against the Agency based upon Contractor's trade secret infringement relating to any product or services provided under this Agreement, the Contractor agrees to reimburse the Agency for all costs, attorneys' fees and the amount of the judgment. To qualify for such defense and/or payment, the Agency shall:

- 1.) Give the Contractor written notice, within forty-eight (48) hours, of its notification of any claim;
- 2.) Allow the Contractor to control the defense and settlement of the claim; and
- 3.) Cooperate with the Contractor, in a reasonable manner, to facilitate the defense or settlement of the claim.

B. **Agency Rights.** If any product or service becomes, or in the Contractor's opinion is likely to become, the subject of a claim of infringement, the Contractor shall, at its sole expense:

- 1.) Provide the Agency the right to continue using the product or service and fully indemnify the Agency against all claims that may arise out of the Agency's use of the product or service;
- 2.) Replace or modify the product or service so that it becomes non-infringing; or
- 3.) Accept the return of the product or service and refund an amount equal to the value of the returned product or service, less the unpaid portion of the purchase price and any other amounts, which are due to the Contractor. The Contractor's obligation will be void as to any product or service modified by the Agency to the extent such modification is the cause of the claim.

## **ARTICLE 10 - WARRANTIES**

NA

## **ARTICLE 11 – CONTRACTOR PERSONNEL**

A. **Approval of Contractor Personnel**

Personnel proposed in the Contractor's written proposal to the Procuring Agency are considered material to any work performed under this Price Agreement.

a. Once a Purchase Order has been issued, no changes of personnel will be made by the Contractor without prior written consent of the Procuring Agency. Replacement of any Contractor personnel, if approved, shall be with personnel of equal ability, experience and qualifications. The Contractor will be responsible for any expenses incurred in familiarizing the replacement personnel to insure their being productive to the project immediately upon receiving assignments. Approval of replacement personnel shall not be unreasonably withheld.

b. The Procuring Agency shall retain the right to request the removal of any of the Contractor's personnel at any time.



## **ARTICLE 12 – STATUS OF CONTRACTOR**

A. **Independent Contractor.** The Contractor and its agents and employees are independent contractors performing professional services for the Agency and are not employees of the State of New Mexico. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the State of New Mexico as a result of this Agreement. The Contractor acknowledges that all sums received hereunder are personally reportable by it for income tax purposes as self-employment or business income and are reportable for self-employment tax.

B. **Subject of Proceedings.** Contractor warrants that neither the Contractor nor any officer, stockholder, director or employee of the Contractor, is presently subject to any litigation or administrative proceeding before any court or administrative body which would have an adverse effect on the Contractor's ability to perform under this Agreement; nor, to the best knowledge of the Contractor, is any such litigation or proceeding presently threatened against it or any of its officers, stockholders, directors or employees. If any such proceeding is initiated or threatened during the term of this Agreement, the Contractor shall immediately disclose such fact to the Agency.

## **ARTICLE 13- CHANGE MANAGEMENT**

A. **Changes.** Contractor may only make changes or revisions within the Scope of Work as defined by Article 2 and Exhibit A after receipt of written approval by the Executive Level Representative. Such change may only be made to Tasks or Sub-Task as defined in the Exhibit A. Under no circumstance shall such change affect the:

- 1) Deliverable requirements;
- 2) Compensation due under the terms of this Agreement; or
- 3) Due Date of any Deliverable.

B. **Change Request Process.** In the event that circumstances warrant a change to accomplish the Scope of Work as described above, a Change Request shall be submitted that meets the following criteria: 1) The Project Manager shall draft a written Change Request for Executive Level Representative review and approval to include: the name of the person requesting the change, a summary of the required change, the start date for the change, the reason and necessity for change, the urgency level for the change, the elements to be altered, the impact of the change, the staffing plan associated with the change, the impact on the schedule for implementing the change, the cost impact, the risk assessment and a recommended approach to the change, and 2) The Executive Level Representative shall provide a written decision on the Change Request to the Contractor within a maximum of ten (10) working days of receipt of the Change Request. All decisions made by the Executive Level Representative are final. Change requests, once approved, become a part of the contract and become binding as a part of the original contract.

## **ARTICLE 14 – DEFAULT/BREACH**

In case of default and/or breach by the Contractor, for any reason whatsoever, the Agency and the State of New Mexico may procure the goods or services from another source and hold the Contractor responsible



for any resulting excess costs and/or damages, including but not limited to, direct damages, indirect damages, consequential damages, special damages and the Agency and the State of New Mexico may also seek all other remedies under the terms of this Agreement and under law or equity.

#### **ARTICLE 15 – EQUITABLE REMEDIES**

Contractor acknowledges that its failure to comply with any provision of this Agreement will cause the Agency irrevocable harm and that a remedy at law for such a failure would be an inadequate remedy for the Agency, and the Contractor consents to the Agency's obtaining from a court of competent jurisdiction, specific performance, or injunction, or any other equitable relief in order to enforce such compliance. Agency's rights to obtain equitable relief pursuant to this Agreement shall be in addition to, and not in lieu of, any other remedy that Agency may have under applicable law, including, but not limited to, monetary damages.

#### **ARTICLE 16 - LIABILITY**

Contractor shall be liable for damages arising out of injury to persons and/or damage to real or tangible personal property before or after Acceptance, delivery, installation and use of the equipment, either at the Contractor's site or the Agency's place of business, provided that the injury or damage was caused by the fault or negligence of the Contractor or defect of the equipment or installation. Contractor shall not be liable for damages arising out of, or caused by, alterations to the equipment (other than alterations performed or caused by Contractor's officers, employees or agents) made by the Agency or for losses occasioned by the Agency's fault or negligence. Nothing in this Agreement shall limit the Contractor's liability, if any, to third parties and employees of the Agency or the State of New Mexico, or any remedy that may exist under law or equity in the event a defect in the manufacture of the equipment, or the negligent acts or omissions of the Contractor, its officers, employees, or agents, is the cause of injury to such person.

#### **ARTICLE 17 – ASSIGNMENT**

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of this Agreement's approval authorities.

#### **ARTICLE 18 – SUBCONTRACTING**

The Contractor shall not subcontract any portion of this Agreement without the prior written approval of the Agency. No such subcontracting shall relieve the Contractor from its obligations and liabilities under this Agreement, nor shall any subcontracting obligate payment from the Agency.

#### **ARTICLE 19 – RELEASE**

The Contractor's acceptance of final payment of the amount due under this Agreement shall operate as a release of the Agency, its officers and employees, and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Agreement. The Contractor agrees not to purport to

bind the State of New Mexico unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

#### **ARTICLE 20 – CONFIDENTIALITY**

Any confidential information provided to the contractor by the agency or, developed by the Contractor based on information provided by the agency in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the Agency. Upon termination of this Agreement, Contractor shall deliver all confidential material in its possession to the Agency within thirty (30) business days of such termination. Contractor acknowledges that failure to deliver such confidential information to the Agency will result in direct, special and incidental damages.

#### **ARTICLE 21 –CONFLICT OF INTEREST**

The Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under the Agreement. The Contractor certifies that the requirements of the Governmental Conduct Act, Sections 10-16-1 through 10-16-18, NMSA 1978, regarding contracting with a public officer, state employee or former state employee have been followed.

#### **ARTICLE 22 - RECORDS AND AUDIT**

The Contractor shall maintain detailed time and expenditure records that indicate the date, time, nature and cost of services rendered during this Agreement's term and effect and retain them for a period of three (3) years from the date of final payment under this Agreement. The records shall be subject to inspection by the Agency, CIO, SPA, and DFA. The Agency shall have the right to audit billings both before and after payment. Payment for services under this Agreement shall not foreclose the right of the Agency to recover excessive or illegal payments.

#### **ARTICLE 23 - AMENDMENT**

This Agreement shall not be altered, changed, or amended except by an instrument in writing executed by the Parties hereto. No amendment shall be effective or binding unless approved by all of the approval authorities.

#### **ARTICLE 24 – NEW MEXICO EMPLOYEES HEALTH COVERAGE**

A. If Contractor has, or grows to, six (6) or more employees who work, or who are expected to work, an average of at least 20 hours per week over a six (6) month period during the term of the contract, Contractor certifies, by signing this agreement, to:

(1) have in place, and agree to maintain for the term of the contract, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2008 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed one million dollars or;



(2) have in place, and agree to maintain for the term of the contract, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2009 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed \$500,000 dollars or;

(3) have in place, and agree to maintain for the term of the contract, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2010 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed \$250,000 dollars.

B. Contractor agrees to maintain a record of the number of employees who have (a) accepted health insurance; (b) declined health insurance due to other health insurance coverage already in place; or (c) declined health insurance for other reasons. These records are subject to review and audit by a representative of the state.

C. Contractor agrees to advise all employees of the availability of State publicly financed health care coverage programs by providing each employee with, as a minimum, the following web site link to additional information: <http://insurenemexico.state.nm.us/>.

D. For Indefinite Quantity, Indefinite Delivery contracts (price agreements without specific limitations on quantity and providing for an indeterminate number of orders to be placed against it); Contractor agrees these requirements shall apply the first day of the second month after the offeror reports combined sales (from state and, if applicable, from local public bodies if from a state price agreement) of \$250,000, \$500,000 or \$1,000,000, depending on the dollar value threshold in effect at that time.

#### **ARTICLE 25 - MERGER, SCOPE, ORDER OF PRECEDENCE**

A. Severable. The provisions of this Agreement are severable, and if for any reason, a clause, sentence or paragraph of this Agreement is determined to be invalid by a court or agency or commission having jurisdiction over the subject matter hereof, such invalidity shall not affect other provisions of this Agreement, which can be given effect without the invalid provision.

B. Merger/Scope/Order. This Agreement incorporates any and all agreements, covenants and understandings between the Parties concerning the subject matter hereof, and all such agreements, covenants and understanding have been merged into this Agreement. No prior agreement or understanding, verbal or otherwise, of the Parties or their agents or assignees shall be valid or enforceable unless embodied in this Agreement.

#### **ARTICLE 26 – NOTIFICATION**

Either party may give written notice to the other party in accordance with the terms of this paragraph. Any written notice required or permitted to be given hereunder shall be deemed to have been given on the date of delivery if delivered by personal service or hand delivery, or three (3) business days after being mailed.

To SPA: State Purchasing Agent  
Purchasing Division

Joseph M. Montoya State Building, Room 2016  
1100 St. Francis Drive  
Santa Fe, New Mexico 87505

To Contractor: SKS.com, LLC dba Real Time Solutions  
PO Box 525  
Albuquerque, NM 87102

Either party may change its representative or address above by written notice to the other in accordance with the terms of this Paragraph 26. The carrier for mail delivery and notices shall be the agent of the sender.

#### **ARTICLE 27– GENERAL PROVISIONS**

A. Civil and Criminal Penalties. The Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

B. Equal Opportunity Compliance. The Contractor agrees to abide by all federal and state laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws of the State of New Mexico, the Contractor agrees to assure that no person in the United States shall, on the grounds of race, religion, color, national origin, ancestry, sex, age, physical or mental handicap, serious medical condition, spousal affiliation, sexual orientation or gender identity, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

C. Workers Compensation. The Contractor agrees to comply with state laws and rules applicable to workers compensation benefits for its employees. If the Contractor fails to comply with the Workers Compensation Act and applicable rules when required to do so, this Agreement may be terminated by the Agency.

D. Applicable Law. The laws of the State of New Mexico shall govern this Agreement. Venue shall be proper only in a New Mexico court of competent jurisdiction in the county where the Agency's main office is located. By execution of this Agreement, Contractor acknowledges and agrees to the jurisdiction of the courts of the State of New Mexico over any and all such lawsuits.

E. Waiver. A party's failure to require strict performance of any provision of this Agreement shall not waive or diminish that party's right thereafter to demand strict compliance with that or any other provision. No waiver by a party of any of its rights under this Agreement shall be effective unless expressed and in writing, and no effective waiver by a party of any of its rights shall be effective to waive any other rights.

F. Headings. Any and all headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement. Numbered or lettered provisions, sections and subsections contained herein, refer only to provisions, sections and subsections of this Agreement unless otherwise expressly stated.



G. Work Site. Work shall be performed at the Procuring Agency's site unless specified otherwise in the Procuring Agency Agreement.

H. Succession. This Price Agreement shall extend to and be binding upon the successors and assigns of the parties.

#### **ARTICLE 28 - SURVIVAL**

The Articles entitled Intellectual Property, Intellectual Property Ownership, Confidentiality, and Warranties shall survive the expiration or termination of this Agreement. Software License and Software Escrow agreements and other unexpired agreements entered into in conjunction with this Agreement shall survive the expiration or termination of this Agreement.

#### **ARTICLE 29 – TIME**

Calculation of Time. Any time period herein calculated by reference to "days" means calendar days; provided, however, that if the last day for a given act falls on a Saturday, Sunday, or a holiday as observed by the State of New Mexico, the day for such act shall be the first day following that is not a Saturday, Sunday, or such observed holiday.

#### **ARTICLE 30- AGREEMENT ADMINISTRATOR**

The SPA shall appoint an agreement administrator whose duties shall include, but not be limited to, the following:

- a. The agreement administrator shall attempt to facilitate dispute resolution between the Contractor and procuring agencies. Unresolved disputes shall be presented to the SPA for resolution.
- b. The agreement administrator shall review and recommend approval or disapproval of all requested changes to the Contractor's Services Schedule.
- c. The agreement administrator shall advise the SPA regarding the Contractor's performance under the terms and conditions of the agreement.
- d. The agreement administrator shall assist procuring agencies with the preparation of purchase orders and the approval thereof.
- e. The agreement administrator shall review and accept quarterly utilization reports.

#### **ARTICLE 31 – ADMINISTRATIVE REPORTING FEES**

a. The contractor agrees to provide periodic price agreement utilization reports to the agreement administrator in accordance with the following schedule:

<u>Period End</u>	<u>Report Due</u>
June 30	July 31

September 30	October 31
December 31	January 31
March 31	April 30

b. The periodic report shall include the gross revenues for the period subtotaled by Procuring Agency name. If no revenue was generated for the period, a report shall be filed stating that fact. Reports containing revenue shall be accompanied with a check payable to SPA for an amount equal to one-half of one percent (0.0050) of the gross revenue for the period.

c. The failure to file the utilization reports and fees on a timely basis shall constitute grounds for suspension of the Price Agreement or termination of the Price Agreement for cause.

### **ARTICLE 32 – EMPLOYEE PAY EQUITY REPORTING**

“Contractor agrees if it has ten (10) or more employees OR eight (8) or more employees in the same job classification, at any time during the term of this contract, to complete and submit the required reporting form (PE10-249 or PE250, depending on their size at the time) either within thirty (30) calendar days of contract award (if the contract did not result from a solicitation) or on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration (if the contract did result from a solicitation).

“For contracts that extend beyond one (1) calendar year, or are extended beyond one (1) calendar year, contractor also agrees to complete and submit the required form-annually within thirty (30) calendar days of the annual contract anniversary date of the initial submittal date and, if more than 180 calendar days has elapsed since submittal of the last report, at the completion of the contract.

“Should contractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor agrees to provide the required report within ninety (90) calendar days of meeting or exceeding the size requirement. That submittal date shall serve as the basis for submittals required thereafter.

“Contractor also agrees to levy these reporting requirements on any subcontractor(s) performing more than 10% of the dollar value of this contract if said subcontractor(s) meets, or grows to meet, the stated employee size thresholds during the term of the contract. Contractor further agrees that, should one or more subcontractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor will submit the required report, for each such subcontractor, within ninety (90) calendar days of that subcontractor meeting or exceeding the size requirement. Subsequent report submittals, on behalf of each such subcontractor, shall be due on the annual anniversary of the initial report submittal. Contractor shall submit the required form(s) to the State Purchasing Division of the General Services Department, and other departments as may be determined, on behalf of the applicable subcontractor(s) in accordance with the schedule contained in this paragraph. Contractor acknowledges that this subcontractor requirement applies even though contractor itself may not meet the size requirement for reporting and be required to report itself.




"Contractor shall not be required to report more frequently than annually unless more than 180 calendar days has elapsed since submittal of the last report and the contract has reached completion. The requirement for reporting at contract completion shall not apply in the case of a one-time fulfillment of a purchase order."

**ARTICLE 33 – FORCE MAJEURE**

Neither party shall be liable in damages or have any right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date of the signature by the required approval authorities below.

By:  Date: 6-6-2011  
SKS.Com

By:  Date: 20 June 11  
Jay R. Hone, GSD General Council  
For Legal Sufficiency

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and compensating taxes:

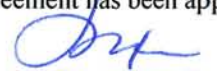
CRS ID Number: 02-425306-005

By:  Date: 6/20/11  
Taxation & Revenue Department

Approved as to information technology contractual specifications and compliance with the Department of Information Technology Act, Laws 2007, Chapter 290 and any and all Executive Orders relating to Information Technology issued by the Governor of the State of New Mexico:

By:  Date: 6/27/11  
Darryl Ackley, Secretary  
Department of Information Technology

This Agreement has been approved by the SPA:

By:  Date: 6/28/11  
Purchasing Agent for the State of New Mexico

## **Exhibit A**

### **Service Category 1 Data Management**

Sub-service Category	Skills	Maximum Hourly Service Rate	Training Rate (Hourly)	Products Supported
A. Database Admin	DBA1	\$75.00		SQL Server, Oracle, MySQL, Informix, Sybase, PostGres, Amazon Simple Database. Ingres, IBM DB2, SimpleDB, (Document Database), MongoDB (Document Database), CouchDB (Document Database), Neo4J (Graph Database)
	DBA2	\$95.00		
	DBA3	\$115.00		
B. Database Architect	Database Architect	\$95.00		
C. Data Warehouse Specialist	Data Warehouse ETL Specialist	\$95.00		
	Data Warehouse Architect	\$115.00		
D. Data Warehouse Business Intelligence Specialist	Data Warehouse Business Intelligence Specialist	\$95.00		



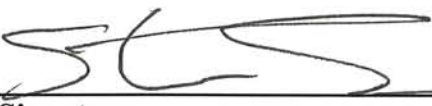
## Exhibit B

### Service Category 2 Software Development

Sub-service Category	Skills	Maximum Hourly Service Rate	Training Rate (Hourly)	Products Supported
A. Software Engineer	SE1	\$75.00		Natural, C++, JAVA, JAVA/J2EE, JAVA/J2ME, Visual Basic, Natural for Windows, Enterprise COBOL (eCOBOL), COBOL/CICS, VB.net, C#.net, .Net, Boo, Python, IronPython .NET, Ruby, Ruby On Rails, IronRuby .NET, PERL, .Net, Delphi, Ada, Groovy, Scala, Clojure, Lisp, Prolog
	SE2	\$95.00		
	SE3	\$115.00		
B. Web Developers	WD1	\$65.00		Adobe Photoshop CS4, Adobe Illustrator CS4, Adobe InDesign CS4, Adobe After Effects CS4, Flash CS4, Adobe Fireworks CS4, Flex Builder 4, QuarkXPress, FrontPage, Dreamweaver CS4
	WD2	\$75.00		
	WD3	\$95.00		
C. Software Quality Assurance Analyst	SQAA1	\$65.00		Natural, C++, JAVA, JAVA/J2EE, JAVA/J2ME, Visual Basic, Natural for Windows, Enterprise COBOL (eCOBOL), COBOL/CICS, VB.net, C#.net, .Net, Boo, Python, IronPython .NET, Ruby, Ruby On Rails, IronRuby .NET, PERL, .Net, Delphi, Ada, Groovy, Scala, Clojure, Lisp, Prolog
	SQAA2	\$75.00		
	SQAA3	\$95.00		
D. Software Architect	Software Architect	\$95.00		
E. Software Tester	ST1	\$65.00		Natural, C++, JAVA, JAVA/J2EE, JAVA/J2ME, Visual Basic, Natural for Windows, Enterprise COBOL (eCOBOL), COBOL/CICS, VB.net, C#.net, .Net, Boo, Python, IronPython .NET, Ruby, Ruby On Rails, IronRuby .NET, PERL, .Net, Delphi, Ada, Groovy, Scala, Clojure, Lisp, Prolog
	ST2	\$75.00		
	ST3	\$95.00		

STEVE SCHRÖDER / PRESIDENT  
Name & Title

6-7-2011  
Date

  
Signature

## Exhibit C

### Service Category 4 Project and Process Management

Sub-service Category	Skills	Maximum Hourly Service Rate	Training Rate (Hourly)	Products Supported
A. Project Management	Project Coordinator	\$60.00		Word Processing, Spreadsheet, Presentation Program, Note taking programs, Project Management, Graphic Suites, Desktop Publishing, Groupware, Open Office
	PM1	\$75.00		
	PM2	\$95.00		
	PM3	\$115.00		
B. Business Process	Business Process Analyst	\$60.00		
	Business Process Engineer	\$75.00		
C. Functional Architect	Functional Architect	\$95.00		
D. Technical Writer	TW1	\$65.00		
	TW2	\$85.00		

STEVE SCHROEDER / PRESIDENT  
Name & Title

6-8-2011  
Date

  
Signature

## Exhibit D

### Service Category 6 Geographical Information System Services

Sub-service Category	Skills	Maximum Hourly Service Rate	Training Rate (Hourly)	Products Supported
Geographic Information System Services	GIS - PA1	\$75.00		
	GIS - PA2	\$95.00		
	GIS - PA3	\$115.00		

STEVE SCHROEDER / PRESIDENT  
Name & Title

6-14-2011  
Date

  
Signature



---

Meeting Date: May 21, 2014  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE: C-14-16 - Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013**

**ACTION: Receipt be Noted**

**SUMMARY:**

Submitted to the Board for review and informational purposes is the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. A review of the CAFR was presented to the Authority's Audit Committee. The CAFR consists of four major sections:

1. The Introductory Section includes the Transmittal Letter with the Water Authority's Organizational Chart, and a listing of the Water Authority's Officials, as well as other relevant information to assist the reader in understanding the Water Authority's management structure, operations and financial condition.
2. The Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis of the Financial Statements, the Water Authority's Financial Statements for the Fiscal Year ended June 30, 2013, explanatory footnotes, and supplementary information.
3. The Statistical Information Section contains tables with general information about the Water Authority and comparative data for prior years.
4. State Compliance and Operational Findings includes certain schedules required by the State Auditor's Office.

The CPA firm of REDW, LLP audited the basic financial statements and state: "In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2013, the changes in its financial position and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America".

**FISCAL IMPACT:**

None.

**COMMENTS:**

The CAFR has historically been submitted late to the State Auditor due to the reliance of the City of Albuquerque's financial system. The CAFR cannot be submitted until the audited financial reports are prepared and finalized. FY13 will be the last CAFR, which is linked to the City's financial system. Both the City of Albuquerque and Water

Authority had an audit finding for the lateness of the CAFR. In FY14, the Water Authority will rely on its own financial system and will file its CAFR and related audits and reports on time.





# COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2012 - JUNE 30, 2013



Albuquerque Bernalillo County  
Water Utility Authority

STATE OF NEW MEXICO

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**STATE OF NEW MEXICO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**July 1, 2012 through June 30, 2013**





**Albuquerque Bernalillo County Water Utility Authority  
Comprehensive Annual Financial Report  
Year ended June 30, 2013**

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**Albuquerque Bernalillo County Water Utility Authority  
Comprehensive Annual Financial Report  
Year ended June 30, 2013**

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April 29, 2014

Board of Directors  
Albuquerque Bernalillo County Water Utility Authority

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Albuquerque Bernalillo County Water Utility Authority (Authority) for the fiscal year ended June 30, 2013. New Mexico State Statute 12-6-3, NMSA 1978 mandates that the financial affairs of the Authority's records be thoroughly examined and audited each year by independent public accountants.

The Comprehensive Annual Financial Report consists of four major sections:

1. The Introductory Section includes the Transmittal Letter with the Authority's Organizational Chart, and a listing of the Authority's Officials, as well as other relevant information to assist the reader in understanding the Authority's management structure, operations and financial condition.
2. The Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis of the Financial Statements, the Authority's Financial Statements for the Fiscal Year ended June 30, 2013, explanatory footnotes, and supplementary information.
3. The Statistical Information Section contains tables with general information about the Authority and comparative data for prior years.
4. State Compliance and Operational Findings include certain schedules required by the New Mexico State Auditor's Office.

This report was prepared by the Albuquerque Bernalillo County Water Utility Authority in conjunction with the City of Albuquerque's Department of Finance and Administrative Services. The Water Authority management assumes full responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. REDW LLC, Certified Public Accountants, has issued an unmodified opinion on the Authority's comprehensive annual financial report for the year ended June 30, 2013. As indicated by the opinion of the Authority's independent auditors, the report fairly presents the financial position and results of operations of the Authority. The report has been set forth in a manner that will give the reader a broad understanding of the Authority's financial affairs, and it includes disclosures necessary for the reader to gain an understanding of the Authority's financial activities. The independent auditor's report is located at the front of the financial statements.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the Authority's basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Profile 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 provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Joint Water and Sewer Systems (System) would be transferred to the Authority. The legislation also provides that the debts of the City payable from Net Revenues of the System shall be debts of the Authority and that the Authority shall not impair the rights of holders of outstanding debts of the System. The legislation also required that the New Mexico Public Regulation Commission audit the System prior to the transfer of money, assets and debts of the System to the Authority; the audit was completed in December 2003. By operation of law, functions, appropriations, money records, equipment and other real and personal property pertaining to the System have been transferred to the Authority. Effective July 1, 2007, the Authority assumed all management and operation of what was the City Water Utility Department. A new Memorandum of Understanding between the Authority and the City of Albuquerque (City) became effective July 1, 2007 and ran through June 30, 2012. The Authority extended the MOU through June 30, 2013. Under the new MOU, the Authority operates with greater autonomy from the City while continuing to utilize core central services of the City. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Authority as a political subdivision of the state.

Members of the Water Authority Board at June 30, 2013 are as follows:

Councilor Art De La Cruz, Chair  
Councilor Rey Garduño, Vice-Chair  
Mayor Richard J. Berry  
Commissioner Maggie Hart Stebbins  
Councilor Trudy E. Jones  
Commissioner Debby O'Malley  
Councilor Ken Sanchez  
Ex Officio Member at June 30, 2013:  
Pablo Rael, Trustee, Village of Los Ranchos

### ***Summary of Local Economy***

Albuquerque is the major commercial, trade, service and financial center of the state. It is located in the central part of the state, at the intersection of two major interstate highways, and served by both rail and air. The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has a population of 887,000 as of the 2010 census. The largest employers in the Albuquerque area are the University of New Mexico, Albuquerque Public Schools, Sandia National Labs (SNL), and Kirtland Air Force Base.

The Albuquerque economy has an industry composition not unlike that of the U.S. as a whole. Manufacturing makes up a smaller part of the Albuquerque economy, and has declined in employment in the past 10 years.

<b>Albuquerque MSA Employment in Thousands</b>				
<u>NAICS CATEGORY</u>	Employment FY/13	Share of FY/13 Employment	Growth FY/12 to FY/13	Compound Annual Average FY/08 to FY/13
Total Nonfarm Employment <sup>(1)</sup>	36774%	100%	0.0%	-1.5%
Natural Resources and Mining and Construction	1873%	5%	-2.0%	-8.8%
Manufacturing	1731%	5%	-2.0%	-5.4%
Trade, Transportation, and Utilities	6129%	17%	0.0%	-2.4%
Information	859%	2%	8.0%	-1.4%
Financial Activities	1759%	5%	1.0%	-1.5%
Aggregate of Services	16195%	44%	0.0%	-0.5%
Professional and Business Services	5458%	15%	-2.0%	-3.2%
Educational and Health Services	5658%	15%	1.0%	2.6%
Leisure and Hospitality	3899%	11%	3.0%	-0.2%
Other Services	1180%	3%	1.0%	-0.8%
Government	8228%	22%	0.0%	0.5%
Military	624%	NA	0.0%	1.7%

While the U.S. has shown some gains in employment, the Albuquerque MSA has only recently begun to add jobs. FY/13 shows no job growth in total, with continued losses in Professional and business Services, Construction and Manufacturing. The unemployment rate increased from 3.5% in FY/08 to a maximum of 8.3% in November of 2010. The rate has declined and was 6.2% in June of 2013. Although fiscal year 2013 showed no gain in employment, the second half of the fiscal year showed some increases. Construction declined 37% from fiscal year 2008 to fiscal year 2013, an average annual decline of nearly 9%. Single family construction activity has increased, but it is at a low level. Commercial and public construction have increased and at the end of fiscal year 2013 employment in the construction sector showed an increase. Government employment, after holding up in the recession, declined in fiscal year 2012 and was flat in fiscal year 2013.

One of the strengths for the Albuquerque economy is the national labs. Sandia National Laboratories (SNL) has devoted a great deal of research to anti-terrorism and homeland security and the mission to protect the nuclear weapons arsenal. The micro-systems technology, or nano-technology, for which SNL is well known, may provide many novel and inexpensive answers to medical and materials sciences. The labs expertise and technology is also becoming more readily available to the private sector.

Additional historic economic information is presented in the statistical section of this report.

### ***Long-term financial planning***

The Authority uses a ten year financial plan that takes into account resources, expenditures, capital needs and debt service requirements. The financial plan provides the Authority with the ability to compare the impact of future financial activity and issues to determine the most appropriate method of maintaining the Authority's financial stability. The Authority reviews water and sewer rates bi-annually to insure that inter and intra class equity is maintained.

In order to plan for the future and to ensure financial stability, an amendment to the Authority's Rate Ordinance was approved by the Board which will increase rates by 5% in fiscal year 2014, fiscal year 2016 and again in fiscal year 2018. The Authority has operated since fiscal year 2004 with one rate increase of 6% in fiscal year 2007 and one rate increase of 5% in fiscal year 2012.

Effective July 1, 2007, the Authority Board approved new policies that will impact financial planning for the future. A Rate Reserve Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate increases. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Supply Charge (WSC) based

on the building cost or construction cost indices was implemented. This adjustment will allow the Authority's capital program to maintain constant dollars with inflationary increases in the future. The Water Supply Charge was established to provide the resources for the Authority to begin the planning, acquisition and development of new water sources to meet the demands of new customers outside the established service area without impacting existing customers.

The Authority also develops a Decade Plan that guides the Capital Implementation Program (CIP). The projects included in the plan are identified for near-term and future work, and include both rehabilitation needs and growth-related activities. The Authority's financial planning considers basic program needs as part of its revenue requirements, and by policy requires financing fifty percent of Basic program rehabilitation CIP work from water and sewer rate revenues. The balance of capital funding is obtained through revenue bond or loan financing. Growth-related 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 appropriations to CIP projects. The development of a Decade Plan allows for long-term planning for both initial construction and rehabilitation costs as well as additional operating costs to operate and maintain new water and wastewater facilities.

The Authority budgets for operations and capital implementation are driven by the Board approved five year goals and one year objectives.

### ***Relevant Financial Policies***

#### **Budgetary Controls**

The fiscal year 2013 budget provided the financial basis of operation for the Authority through June 30, 2013. After Board approval of the budget, a formal appropriation and encumbrance system to control expenditures is maintained by the City of Albuquerque financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Authority's budget by program. For fiscal year 2013, it is at the general ledger fund level that expenditures may not exceed appropriations. Outstanding encumbrances at June 30, 2013, were not re-appropriated in fiscal year 2014.

#### **Cash Management**

Pursuant to the Memorandum of Understanding, the Authority participates in the pooled cash investment program as outlined in the Fiscal Agent Ordinance of the City. Cash temporarily idle during the year was invested in those investments and deposits authorized by the City's Investment Policy. The City's policy is to minimize investment and market risk while seeking to obtain a competitive yield on its total portfolio.

#### **Risk Management**

The Authority participates in the City's Risk Management program that is operated as an Internal Service Fund. Managerial control and accountability over workers compensation, tort liability, and other risks are maintained through this fund. The program is intended as a self-insurance program with added risk control and prevention techniques.

The Authority has maintained a conservative approach to financial matters, which includes a twelve year or less debt term for basic capital financing, a minimum of fifty percent cash financing for basic capital projects and a minimum of 133% annual debt service coverage.

### ***Major Initiatives***

The Authority implemented the SunGard Enterprise Resource Planning (ERP) system in fiscal year 2014. This project implemented a full range of financial and human capital resources modules. In fiscal year 2013 Phase 1 was completed and the project went live on July 1, 2013. The Authority's first payroll run began in June of 2013. Phase 1 included all the Financial Modules, Payroll and the HR functions as they relate to Payroll. Phase 2 began on July 1, 2013 and is anticipated to be completed on April 28, 2014. This Phase will implement 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.

Along with the implementation of the new ERP system, the Authority has moved most services performed by the City of Albuquerque on the Authority's behalf at the end of fiscal year 2013.

The Authority's San Juan-Chama Drinking Water Project became operational in December 2008. When fully operational, the Surface Water Treatment Plant (SWTP) will supply up to 70% of the metropolitan area's future water. San Juan-Chama water is diverted from the Rio Grande River and transported to a state-of-the-art treatment plant, from which purified water is being delivered to Albuquerque area homes and businesses. The SWTP is an integral component of the Authority's strategy to be in compliance with federal standards for the allowable amount of arsenic in municipal drinking water through the blending of low arsenic surface water with high arsenic well water.

The San Juan-Chama Drinking Water Project (DWP) is expected to increase surface water treatment to provide 60% of water supplied to the service area, but this may change as we enter 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 fiscal year 2010 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 (PTF) in late 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 2014. The funding for the RRAMP improvements will be provided through the Authority's Capital Improvement Program (CIP).

In May 2009, the Authority acquired New Mexico Utilities Inc. (NMUI), a for-profit water provider and sewer carrier that served approximately 55,000 residents in a thirty-four square mile service area located in northwest Albuquerque. For fiscal year 2011, the Authority created a Northwest Service Area (NWSA) encompassing the area formerly serviced by NMUI and successfully integrated the NWSA operations into the general operations of the Authority. The NWSA provides services not only to former customers of NMUI but also to other Authority Westside rate payers.

Major renovation of the Southside Water Reclamation Plant, under a multi-year upgrade and replacement program, will continue in fiscal year 2014. The new headworks facility and a new solids dewatering facility are in the final stages of design. Construction on these two facilities is expected to begin in the fall of 2014. The funding for these projects will be provided through the Authority's CIP Program.

The Water Authority continues to participate in American Water Works Association's (AWWA) QualServe Benchmarking program which allows the utility to compare its performance against other utilities at least every two years. The most recent survey data was compiled in 2012 by AWWA from over 100 different utilities. The Water Authority utilizes performance measures or indicators to help guide the operating and capital budgets in prioritizing and allocating the Water Authority's financial resources. The Water Authority also uses these measures to help improve its operational efficiency and effectiveness through the One-Year Objectives.

The Authority has established an asset management program with a steering committee to oversee the program. The program is an extensive, well thought out '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 rational 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, wastewater treatment plant, 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 will continue to improve on its asset management practices and completed the planned 10-year asset management plans. Those plans were submitted for Board approval.



The fiscal year 2013 operating budget continues non-recurring funding for a safety/performance incentive program. This program will reward employees for cost savings due to increased efficiencies or a decrease in work related losses. Funding for this program is contingent on the Authority generating the same or a greater amount in savings.

#### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) of the United States and Canada has established a Certificate of Achievement for Excellence in Financial Reporting program. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) which meets program standards and which satisfies both generally accepted accounting principles and applicable legal requirements.

The Authority received the Certificate of Achievement for each annual CAFR it prepared through the fiscal year ended June 30, 2008. While the Authority believed that the CAFRs for the fiscal years ended June 30, 2009, 2010, 2011 and 2012 met Certificate requirements, these CAFRs were not submitted to the GFOA for certificate determination because of delays in completing the CAFR. For similar reasons the CAFR for the fiscal year ended June 30, 2013 will not be submitted to the GFOA for certificate determination although the Authority believes the 2013 CAFR meets Certificate requirements.

We would like to thank the Board for their support in the planning and implementation of the financial affairs of the Authority. The Authority also wishes to express its appreciation to the City's Department of Finance and Administrative Services who contributed to the preparation of this report and recognize in particular the Accounting Division and its Financial Reporting Section in administering the City's accounting system and in preparing this report.

Respectfully submitted,

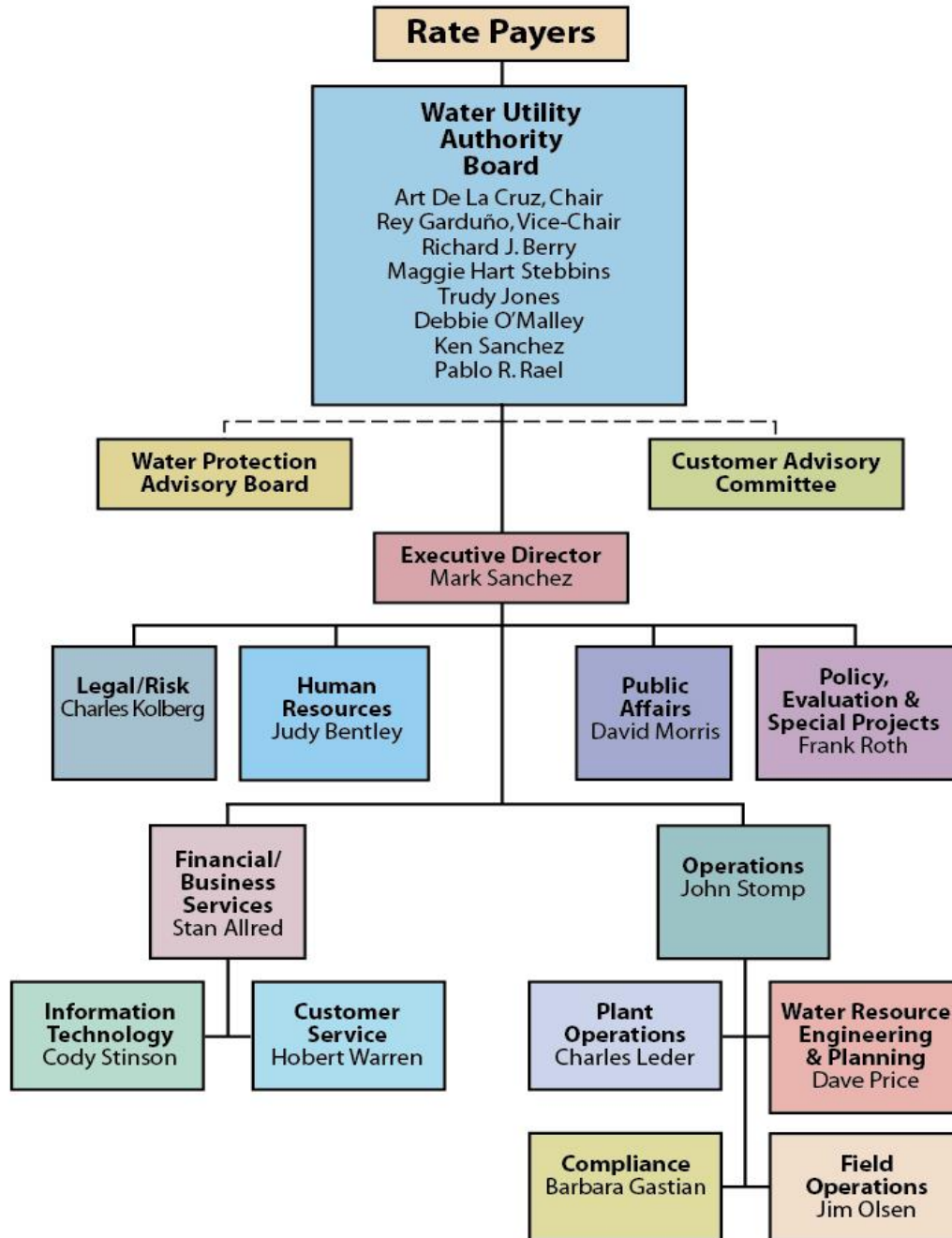


Mark S. Sanchez  
Executive Director



Stanley Allred  
Chief Financial Officer

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
ORGANIZATION CHART**



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## Independent Auditor's Report

Mr. Hector Balderas  
New Mexico State Auditor,  
and the  
The Board of Directors of the Albuquerque  
Bernalillo County Water Utility Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the Albuquerque Bernalillo County Water Utility Authority (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress for Life Insurance Benefit Plan on pages 11-25 and 51 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual, the Schedule of Deposits and Investments by Financial Institution, the Schedule of Pledged Collateral by Financial Institution, and the Joint Power Agreements, Memorandums of Understanding, and Other Agreements (collectively the "other schedules required by 2.2.2 NMAC"), and the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico  
April 29, 2014

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

As management of the Albuquerque Bernalillo County Water Utility Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements contain two components: 1) financial statements, and 2) notes to those financial statements. This comprehensive annual financial report also contains other supplementary and statistical information in addition to the basic financial statements.

The Authority for financial statement reporting purposes is considered a business like entity and accounted for similar to an enterprise fund. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

The Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations which are the provision of water and sewer services to customers within the Authority's service area. The principal operating revenues result from exchange transactions in which each party receives and gives up essentially equal values.

**Measurement Focus / Basis of Accounting:**

The Authority's financial statements included herein present financial information using a recognition concept comprised of two elements, measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. In general, a specific measurement focus is matched with the corresponding basis of accounting that supports the measurement focus.

For governments to achieve the objective of accountability, financial information must be both relevant and reliable for reasonably informed users. Financial reports must satisfy numerous and diverse needs or objectives, including short-term financial position and liquidity, budgetary and legal compliance, and issues having a long-term focus such as capital budgeting and maintenance. Additionally, differences exist in the amount of detail that various users need. Presentations using different measurement focus/basis of accounting formats are required to meet these complex objectives.

The flow of economic resources measurement focus combined with the accrual basis of accounting is the most expansive perspective and recognizes any transaction which adds or subtracts economic resources from the entity. This measurement focus is used with the accrual basis of accounting so that revenues are recognized in the accounting period in which they are earned and become measurable without regard to availability and expenses are recognized in the period incurred, if measurable.

The budgetary basis of accounting can be any comprehensive basis of accounting chosen by the entity including hybrids of the accrual, modified accrual or the cash basis of accounting. The Authority's budgetary basis is consistent with the accrual basis of accounting with the exception of the accounting for debt service, which includes debt service principal payments, certain cash transfers, capital contributions, capital outlay, and capitalized interest costs.

**Basic Financial Statements**

The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Authority is improving or deteriorating, absent extraordinary events.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2013

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Authority's net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities for the fiscal year.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and statistical information including required supplementary information related to the Authority's employee pension funding and Other Post Employment Benefit Obligations (OPEB).

### Net Position

The equity reported in the statement of net position should be labeled net position and displayed in the following three components: (1) net investment in capital assets; (2) restricted (distinguishing between major categories of restrictions); and (3) unrestricted.

**Net Investment in Capital Assets** - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

**Restricted Net Position** - The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Net position should be reported as restricted when constraints placed on an assets use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Authority with an explicit understanding between the Authority and the resource providers that the funds would be used for a specific purpose.

For example, grants, contributions, and donations are often given under those kinds of conditions. Bond indentures similarly limit the use of proceeds.

**Unrestricted Net position** - The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be used to meet the Authority's obligations to its customers and its creditors.

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**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY****MANAGEMENT'S DISCUSSION AND ANALYSIS, continued****June 30, 2013****FINANCIAL ANALYSIS****Net Position****Table 1 - Condensed Statement of Net Position**

	<b><u>FY 2013</u></b>	<b><u>FY 2012</u></b> <b><u>(as restated)</u></b>	<b><u>Change</u></b>
Assets			
Current assets	\$ 57,200,878	\$ 64,820,403	\$ (7,619,525)
Non-current other than capital assets	8,273,685	33,408,958	(25,135,273)
Capital assets, net	<u>1,271,185,020</u>	<u>1,311,476,156</u>	<u>(40,291,136)</u>
Total assets	<u>1,336,659,583</u>	<u>1,409,705,517</u>	<u>(73,045,934)</u>
Liabilities			
Current liabilities	67,802,472	68,706,981	(904,509)
Long term payables	613,650,972	661,326,909	(47,675,937)
Other non-current liabilities	<u>1,855,519</u>	<u>52,457</u>	<u>1,803,062</u>
Total liabilities	<u>683,308,963</u>	<u>730,086,347</u>	<u>(46,777,384)</u>
Net Position			
Net investment in capital assets	617,398,422	636,174,669	(18,776,247)
Unrestricted	<u>35,952,198</u>	<u>43,444,501</u>	<u>(7,492,303)</u>
Total net position	<u>\$ 653,350,620</u>	<u>\$ 679,619,170</u>	<u>\$ (26,268,550)</u>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

**Table 2 - Condensed Statement of Changes in Net Position**

	<u><b>FY 2013</b></u>	<u><b>FY 2012</b></u>	<u><b>Change</b></u>
Operating revenues	\$ 179,677,625	\$ 177,054,690	\$ 2,622,935
Operating expenses other than depreciation, amortization, life insurance premiums and bad debt expense	107,213,677	100,532,321	6,681,356
Depreciation, amortization, life insurance premiums and bad debt expense	<u>88,222,868</u>	<u>85,360,738</u>	<u>2,862,130</u>
Total operating expenses	<u>195,436,545</u>	<u>185,893,059</u>	<u>9,543,486</u>
Operating loss	<u>(15,758,920)</u>	<u>(8,838,369)</u>	<u>(6,920,551)</u>
Non-operating income (expenses)			
Utility expansion charges	8,197,016	8,035,123	161,893
Investment income	42,009	148,520	(106,511)
Interest expense	(30,579,433)	(31,094,270)	514,837
Current year capitalized interest	1,946,692	4,384,347	(2,437,655)
Other income	1,743,925	2,146,169	(402,244)
Lease of stored water	1,094,892	190,010	904,882
Amortization of deferred amount on refunding / premium	4,066,823	2,555,736	1,511,087
Non-capital expenses paid in a capital project general ledger fund	<u>(1,153,368)</u>	<u>(1,137,408)</u>	<u>(15,960)</u>
	<u>(14,641,444)</u>	<u>(14,771,773)</u>	<u>130,329</u>
Loss before capital contributions	(30,400,364)	(23,610,142)	(6,790,222)
Capital contributions	<u>4,131,814</u>	<u>5,058,962</u>	<u>(927,148)</u>
Change in net position	(26,268,550)	(18,551,180)	(7,717,370)
Net position, July 1, as restated (Note I.C.10)	<u>679,619,170</u>	<u>698,170,350</u>	<u>(18,551,180)</u>
Net position, June 30	<u>\$ 653,350,620</u>	<u>\$ 679,619,170</u>	<u>\$ (26,268,550)</u>

Table 1 presents a summarized comparative statement of net position for the current and prior fiscal year. Table 2 presents a summarized comparative statement of changes in net position for the current and prior fiscal year. The fiscal year 2012 figures have been restated to conform to fiscal year 2013 presentation and the early implementation of Governmental Accounting Standards Board (GASB) Statement No. 65 'Items Previously Reported as Assets and Liabilities'. GASB Statement No. 65 concluded that deferred bond issuance costs no longer met the criteria for recognition as an asset. Accordingly, the June 30, 2012 balance in deferred bond issuance costs was removed through a downward adjustment of the Authority's net unrestricted position as of that date. For purposes of Table 1, FY 2012 non-current assets other than capital assets were reduced by \$3,537,317 and FY 2012 unrestricted net position were reduced by the same figure from balances previously reported. For purposes of Table 2, FY 2012 amortization expense was reduced by \$348,123 and the July 1, 2011 net position figure was reduced by \$3,189,194 from balances previously reported.

The decrease in current assets is primarily from the \$9 million reduction in the unrestricted cash balance of which \$7 million is attributed to spending within the Authority's capital program in fiscal year 2013 and the other \$2 million is the combined decrease in the cash balance between the Authority's operating and debt service general ledger funds. The decrease in non-current assets other than capital assets is primarily from the \$24.6 million reduction in the restricted cash balance. The \$24.6 million was spent within the Authority's capital program in fiscal year 2013.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**

**June 30, 2013**

Operating revenues increased by \$2.6 million in fiscal year 2013 while operating expenses (exclusive of depreciation, amortization, other post-employment life insurance benefits, and bad debt) increased by \$6.7 million in fiscal year 2013. The net difference of \$4.1 million is consistent with the decline in the cash balance in the Authority's general ledger operating fund. Increases of \$2.03 million in salary and fringe benefit costs and \$3.65 million in fuels, repairs and maintenance were responsible for almost \$5.7 million of the \$6.7 million increase in operating expenses. The 2% cost of living adjustment (discussed below) for salaries also increased employer benefit expenses such as PERA and FICA and there were a significant number of pay increases from promotions and certifications as the Authority's work force matures.

Utility expansion charge (UEC) revenues increased by less than \$200 thousand in fiscal year 2013. While UEC revenues are not considered operating revenues because they do not derive from the sale of water and sewer services, these revenues are a funding source for debt service and for capital acquisition similar to operating revenues and thus for many management purposes are considered together. UEC revenues in fiscal year 2013 were used to cover the \$2 million increase in debt service costs as the transfer from the operating general ledger fund for debt service stayed the same between fiscal years 2012 and 2013.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

June 30, 2013

### Operating Budget

**Table 3 - Comparative Statement of Operating Revenues and Expenses  
Using Budgetary Functional Categories of Expenses**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Operating revenues:			
Water charges including reuse	\$ 77,606,359	\$ 77,292,289	\$ 314,070
Sewer charges	58,031,482	58,200,526	(169,044)
Strategy implementation fee	29,161,140	28,747,537	413,603
Franchise fees billed	6,629,318	6,517,918	111,400
High consumption water surcharges	8,305,901	7,152,349	1,153,552
Low consumption water credits	(1,198,575)	(1,902,931)	704,356
Administrative fees	1,142,000	1,047,002	94,998
Total operating revenues	<u>179,677,625</u>	<u>177,054,690</u>	<u>2,622,935</u>
Operating expenses:			
Program expenses:			
Water plant facility production	6,504,770	13,439,322	(6,934,552)
Water plant facility distribution	15,899,295	11,187,155	4,712,140
Water distribution facilitation	2,211,249	2,217,809	(6,560)
Wastewater treatment	11,562,601	15,268,209	(3,705,608)
Compliance	3,761,225	3,846,553	(85,328)
Wastewater collection	7,090,736	8,854,518	(1,763,782)
Sustainable water supply	3,160,070	8,306,086	(5,146,016)
North I-25 reuse	9,263	254,187	(244,924)
Customer services	5,489,640	5,290,049	199,591
Finance	6,117,949	5,652,534	465,415
Human resources	1,052,049	952,475	99,574
Northwest service area	1,237,460	1,119,150	118,310
San Juan-Chama	750,272	927,249	(176,977)
Water resources management	6,295,368	6,273,032	22,336
Information systems	5,565,463	4,839,801	725,662
Low income utility credit	141,410	238,933	(97,523)
Water Authority	21,926,539	3,535,796	18,390,743
Administrative expenses:			
Franchise fees paid	6,629,318	6,524,463	104,855
Administrative fees paid to City	1,809,000	1,805,000	4,000
Other operating expenses:			
Depreciation and amortization	87,087,062	85,283,614	1,803,448
Other post employment benefit - life insur.	1,108,722	-	1,108,722
Bad debt expense	27,084	77,124	(50,040)
Total operating expenses	<u>195,436,545</u>	<u>185,893,059</u>	<u>9,543,486</u>
Operating loss	<u>\$ (15,758,920)</u>	<u>\$ (8,838,369)</u>	<u>\$ (6,920,551)</u>



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

**Budget Parameters:**

In the preparation of the fiscal year 2013 budget, certain assumptions were made related to the operations of the Authority, the economic climate and system growth within Bernalillo County and the City of Albuquerque.

- There was no rate adjustment effective for fiscal year 2013. The most recent rate adjustment was a 5% rate adjustment effective for fiscal year 2012 which continued in fiscal year 2013.
- Operating revenues were projected using a 5 year historical trend based upon growth and consumption. The trend was structured by class of customer as well as by the service size of each class. The projected revenues took into account the Authority's continued conservation efforts.
- System growth was based on a 2% growth factor offset in part by an estimated 1% water conservation effect.
- Utility expansion charge revenues were increased by \$1 million in fiscal year 2013 up to \$8 million to match the fiscal year 2012 actual revenues.
- There was a 2.0% cost of living adjustment for fiscal year 2013 and the full year cost from the addition of eleven net new positions added mid-year in fiscal year 2012.
- The largest budgeted increase in operating costs was \$2.1 million for paving and barricade costs which is consistent with the actual increase in fuels, repairs and maintenance costs in fiscal year 2013.
- Fringe benefits were calculated at 47.62% of gross wages, an increase of .58% from fiscal year 2012. The employer/employee split in employee benefit costs other than health insurance costs remained at 80%/20%.
- \$2 million was appropriated for addition to the Rate Reserve Fund making the balance in the Rate Reserve Fund equal to \$4 million.

**Significant Organizational Changes:**

The Authority for fiscal year 2013 moved the electricity, fuel and chemical expenses from individual programs into a general government department in the Water Authority program. There was a two-fold purpose behind this action. First, moving these primarily non-discretionary expenditures into their own program was thought to allow for more effective central management of these costs which after salaries and benefits comprise the largest segment of operating expenditures. At the same time, the individual programs from where these costs were moved were left with a larger proportion of controllable costs that could be subject to evaluation for effective management and accountability.

The Authority approved \$3.3 million in issue papers for fiscal year 2013 which represented increased costs for various purposes. Most significant was \$2.4 million added to the Water Plant Facility Distribution program for barricading, paving and permit expenses which in prior years had been charged to the Authority's capital program. The barricading, paving and permit expenses were primarily associated with line repairs done in the normal course of business. The budget increase allowed these costs to be charged to operating consistent with the thinking that these costs were more operating than capital in nature.

The Authority made a conscious decision to ask the plant and field operating departments to take a more proactive approach to maintenance and do more work on a planned basis rather than a reactive basis. Accordingly, the budget for repairs and maintenance in the affected programs was increased to allow Authority personnel to do more scheduled maintenance.

**Results of Operations:**

The Authority's operating budget as approved had an excess of revenues compared to expenditures of \$9.76 million. The anticipated surplus in the operating fund was intended to meet the Authority's objective of maintaining a working capital balance of \$10 million in that fund. Actual results produced a deficit of \$2.65 million.

Actual results fell below budgeted goals primarily because actual revenues were less than budgeted revenues. Actual results for revenues were \$9.57 million below budget. Actual results for expenditures were \$2.84 million above budget. In the spring of calendar year 2013, the Authority enacted drought restrictions and added another tier of high consumption surcharge. In tandem with the Authority's ongoing and effective water conservation efforts, the drought restrictions led to reduced consumption during the normally high consumption period of spring and the month of June with a corresponding negative impact on overall revenues.

# **ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**

**June 30, 2013**

Underlying the Authority's operating costs is the continuing responsibility to operate and maintain two water systems, the well/aquifer system and the surface water treatment system. Although the well/aquifer system usage is being reduced as the surface water system increases capacity, the well/aquifer system will still have to be fully operational to supplement the surface water as necessary. The operation of these systems represents a dual cost for the Authority.

### **Year to Year Program Differences:**

The year to year program differences mirror the organizational changes discussed above. The newly created general government department in the Water Authority program in fiscal year 2013 accounted for more than \$17.99 million of the increase in this program. Correspondingly, the two plant programs, water plant facility production and wastewater treatment had declining expenditures from the removal of electricity, fuel and chemical expenses. Although the wastewater treatment program had an overall decline in expenditures, this program and the water plant facility distribution program saw higher repairs and maintenance costs arising from the directive to do more planned maintenance of plant assets.

### **Debt Service Budget:**

The Authority's debt service budget as approved had an excess of expenditures compared to revenues of \$.88 million. Actual results produced a deficit of \$1.03 million. Actual debt service expenditures were slightly lower than budgeted and UEC revenues were slightly higher than budgeted. However, these two positive items were insufficient to offset investment income being much less than budgeted investment income.

Utility expansion charge (UEC) remained constant at fiscal year 2012 levels but debt service was \$2 million higher in fiscal year 2013 than in fiscal year 2012. Although the transfer from the operating fund remained constant, more of the UEC revenue was needed to pay debt service rather than being allowed to accumulate and build up the working capital balance.

## **CAPITAL ASSETS**

The Authority's Capital program is comprised of different 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. In recent years, the Authority has increased its utilization of state and federal grants to fund some capital projects in whole or in part.

The blueprint for the Authority's Basic Program is its 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 Basic Program budget. FY/13 was the second year of the two year planning element included in the FY/12 – FY/21 Decade Plan approved by the Board in April, 2011.

Basic Program capital needs are incorporated into the water/sewer rate structure through the Rate Ordinance. Funding for the Basic Program comes from a combination of cash and debt. The rate structure is intended to generate sufficient revenues such that approximately 50% of the Basic Program can be paid with cash transfers and there is sufficient funding 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 Rate Ordinance requires a \$30 million Basic rehabilitation program. The Rate Ordinance does not specify the size of the Basic growth program.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

The Basic growth program has shifted in focus from placing new pipe in the ground to meeting the demands of a business intent on achieving performance improvement goals and meeting mandated standards. The discretionary spending in the FY/13 Growth program budget continued initiatives in Information Technology (IT) support for the operating divisions. The remainder of the FY/13 Growth program was primarily non-discretionary and included funding for the low income connection program managed by Bernalillo County and repayment to developers as connections are made to the System.

The most significant project in the IT area is a special project for the acquisition and implementation of the Authority's own financial and human resource systems. The Authority for fiscal year 2013 continued to utilize the City of Albuquerque's PeopleSoft systems which went live on January 1, 2009. The continuing difficulties with the PeopleSoft systems have been a primary contributor to the inability of the City and the Authority to get their annual external financial audit done on a timely basis and to timely monitor actual results against budgeted amounts. The Authority chose a financial system appropriate to its size and needs with the goal of minimal customization while changing business processes as needed to accommodate the delivered software. The software choice was the SunGard Financial Systems product titled 'One Solution'.

The Authority engaged the services of the Governmental Finance Officers Association to assist with system criteria, vendor selection and implementation services. The financial system and the payroll portion of the human resources system went live as scheduled on July 1, 2013. The remainder of the human resources system will go live on January 1, 2014. The FY/13 capital program appropriation includes \$2.0 million for this project.

**Table 4 - Schedule of Infrastructure and Capital Assets**

	<u><b>FY 2013</b></u>	<u><b>FY 2012</b></u>	<u><b>Change</b></u>
Buildings and Improvements	\$ 2,210,836	\$ 2,210,836	\$ -
Improvements other than Buildings	2,075,704,412	2,025,226,113	50,478,299
Machinery and Equipment	51,825,486	49,877,090	1,948,396
Purchased Water Rights	<u>44,581,533</u>	<u>43,720,597</u>	<u>860,936</u>
Total capitalized assets	2,174,322,267	2,121,034,636	53,287,631
Less accumulated depreciation and amortization	<u>(932,729,932)</u>	<u>(845,642,870)</u>	<u>(87,087,062)</u>
Net capitalized assets	1,241,592,335	1,275,391,766	(33,799,431)
Land	25,699,732	25,699,732	-
Construction work in progress	<u>3,892,953</u>	<u>10,384,658</u>	<u>(6,491,705)</u>
Total capital assets	<u><u>\$ 1,271,185,020</u></u>	<u><u>\$ 1,311,476,156</u></u>	<u><u>\$ (40,291,136)</u></u>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

**Table 5 - Schedule of Fiscal Year 2013 Major Capital Additions**

	<u><b>In Millions</b></u>
Basic Program with supplemental Southside Water Reclamation Plant funding	
Southside Water Reclamation Plant and collection system improvements	\$ 7.0
Sanitary sewer pipeline renewal	8.5
Drinking water pipeline renewal	9.8
Drinking water facilities renewal	5.3
Aquifer recharge demonstration project	2.4
Non-Basic Program	
Automated meter infrastructure project	6.3
Third Party Financed	
Private developer and grant funded infrastructure improvements	4.1
	<u><u>\$ 43.4</u></u>

Table 4 presents the Authority's infrastructure and capital assets at June 30, 2013 and 2012 while Table 5 presents significant capital projects or combinations of smaller individual projects with a common purpose that were placed in service in fiscal year 2013. The project values include capitalized interest.

The capital program expended fewer dollars in fiscal year 2013 than in fiscal year 2012 due to the lack of an ongoing major project or any major capital initiative. The construction of a replacement preliminary treatment facility (PTF) at the Southside Water Reclamation Plant with an expected cost in excess of \$30 million will be the major initiative in the fiscal year 2014 capital program.

There was only one large scale planned water and sewer line project ongoing in fiscal year 2013. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Authority's on-call contractors for small diameter water and sewer line repair and the repair of a large diameter sewer line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, purchasing replacement water meters, and making improvements at the Surface Water Treatment Plant.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

**DEBT ADMINISTRATION**

The Authority's debt obligations at June 30, 2013 are presented below. Net revenues of the System secure debt issued by the Authority.

**Table 6 - Schedule of Debt Obligations at June 30, 2013**

	<b>Outstanding</b>				
	<b>June 30, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2013</b>	<b>Payable in one year</b>
Parity Obligations:					
Revenue Bonds	\$ 443,015,000	\$ -	\$ 22,235,000	\$ 420,780,000	\$ 23,545,000
Loan Agreements - NMFA	211,918,729	-	17,497,222	194,421,507	17,606,701
Subordinate Obligations:					
Loan Agreements - NMED	7,433,738	-	992,059	6,441,679	453,894
Loan Agreements - NMFA	9,980,080	-	466,842	9,513,238	475,158
Junior Obligations:					
Loan Agreements - NMFA	311,232	-	17,353	293,879	17,397
Lines of Credit - NMFA	-	191,380	56,406	134,974	56,548
Water rights contract	12,932,117	-	1,007,322	11,924,795	1,038,005
Less deferred amounts:					
Unamortized bond premiums	17,432,095	-	4,098,492	13,333,603	-
Bond refunding costs	(31,669)	-	(31,669)	-	-
	<u>\$ 702,991,322</u>	<u>\$ 191,380</u>	<u>\$ 46,339,027</u>	<u>\$ 656,843,675</u>	<u>\$ 43,192,703</u>

In the ordinances pursuant to which the System obligations have been issued, the Authority agreed to charge all purchasers of services reasonable rates sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all System obligations (excluding reserves). The calculation of "net revenues" is done in a prescribed manner using data from these financial statements. "Net revenues" are then divided by debt service requirements. The resulting ratio, called the debt service coverage ratio, is then compared to the 1.33 ratio required by Ordinance.

The debt service coverage ratio for all system obligations in fiscal year 2013 was 1.34. The debt service coverage ratio for senior lien obligations in fiscal year 2013 was 1.42. The Authority's bond ratings at the time the Joint Water and Sewer System Improvement and Refunding Revenue Bonds (see below) closed on October 22, 2013 were Aa2 from Moody's, AA from Fitch and AA from Standard & Poors.

Debt issued for basic capital needs is scheduled for a twelve year retirement while debt issued for San Juan Chama Drinking Water and Southside Reuse projects have a twenty five year retirement schedule. Net revenues of the system secure all debt of the Authority.

**New Debt**

The Joint Water and Sewer System Improvement (Series 2013A) and Refunding (Series 2013B) Revenue Bonds closed on October 22, 2013. Series 2013A had a par amount of \$62,950,000 with a premium of \$7,503,235. Series B had a par amount of \$55,265,000 with a premium of \$7,711,334. Series 2013A has a Serial Bond component - \$57,110,000 - and a Term Bond component - \$5,840,000 - with final maturity due July 1, 2038. Series 2013B is a Serial Bond with final maturity due July 1, 2024. Principal is paid annually on July 1<sup>st</sup> of every year beginning July 1, 2014 for both Series A and B.

The coupon rate for Series 2013A is 3% for the July 1, 2014 installment and 4% for the July 1, 2015 and 2016 installments and is 5% thereafter for all subsequent installments. The coupon rate for Series 2013B is 3% for the July 1, 2014 installment and is 5% thereafter for all subsequent installments.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

Proceeds from the Series 2013A issue will be used for the Basic rehabilitation program, provide supplemental funding for rehabilitation work at the Southside Water Reclamation Plant, provide funding for the Authority's Automated Meter Infrastructure (AMI) project, and replacement of steel water lines.

Proceeds from the Series 2013B issue were placed in a refunding escrow for the purpose of refunding the 2004 NMFA-PPRF (New Mexico Finance Authority-Public Project Revolving Fund) loan in the principal amount of \$61,005,000 on May 1, 2014. The Authority is responsible for making the scheduled May 1, 2014 principal payment of \$8,670,000 on the NMFA loan at which time all subsequent installment payments become callable.

Three Water Trust Board grant/loans closed on November 23, 2011. Water Trust Board grant/loan numbers 205 and 206 are for the continued planning, design and construction of a regional water conveyance and delivery system for the residents of the community of Carnuel east of Albuquerque in Bernalillo County. Number 205 has a grant amount of \$1,808,000 and a loan amount of \$452,000 for a total of \$2,260,000. Number 206 has a grant amount of \$960,000 and a loan amount of \$640,000 for a total of \$1,600,000. As with the Authority's other agreements with the Water Trust Board, these agreements do not provide forward funding for work but instead will reimburse the Authority as eligible expenditures are made. Water Trust Board grant/loan number 207 is for the planning and design of a large scale aquifer recharge project. Number 207 has a grant amount of \$95,032 and a loan amount of \$63,354 for a total of \$158,386. This funding represents a continuation of state funding for the Authority's aquifer recharge efforts. Phase one of the project was funded in part by an earlier state grant. The interest rate on all three grant/loans is 0% but a .25% fiscal agent fee expense is charged.

The agreements with the New Mexico Finance Authority or the New Mexico Water Trust Board which provide for reimbursement to the Authority upon submission of eligible expenditures are considered lines of credit for financial statement purposes until the final amount of the agreement is known at project completion and all reimbursements have been received. At that point, the line of credit is considered to be converted to a loan agreement.

As of June 30, 2013 all three Water Trust Board grant/loan numbers 205, 206 and 207 are considered lines of credit. There have been reimbursable expenditures and reimbursements received on grant/loan numbers 205 and 207 in fiscal year 2013 while there have been no expenditures and no reimbursements relative to grant/loan number 207. However, each of the three agreements required the payment of principal beginning July 1, 2012 and each July 1 thereafter regardless of whether the lines of credit have been converted to loan agreements and regardless of whether any reimbursements have been received on the lines of credit. Accordingly, the Authority made principal payments on all three grant/loans on July 1, 2012 and 2013. For financial statement purposes, reimbursements are first considered loan proceeds to the full extent of the loan amount and grant revenues thereafter.

More detailed information can be found in the notes to the accompanying financial statements.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

**National Economy and Key Points from the Global Insight Outlook**

It should be noted that the following is based on the October 2012 Global Insight forecast and events have transpired that may or may not agree with this forecast. Along with the baseline forecast alternative forecasts are prepared with pessimistic and optimistic occurrences.

**Baseline Scenario**

In the baseline forecast, assigned a probability of 60%, IHS Global Insight (GI) expects limited growth. The year over year growth in real GDP for FY/14 is expected to be 1.9% which is below the 2.0% growth in FY/13. Growth remains low due to the many uncertainties both in the U.S. and in the world. Exports, which had been leading the recovery, are lagging as Europe and the rest of the world still remain weak and the dollar remains relatively strong against the Euro. Consumer spending continues to be sluggish. Consumers have reduced their debt levels though they are still relatively high. In addition consumers lack confidence in the strength of the economy and the government's ability to make things better. With the government shutdown in October consumer confidence fell to an all-time low. GI assumes that the automatic spending cuts of the sequestration will continue through calendar year 2014. Then some combination of tax increases and spending cuts will occur moving forward. Employment growth remains sluggish but has shown steady increases. Growth was 1.6% in FY/13, and 1.7% in FY/14. Total employment is not expected to reach its previous peak of FY/08 until FY/15. Unemployment reached a peak of 9.9% in the fourth quarter of 2009 and by FY/18 declines to 5.5%.

Inflation is one of the few bright spots in the GI forecast. Weak employment growth puts little pressure on wages helping to limit pressure on prices. Inflation is expected to remain below 2% from FY/14 through FY/18. Oil prices increase in FY/14 to over \$100 per barrel, but remain below \$100 for the remainder of the forecast. GI expects growth in the Consumer Price Index (CPI) to remain muted, around 1.5% in FY/14 and increasing slightly in FY/15 to 1.7% and only reaching 1.9% in FY/17 and FY/18. The low inflation expectation also plays into moderate increases in interest rates. GI believes that the Federal Reserve Bank (FRB) will not raise rates until FY/16; reaching 1.1% in FY/16 and 4% by FY/18.

There are a number of risks in the economy. With the rate of growth in GDP so low, any unexpected occurrence could push the economy into recession. The battle in congress over spending, taxes and extension of the debt ceiling pushed confidence to a new low in October 2013. The shutdown of the federal government in October was not directly factored into the forecast, but the November forecast showed little impact. The "sequester" is expected to be in place through December 2014. The current levels of uncertainty on businesses restrain activity in investment and hiring. Unfortunately, these high levels of uncertainty are likely to remain with us over the next few years.

**Pessimistic Scenario**

This scenario is assigned a probability of 20%. In this scenario, the recovery stalls. Construction is weak in part due to more difficulty in access to credit; an increase in the credit crunch. The "sequester" is replaced by more severe cuts including a suspension of long term unemployment benefits. Unemployment basically remains at a high level, only decreasing to 7.4% by FY/18. Inflation is above the baseline at 2.5% in the out years in part due to supply constraints that raise the price of oil to \$112 per barrel. Internationally the Eurozone falls back into recession and emerging markets are weak. The FRB doesn't increase rates until FY/18 as it attempts to continue to stimulate the economy.

**Optimistic Scenario**

This scenario is assigned a probability of 20%. In it basically everything goes right. A tax and spending compromise is reached, The Eurozone and emerging markets show strong growth helping exports. Inflation is above the baseline originally as strong demand pushes it up. The FRB reacts and starts raising interest rates in FY/15 to limit inflation. Even with higher interest rates housing starts accelerate and unemployment drops to near 4.1% in FY/18.

**Albuquerque Economy**

The Albuquerque economy is affected by the U.S. and world economies. Albuquerque fell with the national economy, but has lagged in its recovery. Employment has begun to grow, but at very modest rates. The FOR-UNM forecast of employment in October 2013, has positive employment growth beginning in FY/13. FY/13 increased 0.5% and FY/14 is expected to grow 1.3%.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**June 30, 2013**

**National Economy and Key Points from the Global Insight Outlook, continued**

The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12 a loss of 7% of total employment. Growth for FY/15 is expected at 1.7% with FY/16 increasing at the same rate. This is a muted growth rate for pulling out of a recession. The economy does not reach FY/08 levels until FY/18. Construction has improved and is now helping the economy. The unemployment rate continues to decline, but some of this is due to discouraged workers leaving the labor force. The rate is expected to slowly decline to 5.6% in FY/18.

**FY 2014 Budget and Rates**

The fiscal year 2014 approved budget included a 5% revenue rate adjustment.

The fiscal year 2014 budget is a maintenance of effort budget within the projected estimated revenues. The fiscal year 2014 budget has an increase of \$1.9 million for total personnel expenditures including a 1.45% increase in other employee benefits and the full year impact of eight net new positions added mid fiscal year 2013 plus three net new positions added for fiscal year 2014.

General operating expenditures increase \$.7 million with the major increase being the franchise fee based upon the 5% revenue adjustment effective July 1, 2013. The most significant expense of the Authority continues to be debt service payments which will comprise 38% of the total operating expense in fiscal year 2014.

On the revenue side, revenues classified as operating revenues in the accompanying financial statements were budgeted at \$196.374 million or \$8.240 million higher than fiscal year 2013 budgeted amounts and \$16.696 million higher than fiscal year 2013 actual amounts.

Utility expansion charge (UEC) revenue was budgeted at \$8.0 million or the same amount in the fiscal year 2013 budget and \$.197 million less than fiscal year 2013 actual amounts.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Albuquerque Bernalillo County Water Utility Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Room 5012, One Civic Plaza NW, Albuquerque, New Mexico 87102.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

**ASSETS**

**Current assets:**

Cash, investments, and accrued interest	\$ 4,376,391
Cash held for debt service	34,205,405
Accounts receivable, net of allowance for uncollectible accounts	15,487,864
Notes receivable, current portion	920,432
Due from other governments	2,194,935
Prepaid assets	<u>15,851</u>
<b>Total current assets</b>	<u><b>57,200,878</b></u>

**Noncurrent assets:**

Long-term notes receivable	<u>5,216,608</u>
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**Restricted assets:**

Cash, investments, and accrued interest	<u>3,057,077</u>
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**Capital assets:**

Buildings and improvements	2,210,836
Improvements other than buildings	2,075,704,412
Machinery and equipment	51,825,486
Purchased water rights	<u>44,581,533</u>
	2,174,322,267
Less accumulated depreciation and amortization	<u>932,729,932</u>
Net capital assets	1,241,592,335
Land	25,699,732
Construction work in progress	<u>3,892,953</u>
<b>Total capital assets</b>	<u><b>1,271,185,020</b></u>

<b>Total noncurrent assets</b>	<u><b>1,279,458,705</b></u>
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<b>Total assets</b>	<u><b>1,336,659,583</b></u>
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The accompanying notes are an integral part of these financial statements.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY****STATEMENT OF NET POSITION, continued****June 30, 2013****LIABILITIES****Current liabilities:**

Trade accounts payable	2,817,948
Accrued payroll	1,912,951
Accrued vacation and sick leave pay	3,071,653
Deposits	702,845
Accrued interest payable	302,691
Construction contracts payable	4,274,419
Other payables - debt obligations	
Current portion:	
Bonds	23,545,000
Loan agreements	18,609,698
Water rights contract	1,038,005
Accrued interest	<u>11,527,262</u>
Total current liabilities	<u>67,802,472</u>

**Noncurrent liabilities:****Long-term payable:**

Bonds, net of current portion, discounts and premiums	410,568,603
Loan agreements, net of current portion	192,195,579
Water rights contract, net of current portion	<u>10,886,790</u>
Total long-term payable	<u>613,650,972</u>

**Other:**

Post-employment life insurance benefit obligation	1,108,722
Accrued vacation and sick leave pay	<u>746,797</u>
Total other	<u>1,855,519</u>

Total noncurrent liabilities	<u>615,506,491</u>
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Total liabilities	<u>683,308,963</u>
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**NET POSITION**

Net investment in capital assets	617,398,422
Unrestricted	<u>35,952,198</u>
Total net position	<u>\$ 653,350,620</u>

The accompanying notes are an integral part of these financial statements.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
Year ended June 30, 2013

**Operating revenues:**

Charges for services	\$ <u>179,677,625</u>
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**Operating expenses:**

Salaries and fringe benefits	48,510,025
Professional services	882,847
Utilities	12,889,006
Supplies	9,295,557
Fuels, repairs, and maintenance	13,095,120
Contractual services	9,694,480
Franchise fees	6,629,318
Tort and other legal fees	2,618,768
Workman's compensation	754,159
Administrative fees to other government	1,550,000
Life insurance premiums	1,108,722
Other operating expenses	1,294,397
Depreciation	86,644,314
Amortization	442,748
Bad debt expense	<u>27,084</u>

Total operating expenses	<u>195,436,545</u>
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Operating loss	<u>(15,758,920)</u>
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**Nonoperating revenues (expenses):**

Interest on investments	42,009
Interest expense	(24,565,918)
Water service expansion charges	8,197,016
Other	<u>1,685,449</u>

Total nonoperating revenues (expenses), net	<u>(14,641,444)</u>
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Loss before capital contributions	(30,400,364)
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Capital contributions	<u>4,131,814</u>
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Change in net position	(26,268,550)
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Net position, July 1, as restated (Note I.C.10)	<u>679,619,170</u>
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Net position, June 30	<u>\$ 653,350,620</u>
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The accompanying notes are an integral part of these financial statements.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY****STATEMENT OF CASH FLOWS**

Year ended June 30, 2013

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 180,053,082
Cash payments to employees for services	(46,530,030)
Cash payments to suppliers for goods and services	(59,824,588)
Miscellaneous cash received	<u>2,271,730</u>
<b>Net cash provided by operating activities</b>	<u><b>75,970,194</b></u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from line of credit	191,380
Principal paid on revenue bond maturities	(22,235,000)
Interest and other expenses paid on revenue bond maturities	(20,954,795)
Principal paid on loan agreements	(18,973,475)
Interest and fees paid on loan agreements	(9,827,089)
Principal paid on water rights contract	(1,007,322)
Interest paid on water rights contract	(393,912)
Principal paid on lines of credit	(56,407)
Purchased water rights	(860,936)
Acquisition and construction of capital assets	(44,132,793)
Capital grants received	187,879
Water service expansion charges	<u>8,768,458</u>
<b>Net cash used for capital and related financing activities</b>	<u><b>(109,294,012)</b></u>
<b>Cash flows from investing activities:</b>	
Interest received on investments	<u>164,564</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(33,159,254)</b>
<b>Cash and cash equivalents, July 1</b>	<u><b>74,798,127</b></u>
<b>Cash and cash equivalents, June 30</b>	<u><b>\$ 41,638,873</b></u>

The accompanying notes are an integral part of these financial statements.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY****STATEMENT OF CASH FLOWS, continued****Year ended June 30, 2013****Reconciliation of operating loss to net cash  
provided by operating activities:**

<b>Operating loss</b>	<b>\$ (15,758,920)</b>
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>	
<b>Depreciation</b>	<b>86,644,314</b>
<b>Amortization</b>	<b>442,748</b>
<b>Miscellaneous cash received</b>	<b>2,271,730</b>
<b>Provision for bad debts</b>	<b>27,084</b>
<b>Decrease (increase) in assets:</b>	
<b>Accounts receivable</b>	<b>346,515</b>
<b>Prepaid assets</b>	<b>20,796</b>
<b>Increase (decrease) in liabilities:</b>	
<b>Accounts payable and customer deposits</b>	<b>(1,112,790)</b>
<b>Post-employment life insurance benefit obligation</b>	<b>1,108,722</b>
<b>Accrued payroll and vacation and sick leave pay</b>	<b><u>1,979,995</u></b>
<b>Net cash provided by operating activities</b>	<b><u>\$ 75,970,194</u></b>

**Cash and cash equivalents at June 30 consist of:**

<b>Current assets:</b>	
<b>Cash, investments, and accrued interest</b>	<b>\$ 4,376,391</b>
<b>Cash held for debt service</b>	<b>34,205,405</b>
<b>Non-current assets:</b>	
<b>Restricted assets:</b>	
<b>Cash, investments, and accrued interest</b>	<b><u>3,057,077</u></b>

<b>Total cash and cash equivalents, June 30</b>	<b><u>\$ 41,638,873</u></b>
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**Noncash transactions:**

<b>Capital contributions by developers</b>	<b>1,939,091</b>
<b>Unrealized loss on investments</b>	<b>(47,704)</b>

The accompanying notes are an integral part of these financial statements.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**I. Summary of Significant Accounting Policies**

The financial statements of the Albuquerque Bernalillo County Water Utility Authority (Authority), a related organization of the City of Albuquerque, New Mexico, (City) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

**A. Reporting entity**

In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978), which created the Authority and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Joint Water and Sewer Systems (System) would be transferred to the Authority. The legislation also provided that the debts of the City payable from Net Revenues of the System shall be debts of the Authority and that the Authority shall not impair the rights of holders of outstanding debts of the System. The legislation also required that the New Mexico Public Regulation Commission audit the System prior to the transfer of money, assets and debts of the System to the Authority; the audit was completed in December 2003. By operation of law, functions, appropriations, money records, equipment and other real and personal property pertaining to the System have been transferred to the Authority. All policy-making for the System resides with the Authority. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Authority as a political subdivision of the state.

Effective July 1, 2007, the Authority assumed all management and operation of what was the City Water Utility Department. A new Memorandum of Understanding (MOU) between the Authority and the City became effective July 1, 2007 and was due to expire on June 30, 2012. The existing MOU was extended through June 30, 2013. Although the extension of the MOU for fiscal year 2013 did not change any terms and conditions of the MOU and in fact the administrative fee the Authority paid to the City in fiscal year 2013 was identical to the fee paid to the City in fiscal year 2012, the Authority began in fiscal year 2013 to operate with greater autonomy from the City in preparation for fiscal year 2014 when the Authority assumed almost all business processes previously performed by the City on the Authority's behalf.

The accompanying financial statements present only the financial position of the Authority at June 30, 2013, and the results of its operations for the year ended June 30, 2013. The Authority is a related organization of the City, and these financial statements are not intended to present fairly the financial position of the City as of June 30, 2013, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. However, certain disclosures are for the City as a whole, since such information is generally not available for the Authority on a separate Authority basis. Where applicable, the Authority's share of the balance/activity is included (See Notes III, A., G., and H.). There are no component units of the Authority.

The accounting policies of the Authority as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units. The more significant of these accounting policies are summarized below.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The Authority accounts for all activities to provide water and sewer services for the residents of the City of Albuquerque and outlying areas. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services, which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Authority distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues or expenses. These include investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**B. Measurement focus, basis of accounting, and financial statement presentation, continued**

The Authority is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flow occurs.

**C. Assets, liabilities, and net position**

***1. Cash, investments, and accrued interest***

In accordance with City policies, the Authority participates in the City's cash management program that is administered by the City's Treasury Division. A significant portion of cash and investments held by the City is pooled. The pooled cash investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are stated at fair market value. The balance reported as "Cash, Investments, and Accrued Interest" represents the equity of the Authority in the pooled cash, investments, and accrued interest. The Authority's share of the interest earnings on pooled investments is determined by allocating interest to the Authority based on average daily balances.

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than three years from the date of purchase, except investments held to meet legal reserve requirements on bonded indebtedness. The maturity date of these investments will not exceed the final maturity date of the bond issue to which they are pledged. Funds are invested based on a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specific maturities.

All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds that are computed at amortized cost approximating market value.

Investments in the State of New Mexico Local Government Investment Pool (LGIP) are valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31. The LGIP is not SEC registered. The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.IA and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy Document. The independent Auditor's Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditor's Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

The following categories of investments are specifically authorized by the policy:

1. Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.
2. U.S. Treasury Obligations - bills, notes, and bonds.
3. Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.
4. Municipal Bonds - rated in any of the three highest major rating categories by one or more nationally recognized rating agencies.
5. Fixed-income securities - through a diversified investment company registered pursuant to the federal Investment Company Act of 1940, provided the investment company or manager has total assets under management of at least one hundred million dollars (\$100,000,000).

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**C. Assets, liabilities, and net position, continued**

The following categories of deposits are specifically authorized by the policy:

1. Checking Accounts - at insured financial institutions.
2. Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).
3. Money market instruments - rated in the highest rating category by any nationally recognized rating agency.

**2. Accounts receivable**

Accounts receivable include water and sewer billings that are considered 100% collectible since a lien can be placed on the customer's property for nonpayment. Consequently, the Authority rarely has an allowance for uncollectible accounts. Any accounts that are subject to bankruptcy are directly written off when the court order is received.

**3. Capital assets**

State of New Mexico Administrative Code (Section 12-6-10 NMSA 1978) requires state and local governmental agencies to capitalize capital assets costing in excess of \$5,000. Currently, the Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year. The Authority implemented the new \$5,000 capitalization threshold in fiscal year 2007 for items purchased during the fiscal year. Such assets are recorded at historical cost or estimated historical cost if historical cost information is not available. Software is capitalized when acquired. Donated capital assets are recorded at estimated fair market value at the date of donation.

Construction costs of water and sewer lines that are reimbursed by users or that are financed directly or indirectly by developers, property owners and granting agencies are capitalized and recorded as capital contributions.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

<i>Buildings</i>	<i>50 years</i>
<i>Improvements other than buildings</i>	<i>25 years</i>
<i>Machinery and equipment</i>	<i>5 – 12.5 years</i>

Purchased water rights are recorded at cost and are being amortized using the straight-line method over one hundred years. Interest expense is capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings. The amount of capitalized interest is determined using the interest cost of the borrowings less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowings from the date of the borrowings until the assets are ready for their intended use.

**4. Trade accounts payable and construction contracts payable**

Trade accounts payable are recorded as the liability is incurred and represent payables from daily operations. Payment is made from unrestricted assets. Construction contracts payable are liabilities incurred for the acquisition of new capital projects or for rehabilitation of existing water and sewer lines and facilities. These contracts are funded by operational revenues, utility expansion charge revenues, and long-term debt proceeds.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**C. Assets, liabilities, and net position, continued**

**5. Accrued vacation and sick leave pay**

The employees of the Authority may accumulate limited amounts of vacation pay that is payable to the employee upon termination or retirement. Vacation costs are recognized as a liability when earned by the employee. The amount reported in the current liabilities section is approximately equal to the amount of vacation leave paid in the current fiscal year. The balance is reported in the noncurrent liabilities section of the statement of net position.

The employees of the Authority may accumulate limited amounts of sick leave that is payable to the employee upon termination or retirement. Sick leave costs are recognized when vested or taken, whichever occurs first. The amount reported in the current liabilities section is the amount recognized for those employees who are currently eligible to retire as of the end of the fiscal year. The balance is reported in the noncurrent liabilities section of the statement of net position.

**6. Long-term obligations**

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Authority's revenues and are recorded in the Authority's statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

**7. Net position**

The net position of the Authority is reported in the following three categories:

***Net investment in capital assets*** – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

***Restricted net position*** – Restricted net position result from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

***Unrestricted net position*** – This category reflects net position of the Authority that is not restricted for any project or other purpose.

**8. Statement of cash flows**

For the purposes of the statement of cash flows, all pooled cash and investments are considered to be cash equivalents, although there are investments with a maturity in excess of three months when purchased, because they have characteristics of demand deposits. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest. Purchases and sales of these investments are reported as cash flows from investing activities.

**9. Estimated amounts reported in financial statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**C. Assets, liabilities, and net position, continued**

**10. New accounting pronouncements**

For fiscal year 2013, the Authority early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement addressed in part the recognition of certain items previously recorded as assets and liabilities. In prior years, the Authority capitalized bond issuance costs and amortized the costs over the remaining maturity period of the related bond issues under a method that approximated the level interest rate method. This pronouncement requires that debt issuance costs be expensed as incurred. Changes from adoption of this pronouncement should be applied retroactively by restating financial statements for all periods presented. As such, the Authority has restated beginning unrestricted net position as of July 1, 2012 by \$3,537,371, resulting in restated beginning net position of \$679,619,170.

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2013.

- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The Authority will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Except as discussed in the following paragraph, the Authority believes that the above listed new GASB pronouncements will not have a significant financial impact to the Authority or in issuing its financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, becomes effective in the fiscal year ending June 30, 2015. The new standard will substantially change accounting and financial reporting for the City's participation in the Public Employees Retirement System (PERA), a cost sharing multiple-employer defined benefit retirement plan. The new standard will require the City's financial statements that use the economic resources measurement focus and accrual accounting to recognize a liability for the City's proportionate share of PERA's net pension liability, and to recognize pension expense, and to report deferred outflows of resources and deferred inflows of resources related to pensions, for its proportionate shares of PERA's collective pension expense and collective deferred outflows of resources and deferred inflows of resources.

**II. Stewardship, Compliance and Accountability**

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions, capital outlay, and capitalized interest costs. The annual budget is formulated by the Authority's Management and submitted to the Water Authority Board by April 1 for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board. After Board approval of the budget, a formal appropriation and encumbrance system to control expenditures is maintained by the City's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Authority's budget by program. For fiscal year 2013, expenditures may not exceed budgetary appropriations at the general ledger fund level. The Authority uses general ledger funds for internal accounting purposes. However, since the Authority is accounted for similar to an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**III. Detailed Notes**

**A. Cash and investments**

As discussed in Note I, C.1., the Authority participates in the City's pooled investment program. Cash and investments are held by the City and balances are allocated between the City and Authority. The total cash, investments, accrued interest and cash held for debt service of the Authority at June 30, 2013, which represents approximately 4.9% of the City's pooled investment program in which the Authority is a participant, consist of the following:

	<u>(in 000's)</u>
Cash, investments, accrued interest and cash held for debt service	
Held in the City's pooled investment program:	
Investments	
Repurchase agreements	\$ 177
Local government obligations	15
Obligations of federal agencies or instrumentalities	<u>3,025</u>
Total investments	<u>3,217</u>
Certificates of deposit	2,230
Bank accounts at book balance	34,867
Accrued interest receivable	<u>6</u>
Total held in City's pooled investment program	<u>40,320</u>
Not held in the City's pooled investment program	<u>1,318</u>
Total cash, investments, accrued interest and cash held for debt service	<u>\$ 41,638</u>
Current cash, investments and accrued interest:	
Held in the City's pooled investment program	\$ 3,058
Not held in the City's pooled investment program	<u>1,318</u>
Total current cash, investments, and accrued interest	4,376
Restricted noncurrent cash, investments and accrued interest	
held in the City's pooled investment program	3,057
Cash held for debt service	<u>34,205</u>
	<u>\$ 41,638</u>

**Custodial credit risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the funds of the participants in the pool may not be returned to them. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2013, none of the bank balances were exposed to custodial credit risk.

**Custodial credit risk – Investments.** Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, the participants in the pool will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City's name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting. The City's investment in the New Mexico State Treasurers Office (STO) Local Government Investment Pool (LGIP) represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific investments and is not subject to custodial credit risk.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**A. Cash and investments, continued**

Credit risk Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the participants in the pool will not be able to recover the value of its principal. As a home rule city, the City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The City's Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested in securities other than repurchase agreements, U.S. Treasury bills and notes or insured/collateralized certificates of deposit. As part of the City's allocation evaluation, these guidelines are reviewed periodically, considering the probability of market and default risk in various investment sectors. The City's investment policy describes permitted investments as those allowed for municipalities with a population in excess of 65,000 per Section 10-10-10 of the Statutes of the State of New Mexico. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement, and 2) certificates of deposit with local banks be fully insured by the FDIC. Investments in direct obligations of the U.S. Treasury are permitted as are securities of the U.S. Government agencies denoted in Section 6-10-10 F (2) of the State Statutes. At June 30, 2013, the City's internal investment pool held investments in fully-collateralized overnight repurchase agreements (repos), a fully-insured money market account, U.S. Government agency notes and a local government obligation.

In 2009, the City's internal investment pool liquidated its position in the STO LGIP. However, at June 30, 2013, the City continued to hold \$134,524 in the STO's "Reserve Contingency Fund" which represented the maximum potential loss from assets previously held in the LGIP's Primary Money Market Fund. The City does not expect any further recoveries from the reserve and has accrued the remaining balance as a loss. The City's Housing Authority Fund continued to hold a non-pooled position in the STO LGIP Fund of \$8,047,579 and a balance in the Reserve Contingency Fund of \$3,886. The State of New Mexico's LGIP is rated AAAM by Standard and Poors.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states the City will develop diversification strategies to avoid incurring concentration risk. The following general policies and constraints shall apply: With the exception of collateralized repos, U.S. Treasury securities, and authorized pools (comprising the "liquidity segment" of the portfolio), no more than 50% of the residual investment portfolio (the "core segment") will be invested in a single issue or at a single maturity. At June 30, 2013, the City's core segment is invested in debt securities issued by four Government Sponsored Entities (GSEs): the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Federal Home Loan Mortgage Corporation. These investments comprise 9%, 68%, and 23% respectively, of the core segment residual. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. At June 30, 2013, liquidity and core segment maturities are allocated as follows: 0-12 months – 0%; 1-2 years – 12%; 3-5 years – 88%. Holdings in the STO LGIP represent 1% of the total portfolio.

Summarized information concerning the GSE investments is as follows:

U.S. Agency Investments (summarized by GSE)	Wtd. Avg. Days to Maturity	Weighted Average Days to Call	Standard & Poor's Rating	Moody's Rating
Federal Home Loan Banks	964	50	AA+	Aaa
Federal National Mortgage Association	947	112	AA+	Aaa
Federal Home Loan Mortgage Corporation	852	157	AA+	Aaa

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**A. Cash and investments, continued**

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City's investment policy limits the City's exposure to interest rate risk by requiring that no less than 80% of the funds invested in the core segment of the internal investment pool or in other discretionary funds be in maturities of no more than three years from date of purchase. No more than 20% of the funds may be invested in maturities between three and five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase. The weighted average maturity of the investments in the internal investment pool's core segment at June 30, 2013, was 926 days. The weighted average days to call of the core segment was 117 days.

Pledged collateral by bank - The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance of \$250,000 per depositor, per insured bank. The pledged collateral by bank (in thousands) at June 30, 2013, was as follows:

	US Bank	Bank of America	Bank of the West	Wells Fargo Bank	NM Bank & Trust	Bank of Albuquerque
Total amount on deposit	\$ 983	\$ 213,413	\$ 252,261	\$ 376	\$ 961	\$ 1,560
Less FDIC coverage	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Total uninsured public funds	733	213,163	252,011	126	711	1,310
50% collateral requirement	<u>367</u>	<u>106,581</u>	<u>126,005</u>	<u>63</u>	<u>356</u>	<u>655</u>
Pledged securities, fair value	<u>598</u>	<u>198,306</u>	<u>362,738</u>	<u>969</u>	<u>492</u>	<u>1,500</u>
Pledged in excess of requirement	<u>\$ 231</u>	<u>\$ 91,725</u>	<u>\$ 236,733</u>	<u>\$ 906</u>	<u>\$ 136</u>	<u>\$ 845</u>

**B. Accounts receivable, notes receivable, and due from other governments**

Accounts receivable are primarily revenues earned from the Authority's water and sewer utility billing system. These are considered 100% collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2013 were \$15,566,280 net of an allowance for doubtful accounts of \$78,416.

Notes receivable are for utility expansion charges. The borrower is allowed to pay the Authority for the extension of water and sewer lines over a ten year period at 7% interest. Notes receivable at June 30, 2013 were \$6,137,040.

Due from other governments are primarily Federal and State grants receivable of \$2,147,648 that are for capital improvements. Also included are miscellaneous receivables of \$47,287.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**C. Capital assets**

Capital asset activity of the Authority for the year ended June 30, 2013, is as follows:

	Balance July 1	Increases	Decreases	Balance June 30
Assets not being depreciated:				
Land	\$ 25,699,732	\$ -	\$ -	\$ 25,699,732
Construction work in progress	10,384,658	4,769,720	11,261,425	3,892,953
Total assets, not being depreciated	<u>36,084,390</u>	<u>4,769,720</u>	<u>11,261,425</u>	<u>29,592,685</u>
Assets being depreciated:				
Buildings	2,210,836	-	-	2,210,836
Improvements other than buildings	2,025,226,113	50,478,299	-	2,075,704,412
Machinery and equipment	49,877,090	1,948,396	-	51,825,486
Total assets, being depreciated	<u>2,077,314,039</u>	<u>52,426,695</u>	<u>-</u>	<u>2,129,740,734</u>
Less accumulated depreciation:				
Buildings	1,754,573	44,217	-	1,798,790
Improvements other than buildings	801,524,213	80,927,525	-	882,451,738
Machinery and equipment	30,428,688	5,672,572	-	36,101,260
Total accumulated depreciation	<u>833,707,474</u>	<u>86,644,314</u>	<u>-</u>	<u>920,351,788</u>
Capital assets being depreciated, net	<u>1,243,606,565</u>	<u>(34,217,619)</u>	<u>-</u>	<u>1,209,388,946</u>
Assets being amortized:				
Purchased water rights	43,720,597	860,936	-	44,581,533
Less amortization	11,935,396	442,748	-	12,378,144
Capital assets being amortized, net	<u>31,785,201</u>	<u>418,188</u>	<u>-</u>	<u>32,203,389</u>
Total capital assets, net	<u>\$ 1,311,476,156</u>	<u>\$ (29,029,711)</u>	<u>\$ 11,261,425</u>	<u>\$ 1,271,185,020</u>

Changes to capital assets of the Authority for the fiscal year ended June 30, 2013, include the following amount of capitalized interest:

	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 26,512,610	\$ 1,946,692	\$ 24,565,918
Interest income	164,563	122,554	42,009
Capitalized interest		<u>\$ 1,824,138</u>	

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**D. Short-term and long-term obligations**

The change in the short-term and long-term obligations of the Authority for the year ended June 30, 2013, are as follows:

	Outstanding				Payable in
	June 30, 2012	Increases	Decreases	June 30, 2013	one year
Parity Obligations:					
Revenue Bonds	\$ 443,015,000	\$ -	\$ 22,235,000	\$ 420,780,000	\$ 23,545,000
Loan Agreements - NMFA	211,918,729	-	17,497,222	194,421,507	17,606,701
Subordinate Obligations:					
Loan Agreements - NMED	7,433,738	-	992,059	6,441,679	453,894
Loan Agreements - NMFA	9,980,080	-	466,842	9,513,238	475,158
Junior Obligations:					
Loan Agreements - NMFA	311,232	-	17,353	293,879	17,397
Line of Credit - NMFA	-	191,380	56,406	134,974	56,548
Water rights contract	12,932,117	-	1,007,322	11,924,795	1,038,005
Accrued vacation and sick leave pay	3,316,874	4,135,409	3,633,833	3,818,450	3,071,653
Less deferred amounts:					
Unamortized bond premiums	17,432,095	-	4,098,492	13,333,603	-
Deferred refunding costs	(31,669)	-	(31,669)	-	-
	706,308,196	4,326,789	49,972,860	660,662,125	46,264,356
Current portion of					
long-term obligations	(44,928,830)	-	1,335,526	(46,264,356)	-
Total	<u>\$ 661,379,366</u>	<u>\$ 4,326,789</u>	<u>\$ 51,308,386</u>	<u>\$ 614,397,769</u>	<u>\$ 46,264,356</u>

**Parity Obligations – Revenue Bonds, Loan Agreements, and Lines of Credit:**

Authority parity obligations are secured by a pledge of net revenues derived from the operations of the Authority's water and sewer system. In ordinances pursuant to the issuance of these bonds, the Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding system obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Authority shall either promptly increase rates in order to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Authority's rate structure and other charges in order to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2013, the net revenues were 134% of the annual debt service on all outstanding system obligations.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**D. Short-term and long-term obligations, continued**

Authority Parity Revenue Bonds outstanding at June 30, 2013, are as follows:

Revenue Bonds Issued	Amount	Interest Rate	Final Maturity	Call Provisions
October 25, 2005	\$ 117,390,000	3.50% to 5.00%	July 1, 2025	100% beginning July 1, 2015
July 12, 2006	115,710,000	4.25% to 5.165%	July 1, 2026	100% beginning July 1, 2016
April 9, 2008	55,630,000	5.00%	July 1, 2033	100% beginning July 1, 2018
April 8, 2009	128,140,000	3.00% to 5.50%	July 1, 2029	100% beginning July 1, 2019
April 8, 2009, Refunding	<u>3,910,000</u>	3.00% to 5.00%	July 1, 2013	Not callable
Total outstanding	\$ 420,780,000			
Unamortized:				
Premiums	<u>6,192,228</u>			
Net outstanding	<u>\$ 426,972,228</u>			

Authority Parity Loan Agreements outstanding at June 30, 2013, are as follows:

Loan Agreements Issued	Current Loan Balance	Original Loan Amount	Interest Rate	Final Maturity
April 11, 2003	\$ 981,922	\$ 3,600,000	2.00%	January 1, 2016
October 13, 2004	69,675,000	118,415,000	1.32% to 4.16%	May 1, 2024
October 28, 2005	17,405,000	20,000,000	2.93% to 4.01%	May 1, 2025
September 26, 2007	56,305,000	77,005,000	4.00% to 5.0%	May 1, 2025
December 1, 2010	954,585	1,000,000	0.75%	July 1, 2031
December 15, 2011	<u>49,100,000</u>	53,400,000	3.00% to 5.0%	June 1, 2036
Total outstanding	\$ 194,421,507			
Unamortized:				
Premiums	<u>7,141,375</u>			
Net outstanding	<u>\$ 201,562,882</u>			

Subordinate Obligations – Loan Agreements and Lines of Credit:

On May 20, 2005, the Authority executed a promissory note with the New Mexico Environment Department that converted an existing \$12,000,000 line of credit agreement. The note payable of \$9,627,877 (total draws on the line of credit plus accrued interest of \$242,655) has an interest rate of 3%. The note requires annual payments of \$647,145, due on May 20<sup>th</sup> each year. Final payment is due May 20, 2025. The balance due at June 30, 2013, is \$6,441,679.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**D. Short-term and long-term obligations, continued**

On November 17, 2008, the Authority entered into a line of credit agreement with the New Mexico Finance Authority. The agreement provided that the Authority could draw a total of \$12,000,000. Construction of the project was completed in fiscal year 2010 for a total cost of \$10,426,232. This credit line was converted to a long-term subordinate loan agreement on November 11, 2010 at an interest rate of 1.75% with annual payments due beginning May 1, 2011 and maturing on May 1, 2030. The balance due at June 30, 2013, is \$9,304,961.

The Authority entered into a line of credit agreement on January 22, 2010, with the New Mexico Finance Authority (NMFA) whereby the Authority could draw up to \$200,000. The agreement was partially funded with federal grants received by the NMFA through the American Recovery and Reinvestment Act. If the Authority complied with the terms of the agreement, then \$140,000 would be subsidized by the grant and therefore not repayable. The purpose of the project was to upgrade and improve the water utility system, including, but not limited to, expansion of the leak detection system to cover an additional 5% of the distribution system. This project was completed in fiscal year 2011 for a total cost of \$199,873, of which \$140,000 was forgiven and a new long-term subordinate loan created for \$59,873. The interest rate is .75%, with an administrative fee of .25%. The close occurred August 11, 2010. The loan requires annual principal payments and semi-annual interest payments beginning November 1, 2010 and maturing on May 1, 2030. The balance due at June 30, 2013, is \$52,083.

The Authority entered into a line of credit agreement on January 22, 2010, with the New Mexico Finance Authority (NMFA) whereby the Authority could draw up to \$156,826. The agreement was partially funded with federal grants received by the NMFA through the American Recovery and Reinvestment Act. If the Authority complied with the terms of the agreement, then \$109,778 would be subsidized by the grant and therefore not repayable. The purpose of the project was to upgrade and improve the water utility system, including, but not limited to, the replacement of approximately 1,086 high flow urinals with high efficiency fixtures in City of Albuquerque facilities. The Authority completed the project in fiscal year 2011, for a total cost of \$150,207, of which \$109,778 was forgiven and a new long-term subordinate loan created for \$40,429. The interest rate is .75%, with an administrative fee of .25%. The close occurred May 1, 2011. The loan requires annual principal payments and semi-annual interest payments beginning July 1, 2012 and maturing on July 1, 2031. The balance due at June 30, 2013, is \$38,593.

Also on January 22, 2010, the Authority entered into a line of credit agreement with the New Mexico Finance Authority (NMFA) whereby the Authority can draw up to \$414,036. The agreement is partially funded with federal grants received by the NMFA through the American Recovery and Reinvestment Act. If the Authority complies with the terms of the agreement, then \$289,825 will be subsidized by the grant and therefore not repayable. The purpose of the project was to upgrade and improve the water utility system, including, but not limited to, a water use efficiency retrofit analysis. The Authority completed the project in fiscal year 2012 for a total cost of \$413,969, of which \$289,797 was forgiven and a new long-term subordinate loan created for \$124,172. The interest rate is .75%, with an administrative fee of .25%. The close occurred March 5, 2012. The loan requires annual principal payments and semi-annual interest payments beginning July 1, 2012 and maturing on July 1, 2031. The balance due at June 30, 2013, is \$117,601.

Junior Obligations – Loan Agreements:

The Authority entered into three loan and grant agreements with the New Mexico Finance Authority (NMFA) and the Water Trust Board on November 23, 2011. The general term for each agreement is a repayable loan amount at 0% interest and a .25% administrative fee. The loans require 20 annual installments beginning July 1, 2012, and ending July 1, 2031. The grant amount is not repayable. The agreements with the New Mexico Finance Authority/New Mexico Water Trust Board (which provide for reimbursement to the Authority upon submission of eligible expenditures) are considered lines of credit for financial statement purposes until the final amount of the agreement is known at project completion. Upon completion the amount to be repaid will be resized and converted to a junior loan agreement.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**D. Short-term and long-term obligations, continued**

The three agreements and purpose are as follows:

<u>Issue</u>	<u>Loan Amount</u>	<u>Grant Amount</u>	<u>Total</u>	<u>Purpose</u>
ABCWUA #12 (#0205-WTB)	\$ 452,000	\$ 1,808,000	\$ 2,260,000	Construction of a regional water conveyance and delivery system for the community of Carnuel
ABCWUA #13 (#0206-WTB)	\$ 640,000	\$ 960,000	\$ 1,600,000	Construction of a regional water conveyance and delivery system for the community of Carnuel
ABCWUA #14 (#0207-WTB)	\$ 63,354	\$ 95,032	\$ 158,386	Planning and design of a large scale aquifer recharge

At June 30, 2013, \$191,380 had been drawn against these three lines. Pre-payments of \$56,406 were made in fiscal year 2013, with a balance due at June 30, 2013 of \$134,974.

On November 13, 2009, the Authority entered into a loan agreement with New Mexico Water Trust Board and New Mexico Finance Authority for \$50,000 with 0% interest and an administrative fee of .25%. The agreement includes a \$450,000 grant funded through the State of New Mexico. The grant amount was not repayable. The project was for the benefit of the Carnuel Mutual Domestic Water and Wastewater Consumers Association. It extended water lines to the community of Carnuel (an unincorporated city) just east of Albuquerque. The loan payments began June 1, 2010, and extend until June 1, 2029. The project was completed in November, 2010 with all drawdowns on the grant received. The balance due on the loan at June 30, 2013, is \$41,041.

Also on November 13, 2009, the Authority entered into a loan agreement with New Mexico Water Trust Board and New Mexico Finance Authority for \$100,000 with 0% interest and an administrative fee of .25%. The agreement included a \$400,000 grant funded through the State of New Mexico. The grant amount was not repayable. The project was for the benefit of the Carnuel Mutual Domestic Water and Wastewater Consumers Association. It extended water lines to the community of Carnuel (an unincorporated city) just east of Albuquerque. The loan payments began June 1, 2010, and extend until June 1, 2029. The project was started and completed in fiscal year 2011. All drawdowns on the grant were received. The balance due on the loan at June 30, 2013, is \$82,205.

On May 28, 2010, the Authority entered into a loan agreement with New Mexico Water Trust Board and New Mexico Finance Authority for \$200,000 with 0% interest and an administrative fee of .25%. The agreement includes an \$800,000 grant funded through the State of New Mexico. The grant amount is not repayable. The project is for the benefit of the Carnuel Mutual Domestic Water and Wastewater Consumers Association. It will extend water lines to the community of Carnuel (an unincorporated city) just east of Albuquerque. Loan payments began June 1, 2011, and extend until June 1, 2030. Phase one of this project was completed in fiscal year 2013. All drawdowns on the grant were received. The balance due on the loan at June 30, 2013, is \$170,633.

**Water Rights Contract**

A Water Rights Contract with the United States Government was entered into by the Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2013, is \$11,924,795.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
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**June 30, 2013**

**D. Short-term and long-term obligations, continued**

The annual debt service requirements on the revenue bonds, loan agreements, and the water rights contract payable outstanding at June 30, 2013, are as follows:

	Principal	Interest	Total
2014	\$ 43,192,703	\$ 29,327,584	\$ 72,520,287
2015	42,395,465	27,471,242	69,866,707
2016	45,671,380	25,604,785	71,276,165
2017	41,340,952	23,596,740	64,937,692
2018	46,010,799	21,615,814	67,626,613
2019 - 2023	212,129,678	78,138,057	290,267,735
2024 - 2028	124,056,013	35,210,660	159,266,673
2029 - 2033	65,798,082	14,405,341	80,203,423
2034 - 2036	22,915,000	1,092,917	24,007,917
Total	<u>\$ 643,510,072</u>	<u>\$ 256,463,140</u>	<u>\$ 899,973,212</u>

**E. Defined benefit pension plan – Public Employees Retirement Association**

*Plan Description.* Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 13.15% 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 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's employer contribution to PERA for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,703,455, \$2,668,261 and \$2,477,629 respectively, which equal the amount of the required contributions for each fiscal year.

**F. Defined contribution retirement plan**

On March 31, 2004, the Authority Board approved a Declaration of Trust for a 401 qualified defined contribution retirement plan through ICMA Retirement Corporation for Authority employees. 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. Under the plan the employer contributes 19.01% of earnings for full time employees and 7% for part time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for full time employees and 7% for part time employees. Total contributions to the plan were \$164,469 in fiscal year 2013 of which \$122,639 were from employer contributions and \$41,830 was from employee contributions.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**G. Post employment benefits**

In addition to providing pension benefits described in Notes E and F, the Authority provides certain health care and life insurance benefits for retired employees. The Authority has ended the postemployment life insurance benefit for those employees hired after June 30, 2013 and reduced the benefit amount for future eligible retirees to a lump sum amount of \$5,000. The benefit amount for current retirees is unchanged. The plan previously provided a sliding benefit based on salary up to a maximum of \$25,000 with a minimum benefit of \$12,500. There were no changes made to the Authority's participation in the New Mexico Retiree Health Care Act.

Postemployment Life Insurance Benefits.

*Plan Description.* The Authority as of the fiscal year end date of June 30, 2013 participated in the City of Albuquerque's Life Insurance Benefit Plan (the City Plan). The Authority will continue to participate in the City Plan after June 30, 2013 but with its own terms of participation and benefits. 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. The number of Authority retired employees covered under the City Plan at June 30, 2013 was 124. The number of active employees at June 30, 2013 was 553. Normal retirement eligibility conditions are defined as a retirement eligible for a PERA benefit.

*Funding Policy.* The Authority recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenses. Life insurance benefits are paid through premiums to an insurance company, currently Hartford, under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The required contribution is based on projected pay-as-you-go financing requirements. The current rate for the City Plan is \$.28 per \$1,000 face value of life insurance for actives and retirees.

*Annual OPEB Cost and Net OPEB Obligation.* The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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 any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation to the Life Insurance Benefit plan.

Net OPEB Obligation at beginning of year	\$ 911,210
Plus Projected Annual OPEB Cost:	
Interest on Net OPEB Obligation at beginning of year	36,448
Annual Required Contribution (ARC) for current fiscal year	339,258
ARC Adjustment for current fiscal year	(42,463)
	<u>333,243</u>
Less Net Employer Contribution	(135,732)
Expected Net OPEB Obligation at end of year	<u>\$ 1,108,721</u>

The Authority's net OPEB obligation is \$1,108,722 and is reported in the accompanying financial statements as a long-term liability.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**G. Post employment benefits, continued**

*Funding Status and Funding Progress.* As of June 30, 2013, the most recent actuarial valuation date, the City Plan was 0% percent funded, meaning there were no plan assets, using the criteria established by GASBS 45. The Authority's actuarial accrued liability (AAL) for benefits was calculated as 8% of the total actuarial accrued liability of \$63,758,573 reported at June 30, 2013 for the City Plan. Accordingly, the Authority's AAL at June 30, 2013 was \$5,100,686 of which the full amount represents the Authority's unfunded actuarial accrued liability (UAAL). The covered payroll for the Authority (annual payroll of active employees covered by the plan) was \$25,842,595 and the ratio of the UAAL to the covered payroll was 19.74%. The Authority's ARC as a percent of payroll is 1.31% of which .428% is the normal cost as a percent of payroll. The ARC per active employee is \$568. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

*Actuarial Methods and Assumptions.*

Projections of benefits for financial reporting purposes are based on the Life Insurance Benefit plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2013 actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned, and the City's actuary believes that EAN funding method effectively meets that goal in most circumstances.

Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 4.0 percent investment rate of return on expected long-term returns on the City's own investments calculated on the funded level of the plan at the valuation date. As of June 30, 2013, the plan has not been funded and no interest was earned on the plan assets during the year. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method, beginning in the next fiscal year. The remaining amortization period at June 30, 2013, was 25 years. The ARC was based on a 4.0 percent discount rate, funding will be based on a 6.0 percent discount rate.

Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 4.0 percent investment rate of return on expected long-term returns on the City's own investments calculated on the funded level of the plan at the valuation date. As of June 30, 2013, the plan has not been funded and no interest was earned on the plan assets during the year. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method, beginning in the next fiscal year. The remaining amortization period at June 30, 2013, was 25 years. The ARC was based on a 4.0 percent discount rate, funding will be based on a 6.0 percent discount rate.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**G. Post employment benefits, continued**

Retiree Health Care Act Contributions

*Plan Description.* The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf, unless that person retires before the employer's RHCA 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.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions (employer and employee) to the RHCA for the years ended June 30, 2013, 2012, and 2011, were \$883,814, \$819,943 and \$677,304, respectively, which equal the required contributions for each year.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**G. Post employment benefits, continued**

**H. Risk management**

The Authority is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of its officers and officials; and natural disasters. The Authority participates in the City's Risk Management Fund (an internal service fund of the City) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,000,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City and Authority real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City and Authority continue to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund and the Authority based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2013, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund is adequately funded. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started fiscal year 2013 with \$41,400,000 available in the committed General Fund balance.

In recent years, the City has experienced an increase in claim amounts. In response to this increase, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher reserve liability was needed. The City plans to increase annual funding to the Risk Management Fund reserve in the amount of \$2.5 million per year by increasing charges to other funds beginning in fiscal year 2015.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the City's Risk Management Fund's claims liability in fiscal year 2013 and 2012 were:

	2013	2012
Claims liability at July 1	\$ 72,136,558	\$ 66,902,536
Current year claims and change in estimates	65,079,418	26,923,508
Claims liquidated	(27,383,326)	(21,689,486)
Claims liability at June 30	<u>\$ 109,832,650</u>	<u>\$ 72,136,558</u>

The Authority paid \$3,372,927 for its share of the risk management charges for the year.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**I. Transactions with City of Albuquerque**

As discussed in Note I-A, the Authority has entered into a Memorandum of Understanding with the City for operations of the utility. In addition to the risk management charges reported in Note III-H, the Authority engaged in the following transactions with the City. The Authority paid the City for the following services:

Franchise fees	\$ 6,005,881
Administrative indirect overhead, including accounting and other central services	2,319,162
Warehouse supplies	1,785,815
Fleet management services	1,597,118
Barricading and street sweeping	<u>462,088</u>
Total	<u>\$ 12,170,064</u>

The City paid the Authority for water, sewer and other services in the amount of:	<u>\$ 7,273,482</u>
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**J. Commitments and contingencies**

Construction Commitments. At June 30, 2013, the uncompleted construction and other commitments in the Authority was \$9,477,171. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

In October 2008, the Authority and the Carnuel Mutual Domestic Water and Waste Water Consumer Association (CMDWWCA) entered into an agreement to extend water infrastructure improvements and provide water service to the Carnuel community. This agreement was amended in December 2008 to identify that the Authority would serve as the fiscal agent for the CMDWWCA on all state and federal grant and /or loan agreements. The Authority will own, operate, and maintain the water system which supplies and distributes water to the CMDWWCA. Reimbursement for costs associated with operation and maintenance of the system, including reserves, shall be collected by the Authority through collection of payments from customers based on costs for monthly water usage rates.

Federal and State Grant Commitments. The Authority has received a number of federal and state grants for specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, Authority management believes that such disallowances, if any, will not be material.

Contingencies. In the normal course of business, the Authority is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. It is the opinion of Authority management that the ultimate resolution of other litigation will not have a material effect on the financial position of the Authority.

The Authority received permit SP-4830 from the Office of the State Engineer in 2004 for diverting and fully consuming imported Colorado River water (San Juan-Chama water) in the amount of 96,200 acre-feet per annum. A group of environmentalists and farming activists filed an appeal of the surface diversion permit in State District Court. The District Court upheld the Office of the State Engineer decision including the permit conditions imposed by the State Engineer and ruled in favor of the Authority on all counts. The decision of the District Court granting the surface diversion permit was appealed by the same group of protestants to the New Mexico Court of Appeals.

Because of various requests for rehearing filed by the parties, the Court of Appeals has issued three opinions affirming the previous decisions by the State Engineer and District Court that the San Juan-Chama Drinking Water Project is not contrary to conservation, is not detrimental to the public welfare, does not impair the water rights of downstream users, and does not adversely affect New Mexico's obligation under the Rio Grande Compact. Each of the Court of Appeals decisions noted that the primary issues (conservation, public welfare, impairment and compact deliveries) had been exhaustively addressed and disposed of and need not be raised or litigated again. The Court of Appeals decision has introduced a new process under the law that requires a non-consumptive appropriation permit. The

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**J. Commitments and contingencies, continued**

Court of Appeals was careful to emphasize that this process would not threaten the already established fact that the Drinking Water Project does not impair downstream users. To the contrary, the Court emphasized that a new non-consumptive 'appropriation' process would provide permanent protection to water users such as the Authority. Because this decision was adverse to the protestants, the protestants have filed a petition for writ of certiorari in the State Supreme Court requesting that an appeal of the Court of Appeals decision be heard.

In a related environmental permitting 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 Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat. The Authority has completed the design of the environmental mitigation and will be starting construction in September 2013 and continuing through the winter months until April 2014. If the mitigation construction cannot be completed in one winter season (September to April), then the Authority will complete the work in the following year.

On May 17, 2011, the United States Environmental Protection Agency (EPA) issued Administrative Order CWA-06-2012-1777 to the Authority for violations of its permit to discharge effluent into the Rio Grande River at its Southside Water Reclamation Plant. The permit is obtained under the National Pollutant Discharge Elimination System (NPDES) program. The Administrative Order (AO) listed NPDES violations that occurred between 2006 and 2010. The majority of the violations related to Sanitary Sewer Overflows (SSO's). The Authority responded to the AO and provided supplemental information regarding the violations and also presented a draft Corrective Action Plan (CAP) that included rehabilitation and new construction totaling \$250 million over the next ten years. The Authority's management is awaiting comments from EPA on the draft CAP that was submitted in October 2011 and revised and resubmitted in April 2012.

On May 31, 2012, the Authority received a letter from the Internal Revenue Service (the 'IRS') informing the Authority that the IRS would be conducting an examination of its Joint Water and Sewer System Improvement Revenue Bonds Series 2006A issued July 12, 2006 (the 'Bonds'). The letter indicates that the IRS routinely examines debt issuances to determine compliance with Federal tax requirements. On April 10, 2013 the Authority received notification from the IRS that the examination was complete and there was no change to the Authority's position.

**K. Significant effects of subsequent events**

The Joint Water and Sewer System Improvement (Series 2013A) and Refunding (Series 2013B) Revenue Bonds Series 2013A&B closed on October 22, 2013. Series 2013A had a par amount of \$62,950,000 with a premium of \$7,503,235. Series B had a par amount of \$55,265,000 with a premium of \$7,711,334. Series 2013A has a Serial Bond component - \$57,110,000 - and a Term Bond component - \$5,840,000 - with final maturity due July 1, 2038. Series 2013B is a Serial Bond with final maturity due July 1, 2024. Principal is paid annually on July 1<sup>st</sup> of every year beginning July 1, 2014 for both Series A and B.

The coupon rate for Series 2013A is 3% for the July 1, 2014 installment and 4% for the July 1, 2015 and 2016 installments and is 5% thereafter for all subsequent installments. The coupon rate for Series 2013B is 3% for the July 1, 2014 installment and is 5% thereafter for all subsequent installments.

Proceeds from the Series 2013A issue will be used for the Basic rehabilitation program, provide supplemental funding for rehabilitation work at the Southside Water Reclamation Plant and provide funding for the Authority's Automated Meter Infrastructure (AMI) project and for replacement of steel water lines.

Proceeds from the Series 2013B issue were placed in a refunding escrow with the Bank of Albuquerque for the purpose of refunding the 2004 NMFA PPRF (Public Project Revolving Fund) loan in the principal amount of \$61,005,000 on May 1, 2014. The Authority is responsible for making the scheduled May 1, 2014 principal payment of \$8,670,000 on the NMFA loan at which time all subsequent installment payments become callable.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR LIFE INSURANCE BENEFIT PLAN**  
**Year ended June 30, 2013**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability Entry Age Normal</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL Percentage of Covered Payroll</b>
6/30/2011	0	1,296,421	1,296,421	0.00%	27,047,218	4.79%
6/30/2012	0	1,416,172	1,416,172	0.00%	33,131,853	4.27%
6/30/2013	0	5,100,685	5,100,685	0.00%	25,842,595	19.74%

**Note:** This schedule represents the funding progress for the Albuquerque Bernalillo County Water Utility Authority portion of the City of Albuquerque's total unfunded actuarial accrued liability of \$63,758,573.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**Year ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 157,734,000	\$ 157,734,000	\$ 150,119,305	\$ (7,614,695)
City water service expansion charges	8,000,000	8,000,000	8,197,016	197,016
Sustainable water supply	30,400,000	30,400,000	29,558,320	(841,680)
Interest on investments	1,250,000	1,250,000	80,618	(1,169,382)
Valley system connection charges	50,000	50,000	20,800	(29,200)
City system connection charges	350,000	350,000	385,502	35,502
Other miscellaneous	2,124,000	2,124,000	1,757,729	(366,271)
Transfer to cash held for debt service from cash for operations	<u>66,362,000</u>	<u>66,362,000</u>	<u>66,362,000</u>	<u>-</u>
<b>Total revenues</b>	<u>266,270,000</u>	<u>266,270,000</u>	<u>256,481,290</u>	<u>(9,788,710)</u>
<b>Expenses:</b>				
Water plant facility production	6,561,000	6,561,000	6,590,618	(29,618)
Water plant facility distribution	14,706,000	14,706,000	16,323,438	(1,617,438)
Water distribution facilitation	2,050,000	2,050,000	2,211,249	(161,249)
Wastewater treatment	11,792,000	11,792,000	12,315,432	(523,432)
Compliance	4,270,000	4,270,000	3,761,225	508,775
Wastewater collection	6,352,000	6,352,000	7,097,701	(745,701)
Sustainable water supply	2,712,000	2,712,000	3,203,147	(491,147)
North I-25 reuse	76,000	76,000	9,263	66,737
Customer services	5,552,000	5,552,000	5,509,269	42,731
Finance	7,022,000	7,022,000	6,741,386	280,614
Human resources	1,085,000	1,085,000	1,052,049	32,951
NW service area	2,394,000	2,394,000	1,403,042	990,958
San Juan-Chama	2,247,000	2,247,000	2,125,937	121,063
Water resources, engineering and planning	6,515,000	6,515,000	6,333,208	181,792
Information systems	4,152,000	4,152,000	5,565,463	(1,413,463)
Low income utility credit	250,000	250,000	141,410	108,590
Water authority administration	21,253,000	21,253,000	21,926,539	(673,539)
Debt service - principal and interest	72,738,000	72,738,000	72,669,745	68,255
Transfer from cash for operations to cash held for debt service	<u>66,362,000</u>	<u>66,362,000</u>	<u>66,362,000</u>	<u>-</u>
Transfer of cash held for debt service to cash used for capital acquisitions	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Transfer from cash for operations to cash used for capital acquisitions	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>-</u>
Administrative services to City	<u>8,294,000</u>	<u>8,294,000</u>	<u>7,814,881</u>	<u>479,119</u>
<b>Total expenses</b>	<u>257,383,000</u>	<u>257,383,000</u>	<u>260,157,002</u>	<u>(2,774,002)</u>
<b>Excess of revenues over (under) expenses</b>	<u>\$ 8,887,000</u>	<u>\$ 8,887,000</u>	<u>(3,675,712)</u>	<u>\$ (12,562,712)</u>



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL, continued**  
**Year ended June 30, 2013**

	<u>Actual</u>
Revenues (expenses) not budgeted:	
Interest on investments in capital acquisition fund	130,793
Proceeds from loss of vehicle	17,480
Depreciation	(86,644,314)
Amortization on water rights contract	(442,748)
Amortization on premium and discounts	4,098,493
Amortization of deferred amounts on refundings	(31,670)
Unrealized gain (loss) on investments	(46,848)
Life insurance expense	(1,108,722)
Miscellaneous expenses	(1,023,128)
Bad debt expense	(27,084)
Lease of water rights	<u>1,094,892</u>
Net expenses over revenues not budgeted	<u>(83,982,856)</u>
Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	43,465,977
Transfer in to cash used for capital acquisitions from cash held for debt service and for operations	11,000,000
Capital contributions	4,131,814
Capital outlay	968,089
Capitalized interest on long-term debt	<u>1,824,138</u>
Net changes to conform to generally accepted accounting principles	<u>61,390,018</u>
Change in net position	<u><u>\$ (26,268,550)</u></u>

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**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Operating revenues:</b>			
Charges for services	\$ 179,677	\$ 177,055	\$ 158,515
<b>Operating expenses:</b>			
Salaries and fringe benefits	48,510	46,482	43,501
Professional services	883	297	446
Utilities	12,889	13,125	12,748
Supplies	9,296	8,985	9,104
Fuels, repairs, and maintenance	13,095	9,447	11,898
Contractual services	9,694	9,450	9,339
Franchise fees <sup>(1)</sup>	6,629	6,524	5,844
Tort and other legal fees <sup>(1)</sup>	2,619	2,490	3,335
Workman's compensation <sup>(1)</sup>	754	831	1,580
Administrative fees paid to the City <sup>(1)</sup>	1,550	1,550	1,550
Life insurance premiums <sup>(2)</sup>	1,109	-	-
Other operating expenses	1,294	1,351	1,411
Depreciation	86,644	84,850	83,447
Amortization - water rights	443	434	401
Bad debt expense	27	77	358
<b>Total operating expenses</b>	<u>195,436</u>	<u>185,893</u>	<u>184,962</u>
<b>Operating income (loss)</b>	<u>(15,759)</u>	<u>(8,838)</u>	<u>(26,447)</u>
<b>Nonoperating revenues (expenses):</b>			
Interest on investments	42	148	209
Interest expense	(24,566)	(23,806)	(25,324)
City water service expansion charges	8,197	8,035	6,240
Bond issue amortization <sup>(3)</sup>	-	(348)	(414)
Other	1,686	1,547	1,689
<b>Total nonoperating revenues (expenses)</b>	<u>(14,641)</u>	<u>(14,424)</u>	<u>(17,600)</u>
<b>Income (loss) before capital contributions and transfers</b>	(30,400)	(23,262)	(44,047)
Capital contributions	4,132	5,058	10,538
<b>Change in net position</b>	(26,268)	(18,204)	(33,509)
<b>Net position, July 1, restated<sup>(3)</sup></b>	<u>679,619</u>	<u>701,360</u>	<u>734,869</u>
<b>Net position, June 30</b>	<u>\$ 653,351</u>	<u>\$ 683,156</u>	<u>\$ 701,360</u>

- (1) In 2011, the Authority expanded the operating expenses line items for improved disclosure. In prior years, these expenses were included in "other operating expenses".
- (2) In 2013, the Authority recorded for the first time a liability for post employment benefit life insurance. Prior to fiscal year 2013, the Authority's liability had been aggregated with the City of Albuquerque liability and reported as a City liability.
- (3) In 2013, the Authority implemented Governmental Accounting Standards Board Statement No. 65 'Items Previously Reported as Assets and Liabilities.' GASB Statement No. 65 concluded that deferred bond issuance costs no longer met the criteria for recognition as an asset. Accordingly, the 7/1/2012 net position balance reflects the elimination of the deferred bond issuance balance.

TABLE I  
Page 1 of 1

2010	2009	2008	2007	2006	2005	2004
\$ 153,145	\$ 147,146	\$ 152,232	\$ 141,034	\$ 138,202	\$ 126,622	\$ 130,420
40,632	37,383	33,435	30,151	27,200	26,796	25,479
602	859	706	572	522	1,139	388
11,361	12,203	9,218	7,844	8,575	7,935	8,306
9,010	6,092	5,249	4,493	3,567	2,939	2,425
11,809	10,873	10,441	9,494	7,322	7,252	7,387
8,813	8,890	6,334	3,937	2,907	4,422	3,886
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,770	13,429	14,158	14,094	14,077	12,933	12,524
81,443	72,295	60,906	55,926	51,934	46,410	42,877
396	396	393	392	383	374	370
-	93	339	-	-	-	-
176,836	162,513	141,179	126,903	116,487	110,200	103,642
(23,691)	(15,367)	11,053	14,131	21,715	16,422	26,778
866	2,648	6,443	8,936	5,019	1,549	419
(24,977)	(21,682)	(21,782)	(15,889)	(8,619)	(8,406)	(10,428)
6,834	6,346	11,075	12,516	17,255	12,404	15,112
(516)	(360)	(405)	(305)	(313)	(143)	(130)
1,535	7,870	1,357	(99)	299	873	(325)
(16,258)	(5,178)	(3,312)	5,159	13,641	6,277	4,648
(39,949)	(20,545)	7,741	19,290	35,356	22,699	31,426
18,917	27,811	11,939	15,448	16,854	20,849	28,288
(21,032)	7,266	19,680	34,738	52,210	43,548	59,714
755,901	748,635	728,955	694,217	642,007	598,459	538,745
\$ 734,869	\$ 755,901	\$ 748,635	\$ 728,955	\$ 694,217	\$ 642,007	\$ 598,459

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SELECTED WATER/SEWER SYSTEM STATISTICS**  
**LAST TEN CALENDAR YEARS**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Estimated Population</b> (Service Area)	560,454	554,905	549,411	543,971
<b>Number of Meters</b> (Billed)	203,912	201,884	200,498	194,087
<b>Estimated Persons Per Meter</b>	2.75	2.75	2.74	2.80
<b>Annual Pumpage</b> (1,000 Gallons)	33,318,000	33,577,000	33,830,964	33,098,373
<b>Annual Water Billed</b> (1,000 Gallons)	30,044,094	28,621,945	29,949,844	28,844,216
<b>Average Daily Pumpage</b> (Gallons)	91,282,192	91,991,781	92,687,573	90,680,474
<b>Peak Day Pumpage</b> (Gallons)	175,000,000	182,000,000	226,902,542	186,819,804
<b>Peak Day Consumption</b> (Gallons)	164,000,000	161,500,000	160,000,000	144,030,800
<b>Average Daily Production Per Meter</b> (Gallons)	448	456	462	467
<b>Well Pumping Capacity</b> (per 24 Hour Period)	196,000,000	282,000,000	282,000,000	314,250,000
<b>Storage Capacity</b> (Gallons)	249,000,000	249,000,000	249,000,000	228,700,000
<b>Surface Water Pumping Capacity</b>	140,000,000	140,000,000	140,000,000	140,000,000
<b>Surface Water Storage Capacity</b>	20,000,000	20,000,000	20,000,000	20,000,000
<b>Fire Hydrants</b>	15,110	14,996	14,879	14,778
<b>Water Reclamation Treatment Capacity</b>	76,000,000	76,000,000	76,000,000	76,000,000
<b>Number of Miles of Lines<sup>(1)</sup></b>				
- Water	2,663	2,650	2,636	2,626
- Sewer	1,869	1,866	1,863	1,858
- San Juan Chama	37	37	37	37

<sup>(1)</sup> Estimated

Source: Albuquerque Bernalillo County Water Utility Authority



2008	2007	2006	2005	2004	2003
538,586	533,253	530,600	525,347	512,288	499,684
174,005	172,394	171,130	167,737	162,536	160,135
3.10	3.09	3.10	3.13	3.15	3.12
31,940,000	32,598,000	31,384,000	32,469,000	32,600,000	34,734,000
27,816,110	28,573,691	27,942,376	29,551,899	29,235,684	30,886,343
87,506,849	89,284,930	85,983,561	89,860,274	89,315,068	95,161,644
155,329,700	174,986,400	165,478,800	179,876,700	180,759,600	182,638,000
149,870,000	147,670,000	149,879,000	150,459,000	151,000,000	163,500,000
503	518	502	536	549	594
294,000,000	294,000,000	294,000,000	294,000,000	294,000,000	294,000,000
211,000,000	211,000,000	211,000,000	211,000,000	211,000,000	211,000,000
-	-	-	-	-	-
-	-	-	-	-	-
14,577	14,093	14,093	13,435	13,062	12,771
76,000,000	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
2,599	2,520	2,520	2,520	2,520	2,520
1,846	1,820	1,820	1,820	1,820	1,820
-	-	-	-	-	-

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
DEMOGRAPHIC STATISTICS

Population

<u>US</u> <u>Census</u>		<u>Bernalillo</u> <u>County</u>	<u>% Inc/Dec</u> <u>from Prev. Yr.</u>	<u>City of</u> <u>Albuquerque</u>	<u>% Inc/Dec</u> <u>from Prev. Yr.</u>	<u>State of</u> <u>New Mexico</u>	<u>% Inc/Dec</u> <u>from Prev. Yr.</u>
2012	**	673,460	0.37%	555,417	0.47%	2,085,538	0.16%
2011	**	670,968	1.27%	552,804	1.27%	2,082,224	1.12%
2010	*	662,564	3.43%	545,852	3.14%	2,059,179	2.58%
2009	**	640,567	1.10%	529,219	1.14%	2,007,315	1.17%
2008	**	633,611	1.01%	523,240	1.18%	1,984,179	0.91%
2007	**	627,259	1.46%	517,162	1.71%	1,966,357	1.33%
2006	**	618,226	1.89%	508,486	2.20%	1,940,631	1.35%
2005	**	606,779	4.20%	497,543	4.63%	1,914,699	2.49%
2004	**	593,866	1.98%	486,319	2.27%	1,890,215	1.18%
2003	**	582,349	1.35%	475,511	1.72%	1,868,121	1.05%
2002	**	573,489	1.94%	466,455	2.15%	1,849,187	1.32%
2001	**	562,635	0.92%	455,961	1.03%	1,828,437	0.50%

\* Source: Bureau of the Census

\*\* Source: Bureau of Business and Economic Research - estimates

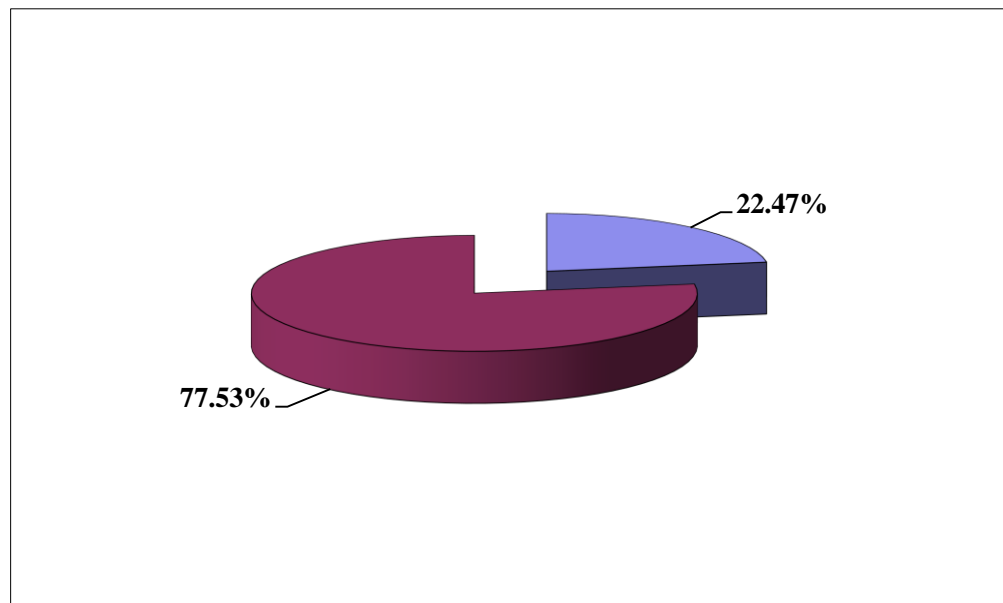
Unemployment

<u>Calendar</u> <u>Year</u>	<u>-----Bernalillo County-----</u>			<u>-----Unemployment Rates-----</u>		
	<u>Civilian</u> <u>Labor Force</u>	<u>Number</u> <u>Employed</u>	<u>Number</u> <u>Unemployed</u>	<u>Bernalillo</u> <u>County</u>	<u>New</u> <u>Mexico</u>	<u>United</u> <u>States</u>
2013	301,268	281,245	20,023	6.60%	6.60%	7.30%
2012	304,994	285,978	19,016	6.20%	6.00%	7.60%
2011	305,122	284,802	20,320	6.70%	6.40%	8.80%
2010	314,600	287,419	27,181	8.60%	8.90%	9.70%
2009	315,392	292,867	22,525	7.10%	7.20%	9.30%
2008	318,065	304,023	14,042	4.40%	4.50%	5.80%
2007	314,180	303,692	10,488	3.30%	3.20%	4.80%
2006	313,406	301,179	12,227	3.90%	4.20%	4.60%
2005	316,477	304,008	12,469	3.90%	4.40%	4.90%
2004	312,140	279,810	14,330	4.60%	5.60%	5.40%
2003	315,152	299,843	15,309	4.90%	5.70%	6.10%
2002	308,907	294,946	13,961	4.52%	5.40%	5.80%

Source: New Mexico Department of Labor

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
TOP TEN MAJOR EMPLOYERS

2013				
	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>% of County Employment</u>
1.	Kirtland AFB (Civilian) includes Sandia National Labs, DOE, and contractors on or off of base.	Defense	25,584	6.41%
2.	University of New Mexico	Education	15,360	3.85%
3.	Albuquerque Public Schools	Education	14,810	3.71%
4.	Presbyterian	Hospital/ Medical Services	7,310	1.83%
5.	UNM Hospital	Hospital/ Medical Services	5,960	1.49%
6.	City of Albuquerque	Government	5,500	1.38%
7.	State of New Mexico	Government	4,950	1.24%
8.	Lovelace	Hospital/ Medical Services	4,000	1.00%
9.	Intel Corporation	Semiconductor Manufacturer	3,500	0.88%
10.	Bernalillo County	Government	<u>2,648</u>	<u>0.66%</u>
	Total		<u>89,622</u>	<u>22.47%</u>
	All Other		<u>309,245</u>	<u>77.53%</u>
	Total Non-Ag Civil and Military Employees		<u>398,867</u>	<u>100.00%</u>



Source: Albuquerque Economic Development, Inc.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**WATER AND WASTEWATER USERS BY CLASS AND METER SIZE**  
**LAST TEN FISCAL YEARS**

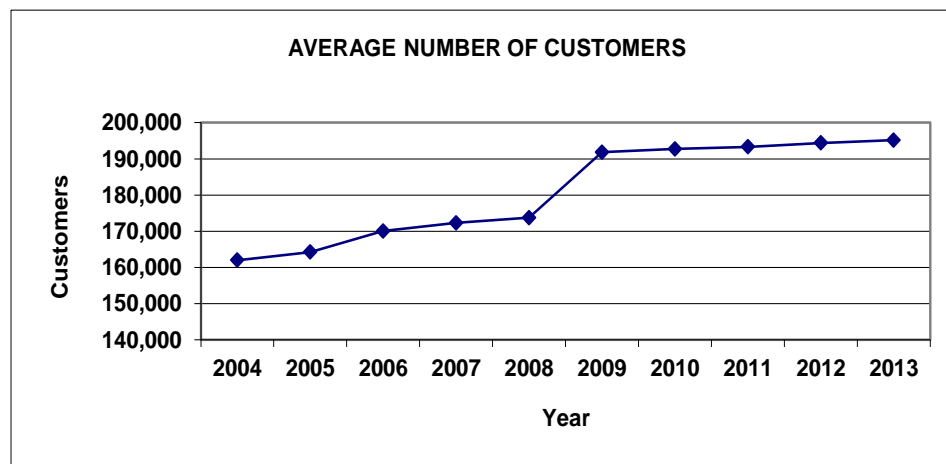
**History of Water Users by Class**

<u>Class</u>	<i>Average Number of Customers by Fiscal Year</i>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	146,656	148,974	151,089	152,563	153,959	171,983	172,787	173,339	174,277	174,909
Multi-Family <sup>(1)</sup>	-	-	6,812	7,565	7,644	6,231	6,349	6,364	6,393	6,430
Commercial	13,388	13,304	10,065	10,049	9,998	11,367	11,272	11,226	11,287	11,321
Institutional	1,836	1,853	1,981	1,983	2,013	2,119	2,223	2,279	2,316	2,391
Industrial	<u>122</u>	<u>114</u>	<u>113</u>	<u>110</u>	<u>110</u>	<u>113</u>	<u>106</u>	<u>99</u>	<u>102</u>	<u>99</u>
Total	<u>162,002</u>	<u>164,245</u>	<u>170,060</u>	<u>172,270</u>	<u>173,724</u>	<u>191,813</u>	<u>192,737</u>	<u>193,307</u>	<u>194,375</u>	<u>195,150</u>

**History of Water Users by Meter Sizes**

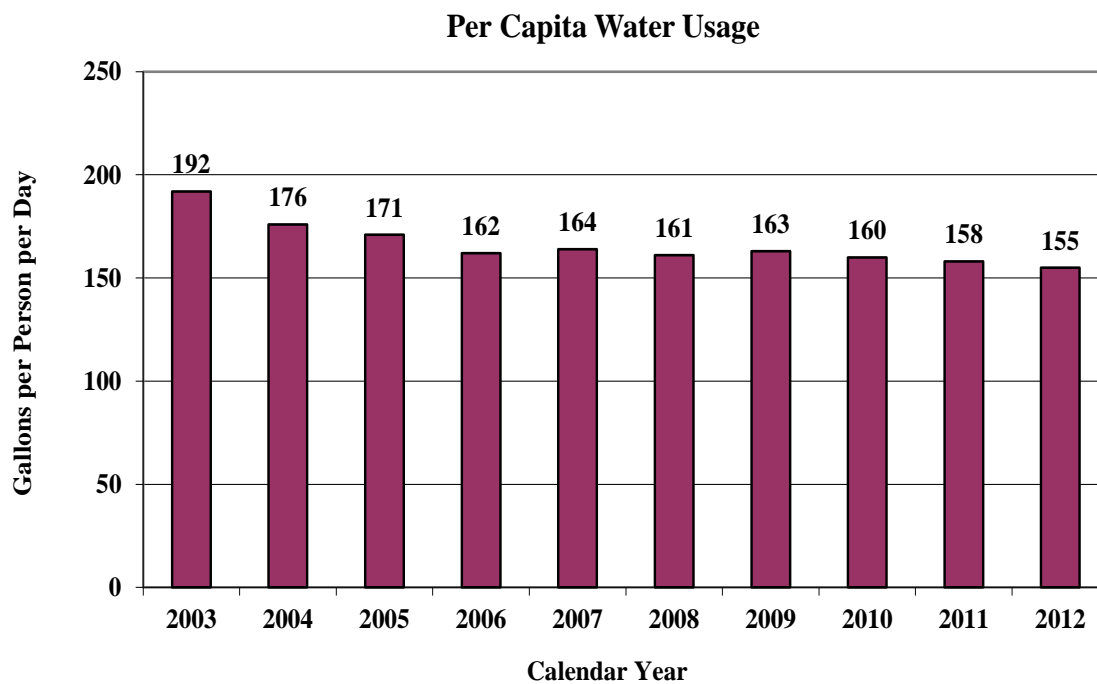
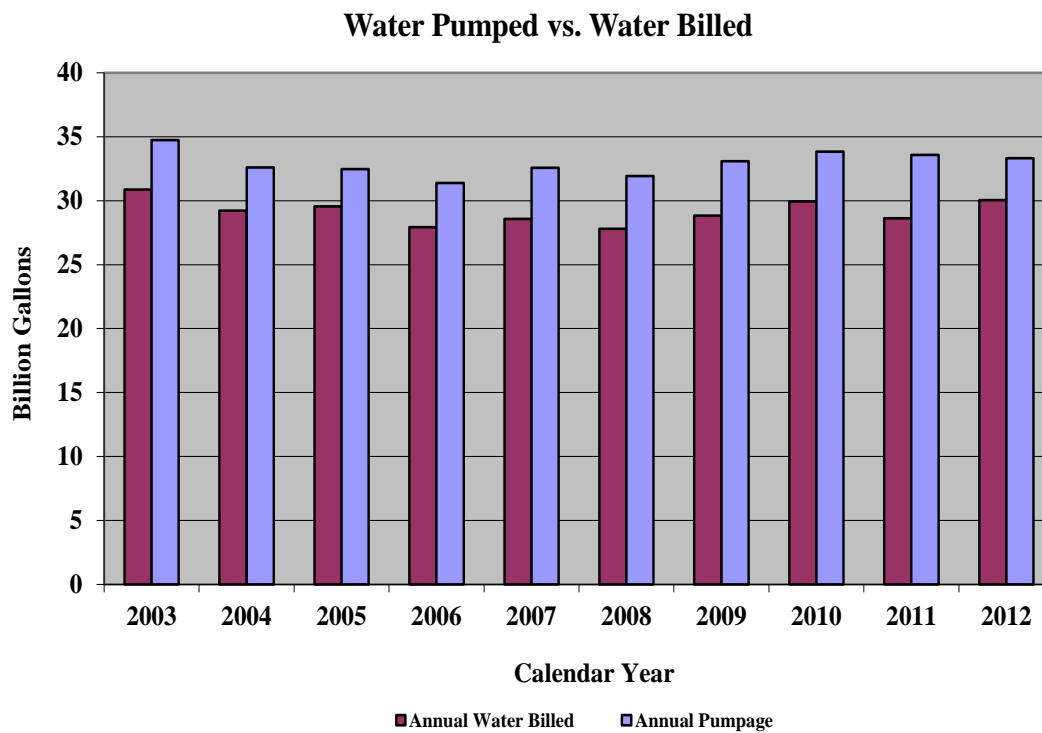
<u>Meter Size</u>	<i>Average Number of Customers by Fiscal Year</i>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
¾"	139,351	142,018	146,842	149,846	151,172	168,632	169,414	169,984	171,103	171,874
1" and 1 ¼ "	17,863	17,588	17,773	17,581	17,621	17,611	17,820	17,820	17,717	17,645
1 ½ "	1,854	1,879	1,945	1,955	1,968	2,169	2,195	2,195	2,221	2,249
2"	1,958	1,997	2,509	1,816	1,839	2,179	2,228	2,228	2,320	2,352
3"	524	419	654	733	766	834	714	714	634	634
4"	311	251	244	246	264	275	268	268	273	286
6"	73	52	52	53	53	67	58	58	61	63
8" and over	<u>68</u>	<u>41</u>	<u>41</u>	<u>40</u>	<u>41</u>	<u>46</u>	<u>40</u>	<u>40</u>	<u>46</u>	<u>47</u>
Total	<u>162,002</u>	<u>164,245</u>	<u>170,060</u>	<u>172,270</u>	<u>173,724</u>	<u>191,813</u>	<u>192,737</u>	<u>193,307</u>	<u>194,375</u>	<u>195,150</u>

<sup>(1)</sup> The Authority started using this class of user in 2006.



Source: Albuquerque Bernalillo County Water Utility Authority

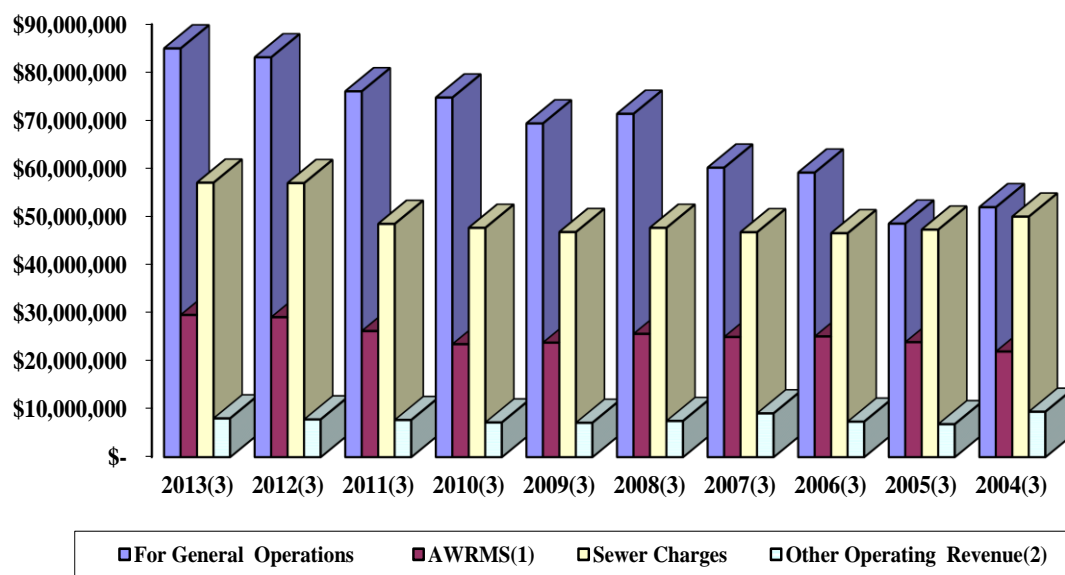
**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**WATER CONSUMPTION**  
**LAST TEN CALENDAR YEARS**



Source: Albuquerque Bernalillo County Water Utility Authority

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**REVENUE FROM WATER AND SEWER CHARGES AND OTHER OPERATING REVENUE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	<u>Revenue from Water Charges</u>		Revenue From Sewer Charges	Other Operating Revenue <sup>(2)</sup>	Total Operating Revenue
	For General Operations	For AWRMS <sup>(1)</sup>			
2013 <sup>(3)</sup>	84,994,139	29,558,320	57,072,020	8,053,146	179,677,625
2012 <sup>(3)</sup>	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011 <sup>(3)</sup>	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2010 <sup>(3)</sup>	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852
2009 <sup>(3)</sup>	69,395,141	23,803,266	46,805,468	7,141,714	147,145,589
2008 <sup>(3)</sup>	71,398,950	25,630,246	47,683,918	7,519,231	152,232,345
2007 <sup>(3)</sup>	60,186,959	24,975,068	46,771,690	9,100,112	141,033,829
2006 <sup>(3)</sup>	59,172,344	25,095,852	46,563,188	7,371,006	138,202,390
2005 <sup>(3)</sup>	48,560,930	23,904,227	47,310,366	6,846,660	126,622,183
2004 <sup>(3)</sup>	51,968,803	21,950,195	50,012,413	9,437,552	133,368,963



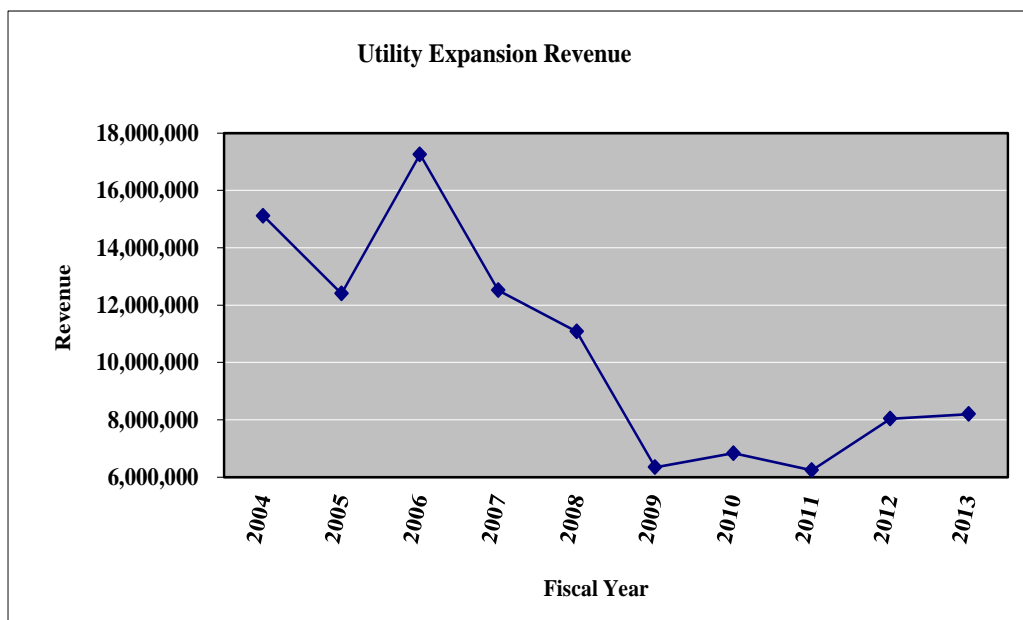
(1) These revenues are attributable to rate increases adopted by City Council to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy (AWRMS).

(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

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

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**REVENUE FROM UTILITY EXPANSION CHARGES**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Utility Expansion Charge Revenues</u>
2004	15,111,935
2005	12,404,189
2006	17,254,474
2007	12,516,234
2008	11,074,840
2009	6,346,401
2010	6,834,261
2011	6,240,073
2012	8,035,123
2013	8,197,016

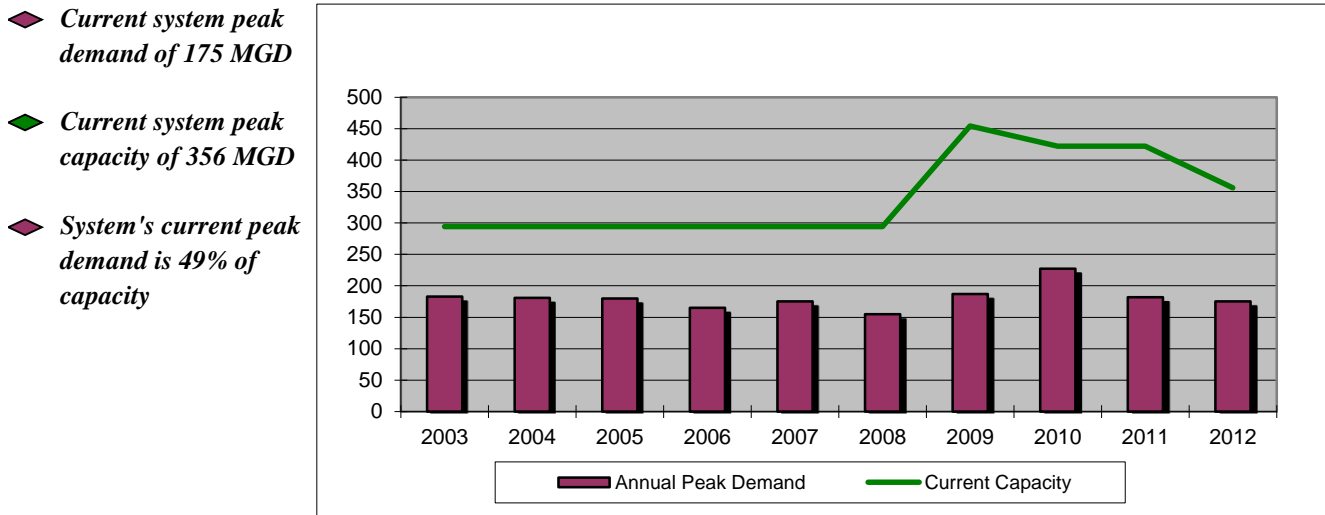


Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual  
Financial Report.



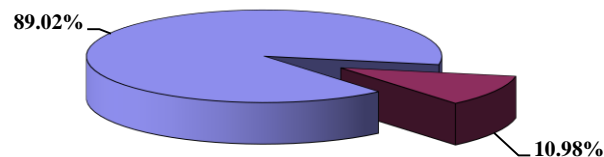
**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**WATER SYSTEM ANNUAL PEAK DEMAND AND TOP TEN CUSTOMERS**

**WATER SYSTEM ANNUAL PEAK DEMAND**  
(calendar year)



**WATER SYSTEM TOP 10 CUSTOMERS**  
(fiscal year)

	<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected 2013 Revenue</u>	<u>% of Total Revenue</u>
1.	City of Albuquerque	2,752,293	\$ 6,714,624	5.86%
2.	Albuquerque Public Schools	709,846	2,331,362	2.04%
3.	University of New Mexico	302,787	1,066,700	0.93%
4.	Bernalillo County	224,123	625,254	0.55%
5.	Kirtland Air Force Base	174,674	553,306	0.48%
6.	ABCWUA	125,383	339,866	0.30%
7.	Lovelace Health	117,962	265,555	0.23%
8.	Albuquerque Academy	114,110	211,199	0.18%
9.	Sumitomo	112,453	209,185	0.18%
10.	Central New Mexico Community College	79,460	257,138	0.22%
	<b>Total</b>		<b>\$ 12,574,189</b>	<b>10.98%</b>
	<b>Total Revenue for System</b>		<b>\$ 114,552,459</b>	

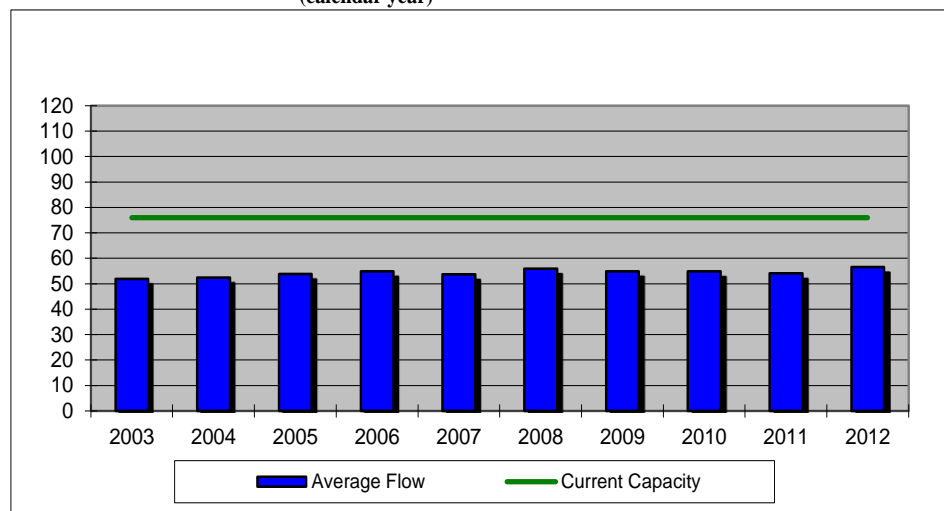


Source: Albuquerque Bernalillo County Water Utility Authority

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
WASTEWATER SYSTEM ANNUAL AVERAGE FLOW AND TOP TEN CUSTOMERS**

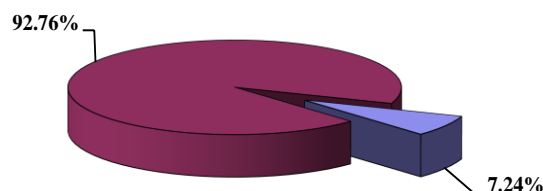
**WASTEWATER SYSTEM ANNUAL AVERAGE FLOW**  
(calendar year)

- ◆ *Current system average flow of 57 MGD*
- ◆ *Current system peak capacity of 76 MGD*
- ◆ *System's current average flow is 74% of capacity*



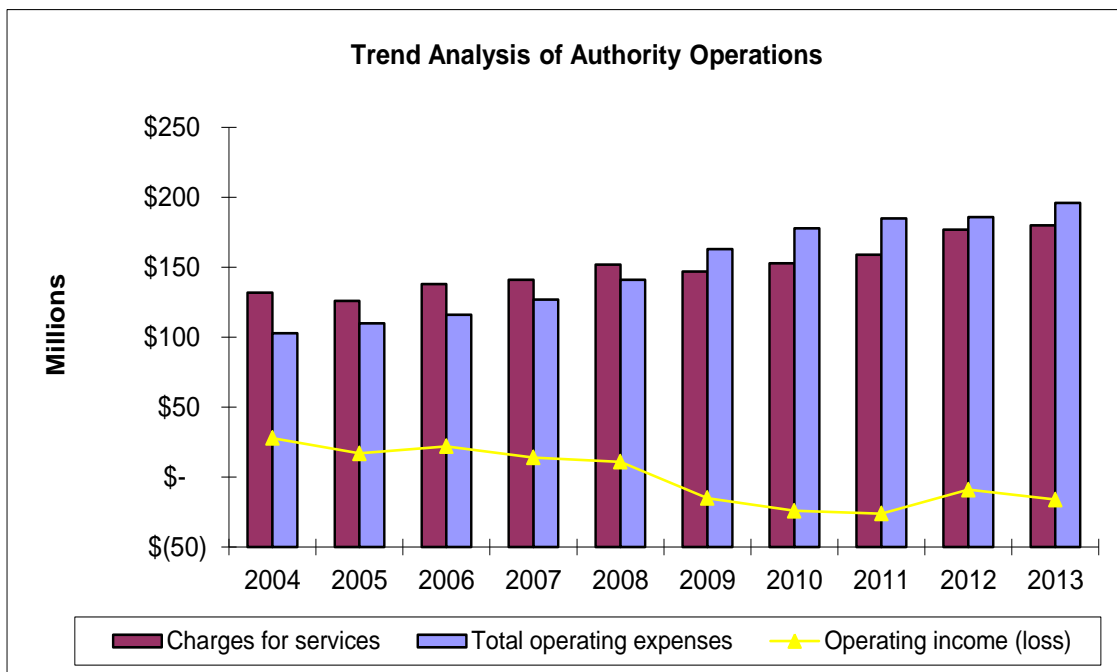
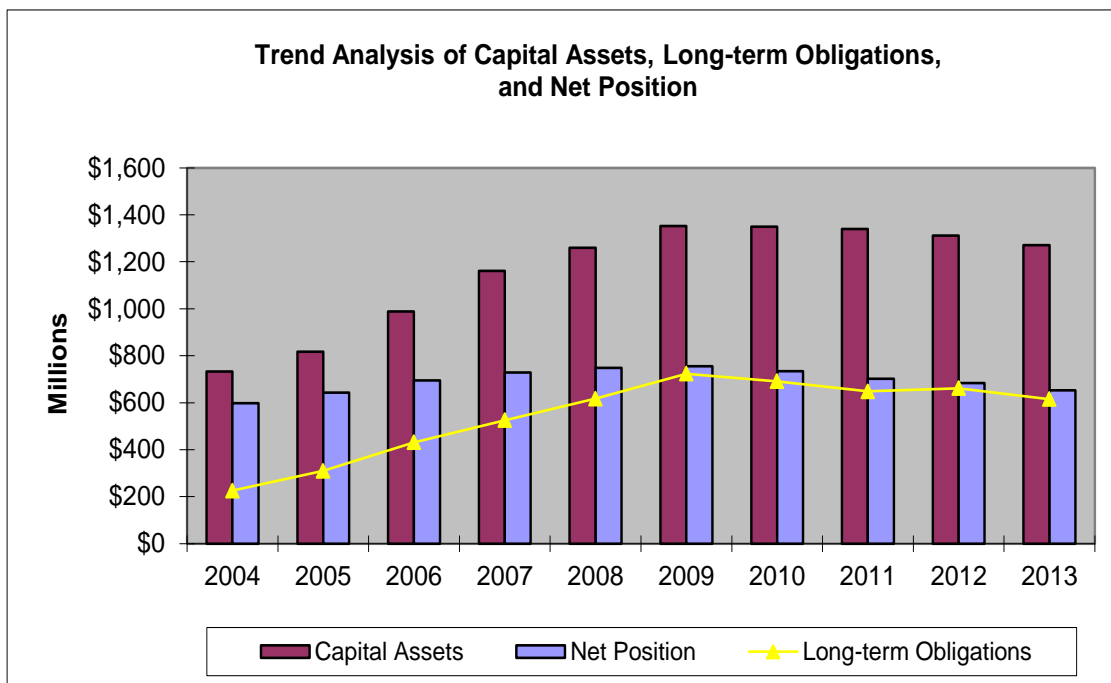
**WASTEWATER SYSTEM TOP 10 CUSTOMERS**  
(fiscal year)

	<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected 2013 Revenue</u>	<u>% of Total Revenue</u>
1.	Kirtland Air Force Base	688,730	\$ 1,150,505	2.02%
2.	University of New Mexico	537,000	806,373	1.41%
3.	Albuquerque Public Schools	167,799	680,831	1.19%
4.	City of Albuquerque	161,725	480,441	0.84%
5.	Sandia Peak Services	84,394	96,422	0.17%
6.	Lovelace Health	83,563	145,383	0.25%
7.	Bernalillo County	54,142	145,082	0.25%
8.	Creamland Dairies	53,845	448,602	0.79%
9.	Four Hills MHP	36,763	65,688	0.12%
10.	Central New Mexico Community College	36,158	110,357	0.19%
	<b>Total</b>		<b>\$ 4,129,684</b>	<b>7.24%</b>
	<b>Total Revenue for System</b>		<b>\$ 57,072,020</b>	



Source: Albuquerque Bernalillo County Water Utility Authority

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**MISCELLANEOUS TREND ANALYSIS**  
**LAST TEN FISCAL YEARS**



Source: Albuquerque Bernalillo County Water Utility Authority

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**REVENUE BOND DEBT SERVICE COVERAGE**  
**LAST TEN FISCAL YEARS**  
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Water Utility Authority Revenue Bonds</b>										
Revenues	\$ 185,488	\$ 180,272	\$ 166,652	\$ 158,528	\$ 160,800	\$ 166,580	\$ 162,390	\$ 163,278	\$ 144,074	\$ 150,224
Release of cash from rate reserve fund	4,000	-	7,000	-	-	-	-	-	-	-
Expenses <sup>(1)</sup>	<u>101,761</u>	<u>94,086</u>	<u>95,790</u>	<u>87,768</u>	<u>83,177</u>	<u>72,541</u>	<u>65,336</u>	<u>61,932</u>	<u>59,005</u>	<u>55,892</u>
Available for debt service	87,727	86,186	77,862	70,760	77,623	94,039	97,054	101,346	85,069	94,332
Debt service	65,462	64,978	70,359	70,983	65,144	61,785	62,027	55,641	52,279	49,179
Debt service coverage ratio	1.34	1.33	1.11	1.00	1.19	1.52	1.56	1.80	1.63	1.92
Ratio required	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33

<sup>(1)</sup> Not including depreciation, amortization, franchise fees, life insurance premiums and provision for bad debts.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(In thousands of dollars)

Components of Net Position:	<u>2013</u>	<u>2012</u>	<u>2011<sup>(1)</sup></u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net investment in capital assets	\$ 617,399	\$ 636,174	\$ 668,171	\$ 692,921	\$ 725,767	\$ 698,063	\$ 666,487	\$ 609,955	\$ 566,451	\$ 517,181
Restricted for debt service	-	-	-	-	-	-	6,003	12,919	11,491	10,393
Restricted for construction	-	-	-	11,072	13,672	10,553	-	5,539	26,621	17,576
Unrestricted	<u>35,952</u>	<u>46,982</u>	<u>33,189</u>	<u>30,875</u>	<u>16,462</u>	<u>40,019</u>	<u>56,465</u>	<u>65,804</u>	<u>37,444</u>	<u>54,949</u>
Total Net Position	<u>\$ 653,351</u>	<u>\$ 683,156</u>	<u>\$ 701,360</u>	<u>\$ 734,868</u>	<u>\$ 755,901</u>	<u>\$ 748,635</u>	<u>\$ 728,955</u>	<u>\$ 694,217</u>	<u>\$ 642,007</u>	<u>\$ 600,099</u>

<sup>(1)</sup> The 2011 net investment in capital assets amount has been increased and the unrestricted net assets amount has been decreased by approximately \$12.1 million from the amounts presented in the prior fiscal year. The reclassification changes were primarily a result of a reevaluation of the Authority's unrestricted and restricted cash balances.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**OUTSTANDING DEBT RATIO**  
**LAST TEN FISCAL YEARS**

<b>Outstanding Obligations (in 000's)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Revenue bonds, net	\$ 434,114	\$ 460,415	\$ 479,674	\$ 504,063	\$ 532,742	\$ 418,114	\$ 389,871	\$ 289,213	\$ 182,194	\$ 213,188
Loan agreements	210,805	229,644	193,620	206,642	209,584	219,780	152,529	159,712	147,928	26,029
Water rights contract	11,925	12,932	13,910	14,858	15,779	16,672	17,539	18,381	19,197	19,990
Lines of credit	-	-	103	760	3,524	-	-	-	-	-
Total outstanding obligations	<u>\$ 656,844</u>	<u>\$ 702,991</u>	<u>\$ 687,307</u>	<u>\$ 726,323</u>	<u>\$ 761,629</u>	<u>\$ 654,566</u>	<u>\$ 559,939</u>	<u>\$ 467,306</u>	<u>\$ 349,319</u>	<u>\$ 259,207</u>
Number of Customers <sup>(2)(3)</sup>	203,912	201,884	201,884	200,498	194,087	174,005	172,394	171,130	167,737	162,536
Average debt per customer	\$ 3,221	\$ 3,482	\$ 3,404	\$ 3,623	\$ 3,924	\$ 3,762	\$ 3,248	\$ 2,731	\$ 2,083	\$ 1,595
Estimated population <sup>(2)</sup>	560,454	554,905	554,905	549,411	543,971	538,586	533,253	530,600	525,347	512,288
Per capita debt	\$ 1,172	\$ 1,267	\$ 1,239	\$ 1,322	\$ 1,400	\$ 1,215	\$ 1,050	\$ 881	\$ 665	\$ 506
Per capita income <sup>(1)</sup>	\$ 35,079	\$ 34,929	\$ 34,929	\$ 34,929	\$ 35,329	\$ 35,608	\$ 34,528	\$ 33,470	\$ 31,724	\$ 30,303

<sup>(1)</sup> Based on information provided by Bureau of Business and Economic Research (BBER),

University of New Mexico

<sup>(2)</sup> Based on calendar year, from Table 2

<sup>(3)</sup> Represents number of billed meters

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY  
REVENUE RATE COMPARISONS

		Monthly Wastewater Charges								
		5/8-Inch Meter						2-Inch Meter	4-Inch Meter	8-Inch Meter
City	Effective Date	Residential 0 cf ( 0 gal)	Residential 500 cf (3,740 gal)	Residential 1,000 cf (7,480 gal)	Residential 1,500 cf (11,220 gal)	Residential 3,000 cf (22,440 gal)	Non-manuf./ Commercial 3,000 cf (22,440 gal)	Commercial/ Light Industrial 50,000 cf (374,000 gal)	Industrial 1,000,000 cf (7,480,000 gal)	Industrial 1,500,000 cf (11,220,000 gal)
Albuquerque, NM	9/1/2010	\$7.49	\$11.60	\$15.71	\$19.82	\$32.15	\$32.69	\$547.15	\$8,580.61	\$16,953.97
El Paso, TX	3/1/2010	10.11	11.25	15.83	21.54	38.69	43.26	632.60	11,639.66	17,713.61
Aurora, CO	1/1/2010	2.97	13.18	23.39	33.60	64.23	64.23	1,044.76	20,568.97	30,927.76
Boise, ID	10/1/2009	4.56	17.51	30.46	43.41	82.26	82.26	302.55	12,950.86	19,424.01
North Las Vegas, NV	10/1/2009	15.15	18.35	34.55	36.80	36.80	100.44	1,622.69	32,391.67	48,585.87
Lubbock, TX	4/9/2009	9.80	17.47	25.13	32.80	55.80	55.80	790.37	15,393.98	23,178.40
Oklahoma City, OK	10/1/2009	1.62	13.74	25.86	37.97	74.33	74.33	1,219.65	24,259.73	36,431.76
Salt Lake City, UT	7/1/2005	5.28	5.28	8.30	12.45	24.90	39.60	660.00	13,200.00	19,800.00
Scottsdale, AZ	7/1/2009	14.29	14.29	21.14	31.06	60.82	59.49	1,220.28	19,843.13	29,764.05
Wichita, KS	7/1/2010	4.32	12.10	16.80	16.80	16.80	51.00	790.38	15,618.57	23,462.26

		Monthly Water Charges								
Albuquerque, NM	9/1/2010	\$11.41	\$18.46	\$25.51	\$32.55	\$59.23	\$54.21	\$851.06	\$19,365.64	\$33,194.79
Austin, TX	11/1/2009	6.70	13.26	23.06	41.94	134.26	110.60	1,753.17	32,090.44	48,858.78
Denver, CO	4/13/2010	4.41	11.55	18.70	26.26	69.12	70.83	1,111.45	22,145.21	33,215.61
El Paso, TX	3/1/2010	10.70	12.15	19.40	28.60	89.89	77.60	1,837.63	20,543.48	32,318.26
North Vas Vegas, NV	10/1/2009	8.67	15.20	22.41	30.65	60.17	80.42	1,150.94	21,898.35	33,178.58
Oklahoma City, OK	10/1/2009	7.37	15.82	24.27	32.73	58.08	58.08	881.13	17,016.38	25,716.41
Phoenix, AZ	3/3/2009	4.64	6.49	8.34	25.99	78.94	78.94	1,742.89	35,305.49	42,179.74
San Antonio, TX	1/1/2009	6.96	16.76	26.56	37.86	85.48	73.19	1,106.28	13,166.58	20,056.86
Tulsa, OK	10/1/2009	4.20	11.31	20.79	30.27	56.34	48.86	770.26	11,040.16	11,653.52
Tucson, AZ	7/5/2010	5.87	14.07	22.27	30.47	118.22	84.37	159.24	24,427.55	36,826.34

Source: Reprinted from 2009 Water and Wastewater Rate Survey, by permission. Copyright © 2010, AWWA & Raftelis Financial Consultants, Inc.



Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

The Board of Directors of the Albuquerque  
Bernalillo County Water Utility Authority  
and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Albuquerque Bernalillo County Water Utility Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 29, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-016, 2009-015, and 2013-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2011-001 and 2013-001 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2005-013, 2008-013, 2009-014, 2010-003, and 2011-007.

### **The Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

REDW LLC

Albuquerque, New Mexico  
April 29, 2014

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

**B. Financial Statement Findings**

**2008-016 Bank Reconciliation Process (Repeated) (Material Weakness)**

*Criteria:* Bank reconciliations are an important element of internal control, facilitating timely detection of book/bank differences so they can be investigated and resolved. Such reconciliations are consistent with New Mexico statutes, Section 6-6-3 A NMSA 1978, which require that the City “keep all the books, records, and accounts in their respective offices in a form as prescribed by the Local Government Division.”

*Condition:* While the Authority maintains its own bank accounts, much of its cash balances are maintained in the City’s pooled investment program. Within this program, general ledger cash balances of the common fund, accounts payable, and payroll accounts are adjusted monthly to equal balances derived from adjusting bank balances for the effect of known outstanding items. Adjustments to cash resulting from this process are accumulated throughout the fiscal year and allocated to investment income among various funds at year-end. This process does not result in a true reconciled bank balance, nor does it allow Authority personnel to accurately track and resolve reconciling items on a timely basis. Moreover, the process does not ensure that book/bank differences are identified and resolved.

*Cause:* Reports that would facilitate reconciliation of general ledger cash balances to the corresponding bank balance are not currently produced by the accounting system. The Authority also uses other systems to track certain cash transactions, which do not interface completely with the Authority’s accounting system.

*Effect:* Errors in general ledger cash balances, and/or bank errors, may not be detected. Moreover, the current process does not reconcile the general ledger activity and book balances with the corresponding bank activity and bank balances. This can result in potential misstatements and does not facilitate identification and correction of errors on a timely basis.

*Auditors’ Recommendations:* The Authority should establish and implement procedures to ensure general ledger cash balances are regularly reconciled to corresponding bank balances. Any unreconciled differences identified through this process should be investigated and resolved on a timely basis.

*Management’s Response:* The Authority concurs with the finding but notes that in fiscal year 2013, the Authority’s accounts payable and payroll processes utilized only the Authority’s own accounts payable and payroll bank accounts. These bank accounts were reconciled to the Authority’s general ledger on a timely basis. The Authority had its cash balances in fiscal year 2013 only in the City’s common fund account.

With the implementation of the SunGard ERP system on July 1, 2013 the Authority fully separated its banking activities from those of the City. At the same time the Authority contracted for treasury management services and requested assistance in moving to following best practices in treasury management. Internal changes have improved the business processes by which customer payments are tracked and deposited and steps have been added to reconcile daily the internal record of deposit to the bank activity. External changes have increased the level of integration among the Authority’s different bank accounts and in being deliberate about what types of transactions are occurring in each bank account. These improved business processes have enhanced the Authority’s ability to do competent and valuable bank reconciliations on every bank account on a timely basis.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**B. Financial Statement Findings, continued**

**2009-015 Timely Closing of General Ledger and Reconciliation of Subsidiary Ledgers (Repeated and Modified) (Material Weakness)**

*Criteria:* Timely reconciliation of subsidiary ledgers supporting asset and liability balances is essential to the detection of errors and/or irregularities and to facilitate timely closing of the general ledger. Procedures should be in place to ensure that timely, accurate reconciliations are prepared, and that differences are investigated and resolved timely.

*Condition:* The Authority is dependent on the City for reconciliation of several of its general ledger balances. For the first nine months of fiscal year 2013, several subsidiary ledgers were not reconciled to the general ledger on a monthly basis. This increases the risk for undetected errors and irregularities.

*Cause:* There are a number of standalone subsidiary ledgers maintained by individual departments that are not interfaced with the accounting system, which obscures the reconciliation and closing process. The PeopleSoft accounting system was also actively being remediated during fiscal year 2013 to implement different modules in the system. As the City's Accounting Division has become more comfortable with the system, implementation of monthly closing procedures has been easier to implement.

*Effect:* There is an increased risk that errors and/or irregularities will occur and not be detected and corrected in a timely manner. In addition, the Authority is not able to draft its Comprehensive Annual Financial Report (CAFR) in a timely manner, which could affect the Authority's bond ratings and availability of federal funding. This also affects the Authority's ability to comply with bond covenants and regulatory deadlines, such as the New Mexico State Auditor Rule.

*Auditors' Recommendations:* The Authority has purchased a separate accounting system, which is tailored more toward business enterprises and utility companies. However, this system was implemented after June 30, 2013. The Authority should implement this system as soon as practical and ensure that general ledger account reconciliation policies and procedures are effectively implemented in order to improve and expedite the monthly and annual closing procedures.

*Management's Response:* The Authority concurs with this finding. Fiscal year 2013 was the final year for the Authority use of the City's PeopleSoft ERP system. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority has successfully and timely executed month end general ledger closing procedures for the first nine months of fiscal year 2014. The SunGard accounting structure was designed to facilitate timely closings of the general ledger at each month end and at year end and that design structure in practice has proven to work. In addition, the month end closings are being reviewed by the Authority's internal auditors Porch and Company, CPAs.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**B. Financial Statement Findings, continued**

**2011-001 Accounts Payable Controls (Repeated and Modified) (Significant Deficiency)**

*Criteria:* Adequate separation of duties should exist to mitigate the likelihood of errors or fraud in the accounts payable process.

*Condition:* An employee involved in the check disbursement process within the Authority has the ability to create and disburse check or electronic payments to vendors without review by someone independent of this process. This employee also has access to add vendors to the accounting system.

*Cause:* The Authority has been operating with limited resources and did not have adequate staffing to enable proper segregation of duties in the accounts payable process.

*Effect:* Payments could be made to fictitious or inappropriate vendors.

*Auditors' Recommendations:* The Authority should ensure that all payments to vendors are reviewed and approved by another individual prior to being sent to vendors.

*Management's Response:* The Authority concurs with this finding but notes that are controls in place whereby wire transfers do require approval by someone other than the person initiating the wire. The Authority uses wire transfers to make debt service payments and to move funds between bank accounts. Funds are moved immediately with a wire transfer whereas an ACH payment is done through the ACH network and these usually settle the next business day which does give some time for any questions about a particular ACH payment to be resolved before payment is actually made.

The Authority questions the practicality of a review of ACH payments to vendors in the normal course of business prior to the initiation of the ACH given the limited staff that would be available to do this review. ACH payments are no different than checks in this regard. The review would have to be for checks and ACH payments that would be a large task. The Authority's business practice is to make timely payments to vendors a priority. It is the volume of transactions and the deadlines imposed by financial institutions for submission of ACH payments that has led the Authority to not require a review of ACH payments prior to initiation.

With that said, the Authority has taken steps to limit its exposure to fraudulent payments being made. The SunGard financial system contains electronic workflow which imposes a discipline on the remittance of payments to vendors.

The number of employees who can pay invoices is three and only one of those has access to the vendor file. The system will not allow a payment to be made to a vendor not in the vendor file. The practice followed by the three individuals who can initiate payments to vendors is to run a proof of a set of payments before the payments go out. The printed set proof is checked by the person who created the set for accuracy of invoice number, vendor, vendor address and dollar amount of payment. The person reviewing the set proof is the person who created the set because only the person who created the set can make corrections. The purpose of the set proof review is to ensure accuracy in the payment which was not being done prior to SunGard ERP.

The Authority's internal auditor, Porch and Company CPAs, is continually reviewing procedures and vendor payments as part of their monthly work.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**B. Financial Statement Findings, continued**

**2013-001 New Mexico State Public Money Law Requirements (Significant Deficiency)**

*Criteria:* The New Mexico Statutes, Section 6-10-3 NMSA 1978, requires all public money to be deposited before the close of the next succeeding business day after the receipt of the money. In addition, deposits should be supported by system reports and be approved by someone independent of the cash receipting process.

*Condition:* We reviewed a sample of 25 cash receipts transactions occurring during fiscal year 2013 totaling \$403,774. Three cash receipts tested totaling \$305,657 were not deposited before the close of the next succeeding business day after the receipt of the money. We also identified two other instances where there was lack of approval for the amount deposited, and one instance where the amount deposited does not agree to the deposit slip or the daily cash receipts report produced by the cash receipts system.

*Cause:* Cash handling procedures are not being followed.

*Effect:* The Authority did not comply with the state statutes regarding timely deposit of public money. In addition, lack of review of deposits could result in incorrect amounts being deposited.

*Auditors' Recommendations:* The Authority should enforce its cash handling procedures to ensure that all cash receipts are deposited within one business day after the receipt of the money. The Authority should also ensure that deposits are reviewed by someone other than the preparer of the deposit before the money is deposited to the bank.

*Management's Response:* The Authority concurs with this finding but notes that none of the exception items and in fact none of the sample items were Authority deposits. This observation is made because taking customer payments and making deposits was one of the business processes the Authority took ownership of during fiscal year 2013. Described below is the business process currently in place which is intended to mitigate the occurrence of these types of errors going forward.

1. All payments received at WUA-Customer Service sites are deposited and delivered next business day via armored car courier.
2. Each cashier reconciles cash, check, and credit card totals to ensure monies match to what is reported in the Authority's CC&B billing system for that business day. Any over/shortages are documented.
3. Next, the vault supervisor dual verifies all monies for all cashiers and prepares and signs deposit slip.
4. A second supervisory staff member conducts a third count of all monies and signs off on the deposit slip and places cash and checks in a numbered tamper-proof bag.
5. Armored car driver and Customer Service Department (CSD) supervisor sign log when the tamper-proof deposit bag is collected.
6. The next day, a member of the Finance Division reconciles CSD deposits to what was received by the bank.
7. If any discrepancies are discovered, Finance Division contacts CSD to review and make appropriate corrections to bring the item into balance.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**B. Financial Statement Findings, continued**

**2013-002 Workers Compensation Claims Tracking (Material Weakness)**

*Criteria:* According to Government Accounting Standards Board Statement No. 10, *Accounting and Reporting for Risk Financing and Related Insurance Issues*, a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported (IBNR) claims, should be accrued when insured events occur. The liability should be based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience.

*Condition:* The Authority participates in the City's Risk Management Fund to account for and finance its uninsured risks of loss. The City's liability for workers compensation claims is based on the estimated cost of settling claims outstanding as of June 30, 2013. However, audit testwork identified a total of five claims occurring in 2009 and earlier that are considered to be settled claims. The City's estimated cost of settling these five claims approximated \$142,000, which should not be reported as a liability at June 30, 2013.

*Cause:* The City has not adequately reviewed the status of older workers compensation claims for validity and accuracy.

*Effect:* The reported liability balances for claims and judgments in the annual financial statements may be incorrect.

*Auditors' Recommendations:* The City should implement a process to regularly review its workers compensation claims database to ensure that all claims exist and represent outstanding claims against the City. Any claims that are identified as being closed or settled should be removed from the claims database or written down to zero.

*Management's Response:* The Authority concurs with this finding. As the finding states, the City provided risk management services to the Authority in fiscal year 2013. Risk management was one of the business processes which the Authority took ownership of at the start of fiscal year 2014. On July 1, 2013, the Authority moved its Workers' Compensation coverage from the City of Albuquerque to a separate, self-insured program with excess insurance (any claim above \$750,000) provided by Safety National Casualty Corporation. The City agreed to pay all claims outstanding as of June 30, 2013. The Authority then contracted with a Third Party Administrator (TPA) to handle all Workers' Compensation claims that occur after June 30, 2013. This TPA regularly reviews claims and sets reserves accordingly. As claims are closed, reserves are adjusted. The Authority plans to establish a loss fund to hold and protect the necessary reserves to pay future Workers' Compensation claims, and will contract with an actuary to review all Workers' Compensation claims every two years.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978**

**2005-013 Audit Report Due Date (Repeated) (Other)**

*Criteria:* Section 2.2.2.9A (1) (d) of NMAC Audit Rule 2013, Requirements for Contracting and Conducting Audits of Agencies, requires that annual audit reports be received in the Office of the State Auditor on or before December 1st.

*Condition:* The fiscal year 2013 Comprehensive Annual Financial Report for the Authority was not submitted to the New Mexico Office of the State Auditor by the December 1, 2013 submission deadline.

*Cause:* The Authority is dependent on the City for reconciliation of several of its general ledger balances. In fiscal year 2013, the Albuquerque Housing Authority (AHA) converted their accounting records to a new public housing and accounting software system. Since AHA is reported as a nonmajor enterprise fund of the City, this conversion significantly delayed the reconciliation of the City's general ledger.

*Effect:* The Authority is not in compliance with the New Mexico State Auditor Rule.

*Auditors' Recommendations:* The Authority has purchased a separate accounting system, which is tailored more toward business enterprises and utility companies. However, this system was implemented after June 30, 2013. The Authority should implement this system as soon as practical and ensure that general ledger account reconciliation policies and procedures are effectively implemented in order to improve and expedite the monthly and annual closing procedures.

*Management's Response:* The Authority concurs with this finding. Fiscal year 2013 was the final year for the Authority use of the City's PeopleSoft ERP system. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority has successfully and timely executed month end general ledger closing procedures for the first nine months of fiscal year 2014. The SunGard accounting structure was designed to facilitate timely closings of the general ledger at each month end and at year end and that design structure in practice has proven to work. In addition, the month end closings are being reviewed by internal auditors Porch and Company, CPAs. Each of these steps will greatly improve the Authority's ability to timely file its fiscal year 2014 CAFR which the Authority expects to do. The Authority recognizes that a key factor in meeting the December 1<sup>st</sup> due date is whether the auditors are able to begin documenting and testing the new business processes and internal controls prior to fiscal year end.



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued**

**2008-013 Controls Over Equipment Tagging (Repeated) (Other)**

*Criteria:* The Authority's policies and procedures require the Authority to mark capitalized equipment with an asset number or other identifying characteristic that will allow it to be traced from the equipment records to the physical asset.

*Condition:* Machinery and equipment additions in the current year were assigned tag numbers in the capital asset records. However, audit procedures revealed that none of the tag numbers for current year machinery and equipment additions were attached to the assets.

*Cause:* Control procedures have not been implemented to ensure that all machinery and equipment additions meeting the criteria for capitalization are tagged with an asset number or other identifying characteristic.

*Effect:* Without tagging equipment additions, reconciliation from accounting records to the physical assets is not feasible, which could result in inaccurate accounting records.

*Auditors' Recommendations:* The Authority should enforce current policies and procedures and ensure that all machinery and equipment tags are attached to the assets.

*Management's Response:* The Authority agrees with this finding of fact but does not believe that the tag numbers sent out by City Financial Reporting represents the answer to maintaining a formal and universal control process. Most of this perceived lack of value relates to the documented deficiencies in the current City fixed asset system and to a tag numbering system that does not enhance the Authority's ability to track its assets. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority moved entirely off of the City's fixed asset system.

One of the business process changes the Authority has implemented in fiscal year 2014 is the creation of a Fleet Manager position. The Fleet Manager was responsible for the fleet physical inventory done for the fiscal year 2013 year end. The fleet assets are being identified with a "tag" number. Although a comprehensive listing of the Authority's non-fleet assets is being maintained between its Maximo work order system and its asset management system, there is not a process to "tag" those assets. That process will necessarily involve a technological solution that the Authority currently does not possess.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued**

**2009-014 Accurate and Timely Budget to Actual Information and Budget Overspending (Repeated and Modified) (Other)**

*Criteria:* According to the Authority's Budget Policies and Procedures Ordinance, Section 2-1-6, the Authority shall not expend any enterprise funds unless the expense is authorized in the budget and is made or encumbered in the fiscal year covered by the budget.

*Condition:* Procedures were not in place to ensure that expenses did not exceed budgets. As a result, expenses of the Authority exceeded budget amounts by \$2,774,002.

*Cause:* Budget to actual reports were not produced timely due to delays in the general ledger account reconciliation process.

*Effect:* Budgets were overspent in violation of the Authority's ordinance.

*Auditors' Recommendations:* The Authority should continue to implement processes to ensure that timely budget to actual reports are available to facilitate timely monitoring of budgetary compliance.

*Management's Response:* The Authority concurs with this finding. Fiscal year 2013 was the final year for the Authority use of the City's PeopleSoft ERP system. With the Authority's implementation of its SunGard ERP system on July 1, 2013, the Authority has successfully and timely executed month end general ledger closing procedures for the first nine months of fiscal year 2014. The SunGard accounting structure was designed to facilitate timely closings of the general ledger at each month end and at year end and that design structure in practice has proven to work. In addition, the month end closings are being reviewed by internal auditors Porch and Company, CPAs. Each of these steps will facilitate timely review of budget to actual information.

Numerous SunGard reports have been developed to allow the Authority's finance office to work in collaboration with the responsible departmental staff and monitor real time budget versus actual information and outstanding encumbrances. Payroll data ties into these reports. The full implementation of the SunGard HR system in the latter half of fiscal year 2014 has made tracking the movement of employees between job descriptions with differing pay scales much easier which increases the ability to forecast salary and benefit costs. Keeping spending within the operation budget is one facet of budget management. The other facet is managing expenditures with projected revenue levels. The Authority will continue to do both tasks.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued**

**2010-003 Reporting Unclaimed Property (Repeated and Modified) (Other)**

*Criteria:* The Uniform Unclaimed Property Act (1995) Article SA states that property held by a court, government, governmental subdivision, or agency is assumed abandoned if it is unclaimed by the apparent owner one year after the property becomes distributable. Such funds must be escheated to the State of New Mexico.

*Condition:* The Authority did not report unclaimed customer deposits to the State as required by the Uniform Unclaimed Property Act (1995).

*Cause:* Procedures are not in place to ensure that unclaimed customer deposits are reported to the State on an annual basis.

*Effect:* The Authority has not complied with the Uniform Unclaimed Property Act (1995) Article SA.

*Auditors' Recommendations:* Policies and procedures should be implemented to ensure compliance with the Uniform Unclaimed Property Act (1995) Article SA. The Authority should evaluate all unclaimed property and exercise due diligence in reporting unclaimed property to the State.

*Management's Response:* The Authority concurs with this finding. The Authority in fiscal year 2014 has started the process of identifying unclaimed property, including unclaimed customer deposits and outstanding checks, and gathering the identifying data that must accompany any escheatment to the State of New Mexico. The Authority is establishing an internal workflow for the steps that must legally be taken to establish that property is unclaimed and is setting guidelines for when that property is reported and escheated on an annual basis. The effort underway involves only outstanding payroll and accounts payable checks. Unclaimed customer deposits will be phase two of this effort.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES, continued**  
**Year Ended June 30, 2013**

**C. Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978, continued**

**2011-007 Capital Assets Inventory (Repeated and Modified) (Other)**

*Criteria:* According to Section 12-6-10(A) NMSA 1978, each agency shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory is performed. This certification should be provided to the agency's auditors.

*Condition:* During fiscal year 2013, the Authority performed a physical inventory of its fleet vehicles, but a physical inventory was not performed for all machinery and equipment items. In addition, the results of the physical inventory performed were not reconciled to the detailed capital listing.

*Cause:* The Authority is not performing annual physical inventory counts of all of its capital assets to ensure compliance with state statutes.

*Effect:* The Authority's capital assets listing for machinery and equipment may be incorrect.

*Auditors' Recommendations:* Management should complete a physical inventory of capital assets every year in compliance with Section 12-6-10(A) NMSA 1978. Results from this physical inventory should be reconciled to the Authority's detailed capital assets listing for machinery and equipment.

*Management's Response:* The Authority concurs with this finding and recognizes that an annual physical inventory is required by State Statute. In preparation for the assumption by the Authority of virtually all business process including risk management services previously done by the City on the Authority's behalf as of July 1, 2013, the Authority during the latter half of fiscal year 2013 started the process of moving the title and registration of the Authority's vehicles from the City to the Authority. This was necessary for the Authority to have an insurable interest in the vehicles. The title transfer process required in essence an inventory of the Authority vehicles and this effort was led by the Authority's newly created Fleet Manager.

The Authority maintains a comprehensive listing of its non-fleet assets within the asset management system and the Maximo work order system which is integrated with its Geographical Information System (GIS). As these resources are developed and new technology is acquired which can be paired with the SunGard financial system, the Authority expects it will be able to do an annual physical inventory of all inventory items and be in compliance with State Statutes.

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2013**

Prior Audit Findings	Current Status
<b>Financial Statement Findings</b>	
08-02 -- Manual Payroll Checks Handling	Resolved
08-16 -- Bank Reconciliation Process	Repeated, see 2008-016
09-15 -- Timely Closing of General Ledger and Reconciliation of Subsidiary Ledgers	Repeated, see 2009-015
11-01 -- Accounts Payable Controls	Repeated, see 2011-001
<b>Federal Awards Findings</b>	
12-01 -- Davis Bacon Act	Resolved
<b>Other Findings</b>	
05-13 -- Audit Report Due Date	Repeated, see 2005-013
08-13 -- Controls over Equipment Tagging	Repeated, see 2008-003
09-14 -- Accurate and Timely Budget to Actual Information	Repeated, see 2009-014
10-01 -- Business Continuity and Disaster Recovery Plan	Resolved
10-03 -- Reporting Unclaimed Property	Repeated, see 2010-003
11-01 -- Information Technology (IT) Policies and Procedures	Resolved
11-05 -- PeopleSoft Implementation	Resolved
11-06 -- Lack of Backup for Key IT Personnel	Resolved
11-07 -- Capital Assets Inventory	Repeated, see 2011-007
12-02 -- P-Card Transactions	Resolved

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**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF DEPOSITS AND INVESTMENTS BY FINANCIAL INSTITUTION**  
**June 30, 2013**

As stated in Note I.C.1 , the Authority participates in the City's pooled investment program. This schedule only reflects the deposits and investments by financial institution for those accounts in which the Authority is a participant.

Financial Institution: Account name	Type of Account	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
Bank of Albuquerque				
Common Fund	Checking	\$ 110,026	\$ -	\$ 110,026
Water Utility Authority Lockbox	Checking	1,449,835	554,348	2,004,183
		<u>1,559,861</u>	<u>554,348</u>	<u>2,114,209</u>
Bank of America				
Common Fund	Checking	198,553,234	(2,267,077)	196,286,157
Water Utility Authority Payroll	Checking	-	(4,614)	(4,614)
Water Utility Authority Accounts Payable	Checking	-	(685,025)	(685,025)
Water Utility Authority Depository	Checking	-	-	-
		<u>198,553,234</u>	<u>(2,956,716)</u>	<u>195,596,518</u>
Bank of the West				
Money Market Account	Checking	252,261,096	(261,096)	252,000,000
Total cash deposit accounts		<u>452,374,191</u>	<u>(2,663,464)</u>	<u>449,710,727</u>
Investments:				
Bank of America				
Working Capital Account	Investment	341,786,913	25,897	341,812,810
Short-Term Investment Account (Repurchase Agreement)	Investment	20,000,000	-	20,000,000
		<u>361,786,913</u>	<u>25,897</u>	<u>361,812,810</u>
City of Rio Rancho Bond	Investment	1,715,000	-	1,715,000
Total investments		<u>363,501,913</u>	<u>25,897</u>	<u>363,527,810</u>
Total cash and investments		<u>\$ 815,876,104</u>	<u>\$ (2,637,567)</u>	<u>\$ 813,238,537</u>
Pooled Cash and Investments in the Statement of Net Position of the Authority				\$ 40,321,129
Non-Pooled Cash and Investments in the Statement of Net Position of the Authority				1,317,744
Other Pooled Cash and Investments of the City				<u>771,599,664</u>
				<u>\$ 813,238,537</u>

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION**  
**June 30, 2013**

This schedule only reflects the collateral by financial institution for those accounts in which the Authority is a participant.

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
FMAC Gold PC	\$ 534,753	\$ 412,322	\$ 458,877	06/01/2041	5.00%
FMAC Gold PC	1,000	68	71	02/01/2018	4.50%
FMAC Gold PC	4,798,601	3,972,472	4,142,247	02/01/2042	4.00%
FNMA backed security	8,074,717	463,681	494,901	01/01/2018	5.00%
FNMA backed security	8,876,254	7,897,618	8,276,301	02/01/2042	4.00%
FNMA backed security	46,391,900	39,410,565	42,523,763	04/01/2041	4.50%
FNMA backed security	1,584,513	688,782	753,840	10/01/2038	5.50%
FNMA backed security	43,567,736	15,309,399	16,603,947	05/01/2040	5.50%
FNMA backed security	1,786,158	1,738,516	1,767,207	12/01/2042	3.50%
FNMA backed security	1,000	11	12	04/01/2017	6.00%
FNMA backed security	2,000	39	41	04/01/2017	6.00%
FNMA backed security	2,000	52	55	04/01/2017	6.00%
FNMA backed security	1,000	56	60	11/01/2017	5.00%
FNMA backed security	1,000	49	53	01/01/2018	5.00%
FNMA backed security	4,000	197	211	02/01/2018	5.00%
FNMA backed security	1,000	36	39	03/01/2033	5.50%
FNMA backed security	1,000	53	57	06/01/2028	5.50%
FNMA backed security	1,000	58	63	10/01/2028	5.50%
FNMA backed security	1,000	81	88	06/01/2028	5.00%
FNMA backed security	3,000	207	227	06/01/2028	5.50%
FNMA backed security	4,841,908	331,890	363,238	06/01/2033	5.50%
FNMA backed security	661,381	31,741	34,930	05/01/2033	6.00%
FNMA backed security	5,404,799	945,080	1,035,573	10/01/2028	5.50%
FNMA backed security	1,489,143	101,433	111,158	01/01/2033	5.50%
FNMA backed security	297,719	18,922	21,157	08/01/2032	6.50%
FNMA backed security	3,000	184	199	06/01/2033	5.00%
FNMA backed security	8,122,944	741,026	811,019	06/01/2033	5.50%
FNMA backed security	2,614,991	275,015	308,866	12/01/2032	6.50%
FNMA backed security	1,524,040	198,830	217,611	10/01/2033	5.50%
FNMA backed security	3,412	493	568	10/01/2032	6.50%
FNMA backed security	11,459,988	2,109,448	2,300,619	03/01/2037	5.50%
FNMA backed security	12,039,400	3,208,052	3,517,328	10/01/2035	5.50%
FNMA backed security	32,687,761	7,390,859	8,060,663	02/01/2038	5.50%
FNMA backed security	24,949,387	3,789,753	4,123,971	09/01/2037	6.00%
FNMA backed security	90,165	23,335	25,124	05/01/2038	5.00%
FNMA backed security	5,348,682	2,730,608	2,846,080	10/01/2040	4.00%
FNMA backed security	18,684,515	13,659,729	13,885,155	12/01/2041	3.50%
FNMA backed security	9,854,380	9,337,515	9,137,216	08/01/2042	3.00%
FNMA backed security	12,082,582	1,620,577	1,710,482	03/01/2037	5.50%
FNMA backed security	20,006,770	4,339,163	4,455,878	05/01/2034	4.50%
FNMA backed security	4,973,683	3,531,980	3,820,885	12/01/2040	4.50%
GNMA I Single Family Loan Pool 15-30 Yr	82,928,564	62,169,819	65,701,686	10/15/2040	4.00%



**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION**  
**June 30, 2013**

This schedule only reflects the collateral by financial institution for those accounts in which the Authority is a participant.

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
GNMA I Single Family Loan Pool 15-30 Yr	29,975,000	291,535	328,947	01/15/2029	6.50%
GNMA I Single Family Platinum Pool 30 Yr	<u>29,412,622</u>	<u>427,433</u>	<u>465,872</u>	01/15/2025	7.00%
	<u>\$ 435,090,468</u>	<u>\$ 187,168,682</u>	<u>\$ 198,306,285</u>		
Location of collateral:	Federal Reserve Bank, Richmond, VA				
Bank of Albuquerque					
FHR 4028 U	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	05/15/2026	2.00%
Location of collateral:	Federal Home Loan Bank, Topeka KS				
Bank of the West					
Southern Sandoval County	\$ 350,000	\$ 350,000	\$ 363,741	08/01/2019	3.90%
Southern Sandoval County	350,000	350,000	363,584	08/01/2014	4.00%
GNMA2 Single Family 30 Yr	1,000,000	696,417	734,705	11/20/2040	4.00%
FNMA Conv 30 Yr SF	1,000,000	954,813	934,363	09/01/2042	3.00%
GNMA2 Single Family 30 Yr	2,800,000	2,642,838	2,619,080	06/20/2042	3.00%
US Treasury	1,000,000	1,000,000	1,041,250	02/29/2016	2.13%
GNMA1 Single Family 30 Yr	225,000	156,190	164,104	09/15/2041	4.00%
Southern Sandoval County	150,000	150,000	160,497	08/01/2015	4.00%
FNMA Conv 30 Yr SF	50,000	48,297	47,262	09/01/2042	3.00%
GNMA2 Single Family 30 Yr	40,000,000	32,592,111	33,518,455	10/20/2041	3.50%
FN 1339C MP Pac Fix	1,000,000	987,929	974,606	05/25/2028	1.75%
FN 1339C MP Pac Fix	5,500,000	5,433,607	5,360,334	05/25/2028	1.75%
FNMA Conv 30 Yr SF	1,300,000	1,241,257	1,214,672	09/01/2042	3.00%
FHLMC Gold 30 Yr	1,300,000	1,258,026	1,227,944	10/01/2042	3.00%
GNMA1 Single Family 30 Yr	1,600,000	1,110,684	1,166,965	09/15/2041	4.00%
GNMA1 Single Family 15 Yr	1,960,000	1,456,871	1,538,331	11/15/2026	3.50%
GNMA2 Single Family 30 Yr	2,000,000	1,398,865	1,479,051	12/20/2040	4.00%
GNMA2 Single Family 30 Yr	52,500,000	42,777,146	43,992,972	10/20/2041	3.50%
FHLMC Gold 30 Yr	2,000,000	1,845,338	1,801,213	08/01/2042	3.00%
FNMA Conv 30 Yr SF	4,500,000	4,278,424	4,186,788	09/01/2042	3.00%
GNMA1 Single Family 30 Yr	1,300,000	1,042,552	1,071,785	12/15/2040	3.50%
GNMA2 Single Family 30 Yr	5,066,000	3,517,018	3,731,811	02/20/2041	4.00%
FNMA Conv 10 Yr SF	3,000,000	1,560,097	1,646,841	02/01/2021	3.50%
GNMA1 Single Family 30 Yr	22,721,176	22,288,323	20,816,829	11/15/2042	2.50%
FN 1339C MP Pac Fix	25,000,000	24,698,214	24,365,154	05/25/2028	1.75%
FHLMC Gold 30 Yr	25,500,000	23,528,063	22,965,466	08/01/2042	3.00%
FNMA Conv 30 Yr SF	26,379,320	23,458,847	22,956,402	08/01/2042	3.00%
GNMA2 Single Family 30 Yr	30,350,787	24,729,906	25,432,787	10/20/2041	3.50%
GNMA2 Single Family 30 Yr	35,000,000	30,013,205	30,866,250	04/20/2042	3.50%
GNMA1 Single Family 30 Yr	35,500,000	24,643,297	25,892,031	09/15/2041	4.00%

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION**  
**June 30, 2013**

This schedule only reflects the collateral by financial institution for those accounts in which the Authority is a participant.

The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of the West					
GNMA2 Single Family 30 Yr	37,000,000	36,428,014	34,023,007	12/20/2042	2.50%
FNMA Conv 30 Yr SF	2,000,000	1,945,223	1,903,560	10/01/2042	3.00%
GNMA1 Single Family 30 Yr	51,000,000	37,904,512	39,825,224	07/15/2041	4.00%
FNMA Conv 30 Yr SF	5,000,000	4,446,447	4,351,212	08/01/2042	3.00%
	<u>\$ 425,402,283</u>	<u>\$ 360,932,531</u>	<u>\$ 362,738,276</u>		

Location of collateral: Bank of the West, Walnut Creek, CA

The collateral for repurchase agreements is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
FNMS	<u>\$ 20,322,165</u>	<u>\$ 20,000,417</u>	<u>\$ 20,400,426</u>	04/30/2017	0.88%
102% collateral requirement			<u>20,400,000</u>		
Collateral in excess (deficit) of requirement			<u>\$ 426</u>		

Location of collateral: Bank of New York Mellon, New York, N.Y.

The market value shown of the pledged collateral for the common fund repurchase agreement is as of the time of purchase on 6/30/2013.

All pledged collateral is held in the City's name at each financial institution.

Directed trades (portfolio investment purchases) are held at the Federal Reserve Bank, Richmond, Virginia in an account separate from the account where the collateral for the common fund repurchase agreement is held.

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**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**June 30, 2013**

The responsible parties in all agreements are all of the participants.

**Joint Powers Agreements -**

<b><u>Contract Control Number (CCN)</u></b>	<b><u>Participants other than Water Authority</u></b>	<b><u>Description</u></b>
Eminent domain powers CCN 2004-0692	City of Albuquerque/Bernalillo County	City, County & Authority have right-of-way eminent domain powers.
CCN 2002-0350	New Mexico Interstate Stream Commission, City of Albuquerque Bio Park	Provide support for the Rio Grande silvery minnow naturalized refugium at the Albuquerque Bio Park.

**Memorandums of Understanding & Other Agreements**

<b><u>Contract Control Number (CCN)</u></b>	<b><u>Participants other than Water Authority</u></b>	<b><u>Description</u></b>
2014-0038	Mid Region Council of Governments (MRCOG)	Cooperative effort for acquisition and production of high resolution natural color digital orthophotography for several counties in central New Mexico as a cooperator in the MRCOG 2014 Regional Digital Orthophotography Project.
2014-0035	City of Albuquerque	Full scope of the understanding between the Authority and the City in recognition that although each party is a fully independent entity it is mutually beneficial to continue the provision of shared services between the parties.
2014-0014	City of Albuquerque	Terms and conditions by which the Authority will participate in the City group benefits program and will be entitled to the same plan of benefits and the same monthly premium structure available to the City.
2013-0144	United States Geological Survey of the United States Department of the Interior	Joint funding of continuing geohydrologic investigations in the Albuquerque Basin.
2013-0133	New Mexico Taxation and Revenue Department Motor Vehicle Division	To facilitate the disclosure of "personal information and "highly restricted personal information" as defined by the federal Drivers Protection Act (DPPA) by the Motor Vehicle Division to the Authority.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
September 22, 2004	Indefinite	Not specified	Unknown	All Parties
October 5, 2001	Indefinite	Not specified	\$110,000	All Parties

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
October 15, 2013	Upon the completion of the project, deliverables to the Authority and the payment of the fee to MRCOG by the Authority whichever event occurs last.	\$10,000	None as of June 30, 2013	All Parties
July 1, 2013	June 30, 2018	NA	NA	All Parties
July 1, 2013	June 30, 2014 with automatic renewal every year unless terminated by either party with 90 days written notice.	NA	NA	All Parties
July 1, 2013	June 30, 2017	\$1,536,378	None as of June 30, 2013	All Parties
June 11, 2013	Indefinite but either party can terminate without cause with 30 days notice.	NA	NA	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<b><u>Memorandums of Understanding &amp; Other Agreements</u></b>	<b><u>Participants other than Water Authority</u></b>	<b><u>Description</u></b>
2013-0128	New Mexico Interstate Stream Commission	To further development and calibration of the New Mexico Interstate Stream Commission groundwater model and provide technical and economic evaluation of brackish water appropriation and use by the Authority.
2013-0070	Bernalillo County	Bernalillo County owns and maintains Rio Bravo Park at 3902 Isleta Blvd SW adjacent to a pump station operated by the Authority. The Authority and Bernalillo County agree to place a transportable mural on the block wall separating the two properties. The County is responsible for major maintenance and the County and the Authority are responsible for daily maintenance.
2013-0069	Kirtland AFB	Replaces and expands the terms and conditions of 2012-0064. The Authority and KAFB will jointly support the development of contingency plans for maintaining the safety of drinking water supplies potentially placed at risk by groundwater contamination associated with the Kirtland Bulk Fuels site.
2013-0030	Bernalillo County	Pilot loan program to connect County residents to available water services. The loan based program is called CONNECT. This program will be run parallel and in conjunction with the PIPE program with the County.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
May 8, 2013	June 30, 2014	\$5,000	None as of June 30, 2013	All Parties
December 17, 2012	Indefinite until either party decides to remove the mural.	NA	NA	All Parties
December 1, 2012	November 30, 2013	NA	NA	All Parties
September 4, 2012	September 4, 2016	NA	NA	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<u>Memorandums of Understanding &amp; Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2012-0064, Replaced by 2013-0069 above	Kirtland AFB	In substance extended term of original agreement by one year, provided for a review of the status of the investigation by July 31, 2012 for the purpose of determining whether to renew the agreement and set a maximum reimbursement of \$53,000.
2012-0020	City of Albuquerque	Requires the City Fire Department and the Authority to perform various inspection and maintenance services on public fire hydrants and the Authority will map in its GIS system all public and private fire hydrants.
2012-0015	Nob Hill Main Street, a New Mexico non-profit corporation, Robert Strell, City of Albuquerque	Operation and maintenance of a community garden free of charge for Nob Hill residents on property owned by Robert Strell whereby Nob Hill Main Street will make all improvements and pay the ongoing utilities, the City of Albuquerque will pay the UEC charge and the Authority will establish an irrigation only account and will establish an annual irrigation water budget that Nob Hill Main Street and Robert Strell agree to comply with.
2012-0006	Kirtland AFB	Kirtland agrees to provide chipped clean green waste to the Soil Amendment Facility in exchange for screened biosolids compost material. The rate will be 3 tons of green waste from Kirtland for 1 ton of compost material from the Authority.
2011-0137, First Amendment	City of Albuquerque	Extension of time only, no change in scope of services.
2011-0137	City of Albuquerque	Conditions and terms for the Authority requesting barricade and excavation permits and the fees to be charged for such permits by the City.



<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
October 1, 2011	September 30, 2012	NA	NA	All Parties
August 10, 2011	August 10, 2016	NA	NA	All Parties
July 19, 2011	Year to year unless terminated by any party, Nob Hill Main Street can terminate without cause at any time with 30 days written notice and Robert Strell can terminate without cause with 30 days written notice but only between November 1 of any year and the following April 1.	NA	NA	All Parties
September 7, 2011	July 31, 2016	NA	NA	All Parties
July 1, 2012	June 30, 2014	NA	NA	All Parties
April 12, 2011	June 30, 2012	NA	NA	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<u>Memorandums of Understanding &amp; Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2011-0137, First Amendment	City of Albuquerque	Extension of time only, no change in scope of services.
2011-0137	City of Albuquerque	Conditions and terms for the Authority requesting barricade and excavation permits and the fees to be charged for such permits by the City.
2010-0117	City of Albuquerque Parks and Recreation Department, Black Cattle Ranch LLC, Quail Ranch	Biosolids assisted sustainable grazing study on City of Albuquerque Open Space land and on land leased by Black Cattle Ranch LLC from Quail Ranch.
2011-0111	City of Albuquerque Solid Waste Department	Use of non-potable water from storage tank at the Metropolitan Detention Center for dust control at the Cerro Colorado landfill operated by the City Solid Waste Department.
2011-0065	Bernalillo County	Joint funding of a staff person (to be hired as an Authority employee) and operating budget to support the Water Protection Advisory Board.
2011-0060	Village of Tijeras	The Authority may at its sole discretion grant return flow credits approved by the State Engineer to the Village and the Village agrees to undertake efforts to ensure that there are no unauthorized connections to the Authority's wastewater collection system by Village water customers.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
July 1, 2012	June 30, 2014	NA	NA	All Parties
April 12, 2011	June 30, 2012	NA	NA	All Parties
March 16, 2010	2/28/2013, was not extended	NA	NA	All Parties
May 2, 2011	December 31, 2060	NA	NA	All Parties
December 16, 2010	Until terminated by both parties.	\$50,000 per year	\$50,000	All Parties
December 13, 2010	By the Authority at the end of any fiscal year with 90 days advance written notice to the Village.	NA	NA	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<u>Memorandums of Understanding &amp; Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2010-0151.1 First Amendment	Pajarito Mesa Mutual Domestic Water Consumer Association	The Authority has constructed a drinking water fill station and agrees to charge PMDWCA the wholesale water rate and PMDWC agrees to be responsible for billing its customers and making remittance to the Authority and operate and maintain the water filling station.
2010-0090.1	Bernalillo County	Allows for the design and construction of an additional water transmission line from the new Cordero reservoir to the existing reservoir serving the Metropolitan Detention Center for which the County agrees to pay all costs and stipulates this new line shall not be used to provide service for existing or future development.
2010-0090	Bernalillo County	Expansion of water capacity in Cordero Mesa Business Park through County managed and paid for facility construction and for which the Authority agrees to extend the water system to the project area and connect to the system.
2009-0141	Bernalillo County	Long term extension of the jointly funded Partners in Improving and Protecting the Environment (PIPE) program which provides low and moderate income water and sewer connection assistance within the Authority service area.
2009-0132	City of Albuquerque	The Authority agrees to reimburse the City for low flow toilets and urinals purchased, retrofitted and installed by the City in City facilities.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
January 5, 2010	June 30, 2019 unless terminated by both parties and it may be extended by mutual agreement of both parties.	NA	NA	All Parties
September 30, 2010	Until terminated by both parties.	NA	NA	All Parties
December 3, 2009	Until terminated by both parties.	NA	NA	All Parties
June 9, 2009	June 30, 2050	Not Specified	\$184,133	All Parties
April 1, 2009	April 1, 2013, was not renewed	\$156,825	0	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<u>Memorandums of Understanding &amp; Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2009-0106	NMWARN members	Participation in the New Mexico Mutual Aid and Assistance Agreement Water/Wastewater Agency Response Network (NMWARN) whereby mutual aid and assistance activities are conducted under the New Mexico Intrastate Mutual Aid and Assistance Program and the Interstate Emergency Management Assistance Compact.
2009-0043, Replaced by 2013-0144 above effective 7/1/2013	United States Geological Survey of the United States Department of the Interior	Joint funding of continuing geohydrologic investigations in the Albuquerque Basin.
2009-0018	City of Rio Rancho	Authority agrees to provide water and wastewater services to the 11,000 acres within Bernalillo County annexed by the City of Rio Rancho and the City of Rio Rancho agrees not to extend its own water and wastewater services to this area, which was done in contemplation of a successful condemnation of New Mexico Utilities Inc. (NMUI) by the Authority which in fact was accomplished by the Authority's acquisition of NMUI.
2008-0151	City of Albuquerque Office of Emergency Management	Allows the use of the Authority's facilities at Pino Yards on a no notice basis as an alternate emergency operations facility in the event the primary emergency operations facility is unavailable.
2008-0105 Second Amendment	Bernalillo County	County agrees to provide the services of its grinder to pulverize brush and tree trimmings in accordance with an equipment lease agreement.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
March 10, 2009	December 31, 2050	NA	NA	All Parties
July 1, 2008	June 30, 2013	\$1,250,000	Unknown	All Parties
September 5, 2008	In Perpetuity	NA	NA	All Parties
April 30, 2008	December 31, 2050	NA	NA	All Parties
January 22, 2008	August 29, 2015	\$10,000	Unknown	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<u>Memorandums of Understanding &amp; Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2008-0105	Bernalillo County	The Authority agrees to accept and the County agrees to provide yard trimmings, brush and tree trimmings and horse stable bedding for the purpose of beneficial reuse of these materials at the Authority's Soil Amendment Facility.
2008-0076	City of Albuquerque Parks and Recreation Department	Landscaping and irrigation system improvements to be made by the Authority along Campbell Road and the Rio Grande Compound made necessary by damages from the San Juan Chama drinking water project and the Parks and Recreation Department agreement to provide yearly maintenance of such improvements.
2008-0046	City of Albuquerque Fire Department	The City will paint up to 3,187 fire hydrants per year at a cost of \$8 per hydrant for an annual cost to the Authority not to exceed \$25,500.
2008-0045 Extension of Time, Replaced effective July 1, 2013 with 2014-0035 above	City of Albuquerque	Extension of time only, no change in scope of services.
2008-0045 Third Amendment	City of Albuquerque	Provide a practical mechanism for the review and identification of real property transferred to the Authority by operation of law so that the City can convey record title to the Authority.



<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
August 29, 2007	August 29, 2015	NA	NA	All Parties
December 6, 2007	December 31, 2050	\$103,530	Unknown	All Parties
August 10, 2007	Terminated by either party with a six month written notice.	\$25,500 per year	Unknown	All Parties
July 1, 2012	June 30, 2013	NA	NA	All Parties
September 16, 2008	June 30, 2012	NA	NA	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING,**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2013**

<u>Memorandums of Understanding &amp; Other Agreements</u>	<u>Participants other than Water Authority</u>	<u>Description</u>
2008-0045 First Amendment	City of Albuquerque	Provides the City's Solid Waste Department or other City agency with the use of the Authority's billing and collection system based upon a mutually agreed cost.
2008-0045	City of Albuquerque	Full scope of the understanding between the Authority and the City, including the services to be provided by each party upon the Authority acquiring all the powers necessary to operate a public water and wastewater utility.
None	Albuquerque Public Schools, University of New Mexico, City of Albuquerque Parks and Recreation Department, City of Albuquerque Zoo, City of Albuquerque Solid Waste Department, Village of Los Ranchos, Ciudad Soil and Conservation District	Each participating agency provides shredded green waste and discarded animal bedding to the Authority's Soil Amendment Facility where the materials are blended with the solids from the Authority's water reclamation facility to provide an enhanced compost material. The enhanced compost is then returned to the participating agencies for beneficial re-use on green and open space areas.

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Project Amount</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
July 1, 2007	June 30, 2012	NA	NA	All Parties
July 1, 2007	June 30, 2012	NA	NA	All Parties
Fiscal year 1992	Indefinite	NA	NA	All Parties

**ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY**  
**EXIT CONFERENCE**  
**June 30, 2013**

An exit conference was held on April 28, 2014, and attended by the following:

**AUTHORITY PERSONNEL:**

Klarissa J. Peña  
Chair, Water Authority Board

Mark Sanchez  
Executive Director

Stanley Allred  
Chief Financial Officer

Cliff Wintrobe  
Accounting Officer

Barbara Houston  
Executive Assistant

**REDW LLC:**

James Montoya  
Principal

Joshua Trujillo  
Senior Manager

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Meeting Date: May 21, 2014  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE:** O-14-1 – Amending the Albuquerque Bernalillo County Water Utility Authority Water and Sewer Rate Ordinance to Adjust Water and Sewer Rates By a Five Percent Rate Revenue Adjustment for FY15, Changing Definitions, Update Utility Expansion Charges and Water Supply Charge by the Engineering News Report Index, Changes to the Water Authority’s investment Policy as Recommended by the Investment Oversight Committee, Clarify and Change Policy Items and Make Clerical Changes

**ACTION:** Recommend Approval

**SUMMARY:**

This Legislation amends the Water Authority’s Water and Sewer Rate Ordinance. The Ordinance is amended to: 1) adjust water and sewer rates based upon the need for a 5% rate revenue adjustment to maintain planned infrastructure spending; 2) increase the Utility Expansion Charges and Water Supply Charge by the ENR index per sections 1-1-8(A)(1) and 1-1-8(D)(1) of the Ordinance and 3) make changes to Appendix A (Investment Policy) as recommended by the Investment Oversight Committee and the Water Authority’s Investment Advisor (Public Trust Advisors).

Water and Sewer fixed rates have been adjusted based upon the Water Authority’s cost of service principles and incorporated the Water Authority’s need for a 5% rate revenue adjustment for Fiscal Year 2015 to invest in the Water Authority’s infrastructure based upon the Asset Management Plan.

The proposed amendment also adjusts the Utility Expansion Charges and Water Supply Charge by 2.4% based upon the April 1, 2014 ENR Building and Construction Cost Indexes. This is the annual adjustment made in accordance to sections 1-1-8(A)(1) and 1-1-8(D)(1) of the Water Authority’s Rate Ordinance.

This Ordinance includes an amendment to the Water Authority’s “Investment Policy”, which outlines the policy’s to establish the authority and procedures for the investment of Water Authority funds. After review by the Water Authority’s Investment Advisor Public Trust Advisors, changes were made to strengthen the policy, define members to the Oversight Committee, follow best practices as defined by the Governmental Financial Officers Association and to follow NM State Statues.

**FISCAL IMPACT:**

The 5% base water and sewer rate adjustment will have a \$2.73 per month impact for the Water Authority's residential users using a 5/8" meter, and multifamily accounts will increase by \$3.73 for a 5/8" meter and those using a 3' meter will see a \$90.09 per month increase. Commercial customer using a 2" meter will see a \$42.13 increase; Industrial customers using a 3" meter will see a \$214.94 increase and Institutional customers using a 3" meter will see a \$66.27 per month increases. Again, this dependent based upon a customer's service size.

The net increase in Utility Expansion Charges and the Water Supply Charge for the average residential connection will be \$68 for water, \$51 for sewer and \$35 for the Water Supply Charge.

The proposed amendments are consistent with the ten-year financial plan presented to the Board, and guiding the Water Authority long term.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. O-14-1

1 **ORDINANCE**

2 **AMENDING THE ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY**  
3 **AUTHORITY WATER AND SEWER RATE ORDINANCE TO ADJUST WATER AND**  
4 **SEWER RATES BY A FIVE PERCENT RATE REVENUE ADJUSTMENT FOR FY15,**  
5 **CHANGING DEFINITIONS, UPDATE UTILITY EXPANSION CHARGE AND WATER**  
6 **SUPPLY CHARGE BY THE ENGINEERING NEWS REPORT INDEX, CHANGES TO**  
7 **THE WATER AUTHORITY'S INVESTMENT POLICY APPROVED BY THE**  
8 **INVESTMENT OVERSIGHT COMMITTEE, CLARIFY AND CHANGE POLICY ITEMS**  
9 **AND MAKE CLERICAL CHANGES.**

10 NOW, THEREFORE, BE IT ORDAINED BY THE BOARD, THE GOVERNING BODY  
11 OF THE WATER AUTHORITY:

12 Section1. Section 1 is amended as follows:

13 Section 1 WATER AND SEWER RATES

14 1-1-1. SHORT TITLE.

15 This Ordinance will be known and may be cited as the "Albuquerque Bernalillo County  
16 Water Utility Authority Water and Sewer Rate Ordinance."

17 1-1-2. COMPUTATION OF REVENUES, EXPENSES AND DEBT SERVICE;  
18 DETERMINATION OF DEBT COVERAGE; REQUIRED MONTHLY FIXED CHARGE.

19 (A) Definition of Terms.

20 AWWA. American Water Works Association.

21 CONSUMERS ASSOCIATION (CMDWWCA). Non-profit organization  
22 generally located in the Carnuel land grant established in 2001 under the laws of New  
23 Mexico Sanitary Projects Act.

24 COST OF SERVICE. A rate setting methodology that is legally and fiscally  
25 required by bond covenants which sets sewer charges based upon EPA guidelines,  
26 uses a standard rate setting approach within the industry, requires users to pay their

[+Bracketed/Underscored Material+] - New  
[-Bracketed/Strikethrough Material-] - Deletion

1 proportionate cost of the system and creates equity within classes of customers and  
2 among classes of customers.

3 CITY. The City of Albuquerque, New Mexico.

4 COUNTY. Bernalillo County, New Mexico.

5 CURRENT DEBT SERVICE REQUIREMENT. Payments into a current  
6 debt ordinances authorizing the issuance of bonds to be paid from the net revenues of  
7 the systems.

8 CUSTOMER. Any person, association, corporation, or entity  
9 receiving Utility service, related products or services in the metropolitan Service Area.

10 DROUGHT. Drought occurs when there is insufficient precipitation  
11 combined with other environmental factors that cause an increase of overall water  
12 usage.

13 DROUGHT MANAGEMENT STRATEGY. The Water Authority's Drought  
14 Management Plan which contains four different drought severity levels, with each level  
15 containing increasingly stringent measures to reduce demand on the Water Authority's  
16 water system.

17 EXECUTIVE DIRECTOR. The Executive Director of the Water Authority.

18 EXPENSES. All expenses necessary for the operation and maintenance  
19 of the water and sewer systems, excluding depreciation, amortization and payments in  
20 lieu of taxes and expenditures for capital items.

21 FISCAL YEAR. July 1 through June 30.

22 FRANCHISE. The authorizations granted by the City of Albuquerque, City  
23 of Rio Rancho, Bernalillo County or Village of Los Ranchos to the Water Authority to  
24 use their respective rights-of-way and public places to construct, operate, and maintain  
25 Water Authority water and wastewater systems.

26 LOW INCOME HOUSING DEVELOPMENTS. Any multi-family residential  
27 development constructed by the City of Albuquerque or Bernalillo County or a non-  
28 private developer in conjunction with one of these local governments which is  
29 substantially intended to provide affordable housing to very low income citizens as  
30 defined by 60 percent or less of median income as established by the US Department of  
31 Housing and Urban Development and/or approved by the Executive Director.

32 METER SIZE. The physical size of a water meter as designated by  
33 AWWA Standard.



PAJARITO MESA MUTUAL DOMESTIC WATER AND WASTEWATER  
CONSUMERS ASSOCIATION (PMMDWWCA). Non-profit organization generally  
located in the Pajarito land grant established in 2000 under the laws of New Mexico  
Sanitary Projects Act.

REVENUES. For this purpose revenues will include all charges for  
current water and sewer service, income from miscellaneous services or property,  
interest on investments of the Joint Water and Sewer Funds, connection fees, and  
interest on notes or other receivables.

RIO RANCHO The City of Rio Rancho, New Mexico.

SERVICE AREA. Those parts of Bernalillo County and contiguous  
territory served by the Water Authority.

SERVICE SIZE. Service sizes range from size 1 to size 8. Each size  
is based upon the meter size or equivalent for each account.

UEC. Utility Expansion Charge

UTILITY. The water and wastewater facilities and all operations and  
management of such facilities necessary to provide water and wastewater service in the  
Service Area.

VILLAGE OF LOS RANCHOS. Village of Los Ranchos de Albuquerque,  
New Mexico.

WATER AUTHORITY. The Albuquerque Bernalillo County Water  
Utility Authority or its authorized agent.

WATER SUPPLY CHARGE (WSC). A charge that will be assessed by  
the Water Authority at the time of meter sale or application for service to any new water  
user customer requesting connection to the water system in an area not located within  
the Water Authority's service area and requiring a development agreement .

WINTER MEAN. For all customers, the average monthly water use  
billed in the months of December, January, February and March for each account. If a  
customer has a new account and does not have a full four months to calculate a winter  
mean or if a customer's winter mean is zero, then the mean for that customer will be  
based off the class and size average mean. For those residential customers that have  
a winter mean greater then zero units but less than four units and does not fall in the  
category of a new account then their winter mean used for the Conservation Surcharge

1 will be four units. For those residential customers that have a winter mean greater than  
2 15 units their winter mean used for the Conservation Surcharge will be 15 units.

3 (B) Computation of Revenues, Expenses and Debt Service. At the end of  
4 each quarter of the fiscal year a determination will be made as to the total revenues,  
5 expenses and current debt service requirements of the system in accordance with  
6 definitions in §1-1-2(A). The determination will be made by the end of the first month  
7 following the end of each quarter. The results of the determination will be transmitted to  
8 the Water Authority.

9 (C) Increasing Minimum Monthly Fixed Charges. If the determination of §1-1-  
10 2(B) above shows that the total revenues minus the expenses of the system are less  
11 than 133 percent of the current debt service for the cumulative quarter of the fiscal year,  
12 the fixed monthly charge will be increased for water and sewer accounts. The increase  
13 in fixed monthly charges will be a percentage of the established fixed monthly charges  
14 that produce additional revenues so that if the adjusted charges had been effective the  
15 previous quarter, the total revenues would have been sufficient to pay operating  
16 expenses and 133 percent of current debt service. The increased fixed monthly  
17 charge will be effective the second month following the quarter (i.e., the month following  
18 the determination), and will remain in effect until such time as the Water Authority acts  
19 on water and sewer rates. If the determination of §1-1-2(B) above shows the total  
20 revenues minus the expenses of the system are less than 133 percent of the current  
21 debt service for the cumulative quarter of the fiscal year, it shall be determined if the  
22 revenue loss is due to efforts of Water Authority Customers to conserve water by  
23 reviewing usage patterns. If the usage study shows that the reduced revenues are due  
24 to conservation efforts, the Executive Director shall analyze the Utility's operations for  
25 the purpose of determining whether or not corresponding expense reductions can be  
26 effected and shall present any such expense reduction proposals to the Water  
27 Authority.

28 (D) Increasing Water Commodity Charges. If the quarterly analysis of power  
29 cost related to water pumping shows that costs are increasing or decreasing, the  
30 Executive Director is authorized to adjust the water commodity charge to reflect the  
31 change. An adjustment in the commodity charge will only be made if the needed  
32 commodity charge adjustment is \$0.01 or greater, and shall be in \$0.01 increments.

(E) General Procedural Provisions. The Executive Director may enact regulations to carry out the purposes of this Ordinance.

### 1-1-3. WATER RATES.

(A) Definitions. As used in this Section, unless the context otherwise requires:

#### CUSTOMER CLASSIFICATIONS Include:

(1) RESIDENTIAL. Single-family detached, condominiums served by individual meters, townhouses served by individual meters, duplexes served by individual meters, or mobile homes served by individual meters.

(2) MULTI-FAMILY. Any metered/account serving more than one dwelling unit; i.e., duplexes, residences with guests houses, triplexes, four-plexes, apartment complexes, condominiums, town-homes, or mobile homes served by common meters.

(3) COMMERCIAL. Retail, offices, hotels, motels, shopping centers, none of which use process water in the conduct of business.

(4) INDUSTRIAL. Manufacturing, or process facility which is engaged in producing a product.

(5) INSTITUTIONAL. Government buildings, hospitals, schools, and other facilities that provide public and quasi-public services.

#### (B) Water Credit Eligibility and Procedures.

(1) Single-family detached, condominiums, townhouses, duplexes or triplexes served by common or individual meters; mobile homes served by individual meters; but limited to those Customers who own the dwelling in which they reside and qualify under the United States Department of Health and Human Services poverty guidelines.

(2) The Executive Director shall establish procedures regarding certification for water credits and shall periodically make administrative changes to the income guidelines as circumstances require.

#### (C) Metered Water Service.

(1) The rates and compensation to be paid to the Water Authority for public and private use of water supplied by the Water Authority for any and all purposes shall be in accordance with the following schedule of charges. In addition to this Fixed

Monthly Charge, there shall be a Strategy Implementation Fixed Monthly Charge, §1-1-3[+(C)+] [-B-](2), which shall be dedicated to the Sustainable Water Supply Program.

Fixed Monthly Charge - Metered Service

<del>[-Serv Size</del>	<del>Meter Size</del>	<del>Residential</del>	<del>Commercial</del>	<del>Industrial</del>	<del>Institutional</del>	<del>Multi-</del>
						<del>family</del>
1	$\frac{5}{8} \times \frac{3}{4}$	\$8.63	\$8.81	\$ 18.53	\$9.29	\$11.09
2	1	16.51	16.84	36.66	17.85	21.51
3	1½	56.98	58.22	129.90	61.88	75.10
4	2	127.89	130.70	293.23	138.96	168.97
5	3	235.54	240.77	541.10	256.00	311.44
6	4	561.87	574.30	1292.84	610.79	743.47
7	6	892.12	881.27	1983.86	937.22	1140.79
8	8 & over	1947.05	1990.20	4482.96	2337.28	2577.04]
[+Serv Size	Meter Size	Residential	Commercial	Industrial	Institutional	Multi-
						family
1	$\frac{5}{8} \times \frac{3}{4}$	\$8.52	\$8.71	\$18.32	\$9.18	\$10.97
2	1	16.32	16.65	36.26	17.65	21.28
3	1½	56.34	57.57	128.45	61.19	74.26
4	2	126.47	129.24	289.93	137.40	167.04
5	3	232.90	238.06	535.03	253.13	307.94
6	4	557.29	567.86	1278.32	603.93	735.13
7	6	886.94	871.38	1961.59	926.69	1127.98
8	8 & over	1925.18	1967.85	4432.62	2311.04	2548.09+]

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and a schedule of charges will be designed and implemented based upon the Water Authority's Cost of Service Rate Model.

(2) In addition to the Fixed Monthly Charge in §1-1-3(C), the rates and compensation to be paid to the Water Authority for public and private use of water supplied by the Water Authority within the Service Area for any and all purposes shall be in accordance with the following schedule of charges. This Strategy Implementation Fixed Monthly Charge shall be dedicated to the Sustainable Water Supply to fund the implementation, operation and maintenance of the Water Resources Management

Strategy, which will develop the Water Authority's surface water supplies. Any interest earned on these dedicated funds shall be used only for this purpose.

### Fixed Monthly Charge - Metered Service Strategy Implementation

~~[-Fixed Monthly Charge - Metered Service Strategy Implementation]~~

<del>Serv Size</del>	<del>Meter Size</del>	<del>Residential</del>	<del>Commercial</del>	<del>Industrial</del>	<del>Institutional</del>	<del>Multi-</del>
<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del>family</del>
<del>1</del>	<del><math>\frac{5}{8} \times \frac{3}{4}</math></del>	<del>\$3.95</del>	<del>\$4.36</del>	<del>\$6.13</del>	<del>\$4.26</del>	<del>\$4.36</del>
<del>2</del>	<del>1</del>	<del>9.46</del>	<del>9.68</del>	<del>15.09</del>	<del>9.14</del>	<del>10.04</del>
<del>3</del>	<del><math>1\frac{1}{2}</math></del>	<del>15.66</del>	<del>17.27</del>	<del>24.43</del>	<del>16.93</del>	<del>17.27</del>
<del>4</del>	<del>2</del>	<del>27.79</del>	<del>30.66</del>	<del>43.39</del>	<del>30.05</del>	<del>30.66</del>
<del>5</del>	<del>3</del>	<del>62.48</del>	<del>68.96</del>	<del>97.58</del>	<del>67.56</del>	<del>68.96</del>
<del>6</del>	<del>4</del>	<del>111.04</del>	<del>122.57</del>	<del>173.40</del>	<del>120.08</del>	<del>122.57</del>
<del>7</del>	<del>6</del>	<del>249.78</del>	<del>275.74</del>	<del>390.15</del>	<del>270.12</del>	<del>275.74</del>
<del>8</del>	<del>8 &amp; over</del>	<del>444.02</del>	<del>490.17</del>	<del>693.59</del>	<del>480.19</del>	<del>490.17</del>

~~Fixed Monthly Charge - Metered Service Strategy Implementation-]~~

<del>[+Serv Size</del>	<del>Meter Size</del>	<del>Residential</del>	<del>Commercial</del>	<del>Industrial</del>	<del>Institutional</del>	<del>Multi-</del>
<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del></del>	<del>family</del>
<del>1</del>	<del><math>\frac{5}{8} \times \frac{3}{4}</math></del>	<del>\$4.51</del>	<del>\$4.98</del>	<del>\$7.01</del>	<del>\$4.87</del>	<del>\$4.98</del>
<del>2</del>	<del>1</del>	<del>10.81</del>	<del>11.06</del>	<del>17.25</del>	<del>10.45</del>	<del>11.48</del>
<del>3</del>	<del><math>1\frac{1}{2}</math></del>	<del>17.90</del>	<del>19.74</del>	<del>27.92</del>	<del>19.35</del>	<del>19.74</del>
<del>4</del>	<del>2</del>	<del>31.76</del>	<del>35.04</del>	<del>49.59</del>	<del>34.35</del>	<del>35.04</del>
<del>5</del>	<del>3</del>	<del>71.41</del>	<del>78.82</del>	<del>111.53</del>	<del>77.22</del>	<del>78.82</del>
<del>6</del>	<del>4</del>	<del>126.92</del>	<del>140.10</del>	<del>198.20</del>	<del>137.25</del>	<del>140.10</del>
<del>7</del>	<del>6</del>	<del>285.50</del>	<del>315.17</del>	<del>445.94</del>	<del>308.75</del>	<del>315.17</del>
<del>8</del>	<del>8 &amp; over</del>	<del>507.51</del>	<del>560.26</del>	<del>792.77</del>	<del>548.86</del>	<del>560.26+]</del>

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and a schedule of charges will be designed and implemented based upon the Water Authority's Cost of Service Rate Model.

(3) The rates and compensation to be paid to the Water Authority for public and private use of water supplied by the Water Authority for Wholesale Water Users shall be in accordance with the following schedule of charges.

Fixed Monthly Charges- Pajarito Mutual Domestic

Meter Size

1	$\frac{3}{4}$	\$12.57
2	1	25.37
3	1½	73.40
4	2	157.61
5	3	327.55
6	4	728.07
7	6	1228.95
8	8	2606.77

9 Effective July 1, 2015 and July 1, 2017

10 A 5 percent revenue increase is approved and a schedule of charges will be designed  
 11 and implemented based upon the Water Authority's Cost of Service Rate Model.

12 (D) Unmetered Water Service.

13 (1) For service connections to the utility for private fire protection.

14 Applicable to all service through which water is used solely for extinguishing accidental  
 15 fires.

16	Fixed Monthly Charge	
17	Line Size	Service Area
18	(inches)	
19	2	\$4.40
20	3	6.60
21	4	8.80
22	6	16.50
23	8	25.30
24	10	35.20
25	12	51.70

26 Effective July 1, 2015 and July 1, 2017

27 A 5 percent revenue increase is approved and a schedule of charges will be designed  
 28 and implemented based upon the Water Authority's Cost of Service Rate Model.

29 (2) Unmetered water service for any purpose other than standby fire  
 30 protection will be a violation of this Ordinance and subject to the penalties specified  
 31 herein; except by written agreement approved by the Executive Director.

32 (E) Private Use of Fire Hydrants for Non-Potable Use.

33 (1) Permits

1 (a) Connections to fire hydrants at any location are prohibited  
2 except by the Water Authority, Fire Departments within the service area or by written  
3 permit (fire hydrant meter permit) issued by the Water Authority. The Fire Departments  
4 within the service area are given permission to use fire hydrants based upon written  
5 agreements with the Executive Director which pertain to inspection and maintenance.  
6 Each Fire Department is required to perform agreed upon maintenance on all fire  
7 hydrants within their service area as a condition of use.

8 (b) A qualified applicant (business owner or licensed contractor)  
9 or designated agent wishing to obtain a fire hydrant meter permit must submit a  
10 completed application form to the Water Authority. Completed and signed applications  
11 may be mailed or hand delivered. If the applicant assigns a designated agent to obtain  
12 the permit, a designated agent certification form must be signed and notarized by the  
13 business owner or licensed contractor and submitted with the completed application.

14 (c) Fire hydrant meter permits may be issued for a period not to  
15 exceed one year. Failure to comply with one or more of the terms and conditions shall  
16 be cause for terminating the permit.

17 (d) Under a standard fire hydrant meter permit, the applicant  
18 may request the use of any fire hydrant from the Water Authority's designated network  
19 of green-top fire hydrants. Applicants desiring to use an out-of-network hydrant must  
20 submit a written request with the fire hydrant meter application stating the reason(s) for  
21 needing to use the out-of-network hydrant. Water Authority staff will review such  
22 requests on a case by case basis and a decision shall be issued within three business  
23 days of receiving the request.

24 (e) The Water Authority reserves the right to refuse to issue a  
25 fire hydrant meter permit to any applicant or to require an applicant to pay all current  
26 charges on the applicant's Water Authority account as a condition to the issuance of a  
27 permit.

28 (2) System Connection and Water Use.

29 (a) Water taken from fire hydrants may be used only for non-  
30 potable, non-recreational purposes within the Water Authority service area. The use of  
31 non-potable water taken from fire hydrants for swimming pools is prohibited.

32 (b) The permit holder shall utilize a backflow prevention method  
33 or device acceptable to the Water Authority at all times the fire hydrant meter is in use

1 to protect the Water Authority's water supply. Failure to use an acceptable backflow  
2 prevention method or device shall be cause for confiscating the fire hydrant meter and  
3 terminating the permit.

4 (c) The Executive Director can appoint employees to inspect fire  
5 hydrant meters at anytime, but not less than once per annum. Permit holders shall  
6 make provisions for such inspections.

7 (d) For permit holders that contract with the Water Authority, the  
8 Executive Director is authorized to withhold all or a portion of the surety bond for  
9 outstanding fire hydrant meter charges including but not limited to repair and  
10 replacement of the hydrant meter and usage.

11 (3) Loss, Damage and Payment Surety Bond.

12 (a) A loss, damage and payment surety deposit of \$3,000.00 for  
13 each fire hydrant meter is required at the time the permit is issued. If a fire hydrant  
14 meter is lost or stolen, the \$3,000.00 deposit shall be forfeited and the permit holder  
15 shall be assessed up to [+a+] \$1,000.00 charge for water usage.

16 (b) All or a portion of the loss, damage and payment surety  
17 deposit will be refunded depending upon the cost of repairing the fire hydrant meter and  
18 the outstanding balance for meter charges when it is returned to the Water Authority.  
19 The Water Authority shall cause the repair work and compute the time and materials  
20 necessary to rehabilitate the fire hydrant meter.

21 (c) The Executive Director can waive the loss, damage and  
22 payment surety deposit for special events or non-construction related short term  
23 projects.

24 (4) Reporting. The permit holder shall be required to report and pay  
25 for fire hydrant water usage on a monthly basis. Fire hydrant meter readings shall be  
26 submitted, in writing between the first (1st) and tenth (10th) day of the month for water  
27 usage during the previous calendar month, regardless of whether any water usage  
28 occurred during that month. Failure to submit meter readings between the first (1st) and  
29 the tenth (10th) of the month shall result in a \$20.00 late meter reading fee per  
30 occurrence. Failure to report meter readings on or before the last day of the month the  
31 readings are due shall be cause for confiscation of the meter and termination of the  
32 permit.

33 (5) Fees and Charges.



1 (a) The nonrefundable connection fee is \$230.00 for each  
2 hydrant issued for a fire hydrant meter permit.

3 (b) All fire hydrant meter permit holders shall pay a monthly  
4 maintenance charge of \$70.00. This monthly maintenance charge shall not be  
5 prorated.

6 (c) All water withdrawn from a fire hydrant shall be charged at  
7 the current commodity rate. Connections to fire hydrants in violation of this Ordinance  
8 will be subject to the penalties specified herein and shall be considered an illegal  
9 connection and be subject to hydrant meter confiscation.

10 (d) The permit holder shall be required to remit payment for all  
11 water withdrawn from fire hydrants on a monthly basis. Failure to remit payment in full  
12 within ten (10) days after final notice is issued shall result in a \$50.00 late payment fee  
13 per occurrence, and shall be cause for confiscation of the fire hydrant meter and  
14 termination of the permit.

15 (F) Water Commodity Charge.

16 (1) (a) In addition to the Fixed Monthly Charge, all water used by a  
17 Customer within the Service Area for any purpose whatsoever shall be charged at the  
18 rate of \$1.093 per unit (one unit equals 100 cubic feet). In addition, there shall be a  
19 charge of 0.024 per unit, added to this commodity charge, which is the amount  
20 necessary to compensate the Water Authority for the water conservation fee charged by  
21 the State of New Mexico and for the Sustainable Water Supply, §1-1-3(F)(2). This is  
22 determined by the meter reading or by estimating the usage by statistical methods.  
23 Customers shall pay bills monthly.

24 Effective July 1, 2015 and July 1, 2017

25 A 5 percent revenue increase is approved and will be implemented based upon the  
26 Water Authority's Cost of Service Rate Model.

27 (b) Included in the commodity charge is a \$0.116 charge per  
28 unit that will be dedicated to the Water Resources Management Program in Fund 621 to  
29 fund the Ground-Water Protection Policy and Action Plan, the Water Conservation  
30 Program, Water Resources Management Planning and Arsenic Investigations. All  
31 interest earned on these dedicated funds shall be used only for this purpose.

32 Effective July 1, 2015 and July 1, 2017

1 A 5 percent revenue increase is approved and will be implemented based upon the  
2 Water Authority's Cost of Service Rate Model.

3 (c) In addition to the Fixed Monthly Charge customers with a  
4 wholesale water rate shall be charged at the rate in accordance with the following  
5 schedule of charges.

6 Pajarito Mutual Domestic - \$1.15 per 100 CCF  
7 Effective July 1, 2015 and July 1, 2017

8 A 5 percent revenue increase is approved and will be implemented based upon the  
9 Water Authority's Cost of Service Rate Model.

10 (2) In addition to the fixed monthly charges and the Commodity  
11 Charge, §1-1-3(F)(1)(a), all water used by a Customer within the Service Area for any  
12 purpose whatsoever shall be charged at the rate of \$0.444 per unit (one unit equals 100  
13 cubic feet). This charge per unit will be dedicated to a Sustainable Water Supply to  
14 fund the Water Resources Management Strategy. Any interest earned on these  
15 dedicated funds shall be used only for this purpose.

16 Effective July 1, 2015 and July 1, 2017

17 A 5 percent revenue increase is approved and will be implemented based upon the  
18 Water Authority's Cost of Service Rate Model.

19 (3) Bills may be based on the estimated average annual water use in  
20 units, annualized and divided by 12 months, plus the fixed monthly charge. Any special  
21 charges, such as UEC, shall be included on the bill. The Executive Director may  
22 administratively adjust bills periodically by crediting and debiting accounts as  
23 appropriate if errors have been found and verified.

24 (4) (a) Surcharges for irrigation-only water accounts shall be  
25 assessed annually in the year following the water usage based upon an annual  
26 irrigation budget allowance established for such accounts and in accordance with the  
27 following:

28 (i) Water budgets will be established by the Water Authority  
29 whenever a new irrigation account is established or an existing account is converted to  
30 an irrigation account.

31 (ii) All usage will be calculated annually on a per site basis.  
32 Any usage of individual wells at these sites shall be submitted in writing to the Water  
33 Authority by the 15<sup>th</sup> of the month following the use.

(iii) All golf courses existing prior to October 1, 1995 will be allowed up to 40 inches of water over the entire landscaped area per calendar year.

(iv) All new golf courses or existing golf course expansions permitted after October 1, 1995 will be allowed up to 37 inches of water over the entire landscaped area per calendar year.

(v) Athletic fields will be allowed up to 45 inches of water over the entire landscaped area per calendar year.

(vi) All other landscaped areas will receive a water budget of 35 inches of water over the entire landscaped area per calendar year.

A surcharge will be applied to the usage above the annual irrigation budget allowance. For excess usage up to 150 percent (first tier) of the annual irrigation budget, the surcharge shall be 50 percent of the commodity rate shown in §1-1-3(F)(1)(a) and §1-1-3(F)(2). For excess usage greater than 150 percent (second tier) of the annual irrigation budget, the surcharge shall be 100 percent of the commodity rate shown in §1-1-3(F)(1)(a) and in §1-1-3(F)(2). For excess usage greater than 200 percent (third tier) of the annual irrigation budget, the surcharge shall be 150 percent of the commodity rate shown in §1-1-3(F)(1)(a) and §1-1-3(F)(2).

(b) The surcharge amount added for each unit exceeding 200 percent of the Winter Mean water usage as calculated in §1-1-2(A), shall be equal to 50 percent of the commodity charges in §1-1-3(F)(1)(a) and in §1-1-3(F)(2), and shall be added to the total charge determined in §1-1-3(F)(4)(b) for usage during the following months of April through October. For those residential customers that have a Winter Mean equal to or greater than 15 units, the surcharge amount added for each unit exceeding 200 percent of the Winter Mean water usage as calculated in §1-1-2(A), shall be equal to 100 percent of the commodity charges in §1-1-3(F)(1)(a) and in §1-1-3(F)(2), and shall be added to the total charge determined in §1-1-3(F)(4)(b) for usage during the months of April through October.

(c) The surcharge amount added for each unit exceeding 300 percent of the Winter Mean water usage as calculated in §1-1-2(A), shall be equal to 50 percent of the commodity charges in §1-1-3(F)(1)(a) in §1-1-3(F)(2), and shall be added to the total charge determined in §1-1-3(F)(4)(b) for usage during the months of April through October. For those residential customers that have a Winter Mean equal to or greater than 15 units, the surcharge amount added for each unit exceeding 300 percent of the Winter Mean water usage as calculated in §1-1-2(A), shall be equal to 100

1 percent of the commodity charges in §1-1-3(F)(1)(a) and in §1-1-3(F)(2), and shall be  
2 added to the total charge determined in §1-1-3(F)(4)(b) for usage during the months of  
3 April through October.

4 (d) The surcharge amount added for each unit exceeding 400  
5 percent of the Winter Mean water usage as calculated in §1-1-2(A) shall be equal to 50  
6 percent of the commodity charges in §1-1-3(F)(1)(a) and §1-1-3(F)(2), and shall be  
7 added to the total charge determined in §1-1-3(F)(4)(b) for usage during the months of  
8 April through October. For those residential customers that have a Winter Mean equal  
9 to or greater than 15 units, the surcharge amount added for each unit exceeding 400  
10 percent of the Winter Mean water usage as calculated in §1-1-2(A), shall be equal to  
11 100 percent of the Commodity Charges §1-1-3(F)[+(1)+](a) and in §1-1-3(F)(2), and  
12 shall be added to the total charge determined in §1-1-3(F)(4)(b) for usage during the  
13 months of April through October.

14 (e) Drought Related Surcharges. Under the four levels of  
15 Drought defined in the Drought Management Strategy, the Water Authority may, at its  
16 sole discretion, increase surcharges described in §1-1-3 by a factor of two, three or  
17 more as may be necessary to assist in water use reduction during a drought. During a  
18 drought, the Water Authority shall declare to the public the Drought Level, which can be  
19 raised and lowered by the Water Authority, and the proposed increase in surcharges.  
20 The Drought level only applies to the current year and must be approved by the Water  
21 Authority on a year by year basis. The Water Authority delegates the implementation of  
22 the Drought Management Strategy including the increase of surcharges to the  
23 Executive Director. Based on the Drought Level approved by the Water Authority, the  
24 Executive Director shall implement the Drought Management Strategy and announce  
25 the effective date of the new surcharges.

26 (f) For residential class Customers only having service sizes 1  
27 through 3, a 50 percent discount shall be applied to the commodity charges in §1-1-  
28 3(F)(1)(a) [+and+] in §1-1-3(F)(2) for water usage during the months of April through  
29 October which is 150 percent or less than the Class Winter Mean water usage.

30 (G) Multiple Meter Service. Customers with service by more than one meter  
31 to any premise shall be charged the applicable fees associated with each meter except  
32 for single-family residential Customers who have two meters, of which one is used for

1 irrigation. The monthly fixed charge for these single-family residential Customers will be  
2 based on the largest meter at the single-family residence.

3 (H) Water Credit. For those accounts included within the Water Credit  
4 classification, a credit of \$10.31 per month will be applied to their billing; the billing shall  
5 be calculated using the Fixed Monthly Charge and Commodity Charge as set forth in  
6 this Ordinance.

7 (I) Tag and Testing Charge. When a Customer disputes meter accuracy, a  
8 "Tag & Test" service will be done after all the steps taken by the Water Authority have  
9 been exhausted and if requested in writing by the legal property owner or his/her  
10 authorized representative.

11 (1) Meters 5/8 X 3/4" to 2"

Meter Size	Tag and Testing Charge Service
------------	--------------------------------

5/8" x 3/4"	\$140
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1"	185
----	-----

1-1/2"	380
--------	-----

2"	455
----	-----

17 The meter in question will be removed and a new one installed so that service  
18 can be maintained. The removed meter will be bench tested by the Water Authority in  
19 accordance with AWWA Standard C705. Should the meter fail the accuracy test such  
20 that the requestor was being overcharged, there would be no charge to the requestor.

21 (2) Meter 3" and greater. The meter in question will be tested in place  
22 in accordance with AWWA Standard C701, C702 or C703 and AWWA manual M6.  
23 Should the meter fail the accuracy test such that the requestor was being over charged,  
24 there would be no charge to the requestor. The testing charge for this will be \$500 for  
25 all sizes.

26 (J) The Customer utility statements shall contain the following itemized  
27 element: "Sustainable Water Supply: \$`x,' where `x' shall be the cost of the rate  
28 increase to fund the implementation of the Water Resources Management Strategy.

29 (K) Customer utility statements shall contain the following itemized element:  
30 "Facility Rehabilitation: \$`x,' where `x' shall be the cost of the rate increase to fund  
31 facility rehabilitation."

32 (L) Real property owners receiving water service from the Water Authority are  
33 responsible for hiring a licensed plumber to connect their customer service line to the

Water Authority system at the point of metered service, or obtain a Homeowner Permit from the permitting Agency, allowing the property owner to make the connection.

1-1-4. NON-POTABLE WATER RATES.

(A) Definitions. Refer to §1-1-3(A) Water Rates for the definitions of Customer Classifications, which apply to this Section.

(B) Metered Service. The rates and compensation to be paid to the Water Authority for public and private use of non-potable water supplied by the Water Authority within the Service Area for any and all purposes shall be in accordance with the schedule of charges listed in §1-1-3(A) for potable water metered service.

(C) Commodity Charge.

(1) In addition to the Fixed Monthly Charge, all non-potable water used by a Customer within the Service Area shall be charged at the rate corresponding to 80 percent of the potable water commodity rate (one unit equals 100 cubic feet). This is determined by the meter reading or by estimating the usage by statistical methods. Customers shall pay bills monthly.

(2) Bills may be based on the estimated average annual non-potable water use by units, annualized and divided by 12 months, plus the fixed monthly charge. Any special charges, such as UEC, shall be included on the bill. The Executive Director may administratively adjust bills periodically by crediting and debiting accounts as appropriate if errors have been found and verified.

(3) All surcharges for irrigation-only water accounts shall be charged at the rate based upon the non-potable water commodity rate (one unit equals 100 cubic feet).

(D) Multiple Meter Service. Customers with non-potable water service by more than one meter to any premise shall be charged the applicable fees associated with each meter.

(E) Tag and Testing Charge. Refer to §1-1-3 (I) for applicable provisions and charges.

(F) Utility Expansion Charge (UEC).

(1) A Utility Expansion Charge shall be paid to the Water Authority at the time of non-potable meter sale or application for non-potable water service for all new services connecting to the non-potable water system. The UEC may be paid in full at the time of non-potable service application, or paid over time with an initial minimum

1 of 5 percent down payment. The balance shall be subject to a fixed monthly charge to  
2 include a carrying charge set at 7 percent per annum. On all connections, the balance  
3 shall be paid in full within 120 months.

4 (2) The UEC for non-potable water service shall be the same as the  
5 UEC for potable water service. Refer to §1-1-8(A) for applicable provisions and  
6 charges.

7 (3) Existing water Customers wishing to receive non-potable water  
8 shall not be charged a UEC unless the new combined potable and non-potable system  
9 capacity exceeds the Customer's previous existing potable system capacity.

10 (4) Redundant potable water and non-potable water metered services  
11 are not required for non-potable service.

12 (G) Non-potable Water Meter and Service Installation Fees. Refer to §1-1-9  
13 for applicable provisions and charges.

14 (H) Customers that are currently using potable water for irrigation or other  
15 qualified industrial purposes as determined by the Water Authority and whose property  
16 is located within 200-feet of a non-potable water line are required to connect to the non-  
17 potable system within one year of service availability. Connection to non-potable  
18 system is a condition of service. The Water Authority is required to provide written  
19 notification to the property owner that non-potable water is available and that connection  
20 to the system is mandatory. If requested, the Water Authority will meet with the affected  
21 property owners and provide additional information regarding service availability,  
22 connection locations and other information that may be deemed necessary. The  
23 property owner has one year from the date of notification. Failure to connect may result  
24 in termination of service.

25 (I) Water Rights Leases. Beginning July 1, 2006, except for lease  
26 agreements that provide for periodic rate increases, water rights leases entered into by  
27 the Water Authority for the purpose of offsetting depletive effects on the Rio Grande  
28 from pumping by others shall be charged at the non-potable water rate.

29 1-1-5. SEWER RATES.

30 (A) Definitions. For the purpose of this Section, the following definitions shall  
31 apply unless the context clearly indicates or requires a different meaning.

1 BOD or BIOCHEMICAL OXYGEN DEMAND. The quantity of oxygen  
2 utilized in the biochemical oxidation of organic matter by Standard Methods procedures  
3 in five days at 20° C. expressed in milligrams per liter (mg/l).

4 CLEANOUT. A tee section in the sanitary sewer located outside any  
5 structure accessible 24 hours a day and constructed according to the Utility's standard  
6 detail.

7 COD or CHEMICAL OXYGEN DEMAND. A measure of the oxygen-  
8 consuming capacity of organic and inorganic matter present in wastewater as milligrams  
9 per liter (mg/l), by Standard Methods procedures.

10 NH<sub>3</sub>N OR AMMONIA NITROGEN. Total Ammonia – A measure of  
11 the total ammonia as nitrogen concentration as milligrams per liter (mg/L) by Standard  
12 Methods or EPA approved procedures.

#### 13 CUSTOMER CLASSIFICATIONS.

14 (1) RESIDENTIAL. Single-family detached, condominiums served by  
15 individual meters, townhouses served by individual meters, duplexes served by  
16 individual meters, or mobile homes served by individual meters.

17 (2) MULTI-FAMILY. Any metered/account serving more than one  
18 dwelling unit; i.e., duplexes, residences with guests houses, triplexes, four-plexes,  
19 apartment complexes, condominiums, town-homes, or mobile homes served by  
20 common meters.

21 (3) COMMERCIAL. Retail, offices, hotels, motels, shopping centers,  
22 none of which use process water in the conduct of business.

23 (4) INDUSTRIAL. Manufacturing, or process facility which is engaged  
24 in producing a product.

25 (5) INSTITUTIONAL. Government buildings, hospitals, schools, and  
26 other facilities that provide public and quasi-public services.

27 (6) WHOLESALE-SPECIAL CONTRACTS. Contract Customers that  
28 are responsible for a collection system beyond the point where their respective  
29 wastewater discharges into the Water Authority's interceptors.

30 (7) KIRTLAND AIR FORCE BASE (KAFB).

31 (8) FOOD SERVICE ESTABLISHMENT or FSE. Any establishment,  
32 commercial or noncommercial, such as a restaurant, cafeteria, snack bar, temple,  
33 mosque, church, synagogue, worship hall, banquet facility, preschool, school, or



meeting place, with a kitchen that is used for preparing, serving, or otherwise making available for consumption foodstuffs in commercial amounts in or on a receptacle that requires washing and that discharges to the Water Authority's POTW.

INDUSTRIAL WASTE. Wastes resulting from any process of industry, manufacturing, trade, or business, or from the development, recovery, or processing of natural resources.

LATERAL SEWER. An individual user's sewer pipe beginning at the public sewer and extending to the premises actually served. The lateral sewer includes the stub to which a user connects to the public sewer and all appurtenances on such lateral sewer. The user is responsible for the maintenance of the lateral sewer including those portions that may be within any right-of-way. The term is interchangeable with "house service connection," "sewer service line," or "building sewer."

NORMAL DOMESTIC WASTEWATER. Effluent which contains constituents and characteristics similar to effluent from a residence and specifically for the purposes of this Ordinance does not contain BOD, COD, NH3N and TSS in excess of the following concentration:

BOD -- 250 mg/l

COD -- 500 mg/l

TSS -- 330 mg/l

NH3N -- 25 mg/l

PUBLICLY OWNED TREATMENT WORKS or POTW. A treatment works as defined by §212 of the Clean Water Act, (33 USC 1292) which is owned by the Water Authority. The term also includes Water Authority works, as defined in §502 of the Clean Water Act, (33 USC 1362) which has jurisdiction over the indirect discharges to and the discharges from such a treatment works. The "treatment works" includes all plants, sanitary sewers, lift stations, odor control stations, and all other properties, now or hereafter existing, used or useful in connection with the collection, pumping, disposal and treatment of wastewater, as now or hereafter added to, expanded or improved.

SEWER CREDIT ELIGIBILITY AND PROCEDURES. Single-family detached, condominiums, townhouses, duplexes or triplexes served by common or individual meters; mobile homes served by individual meters; but limited to those Customers who own the dwelling in which they reside and qualify under the United States Department of Health and Human Service poverty guidelines.

STANDARD METHODS. The laboratory procedures set forth in the latest edition, at the time of analysis, of Standard Methods for Examination of Water and Wastewater, as prepared, approved and published jointly by the American Public Health Association and American Water Works Association and the Water Pollution Control Federation.

TOTAL SUSPENDED SOLIDS or TSS. Those solids which are retained by a standard glass fiber filter and dried to constant weight at 103 – 105° C. expressed in milligrams per liter (mg/l), by Standard Methods procedures.

WASTEWATER. The used water of a community. Such used water may be a combination of the liquid waterborne wastes from residences, commercial buildings, industrial plants and institutions.

(B) Methodology and Calculation of Rates and Charges

(1) The rates and charges described in this Ordinance are developed in conformance with standard cost-of-service rate making principles as recommended by the American Water Works Association, the Water Environment Federation, and the United States Environmental Protection Agency (USEPA).

(2) The Water Authority's rates and charges are calculated based on each customer classification's use of the system. Historical billed flows by classification and a systematic allocation of operation, maintenance, and capital costs were used to calculate the schedule of charges contained in this Ordinance.

(C) Fixed Monthly Charge

(1) The rates and compensation to be paid to the Water Authority for public or private use by discharge of liquid waste into the Water Authority within the Service Area for any and all purposes whatsoever shall be in accordance with the following schedules of charges. The Fixed Monthly Charge for Customers with Water Authority water service shall be based on the water service size. The Fixed Monthly Charge for Customers without Water Authority water service shall be based on the liquid waste flow. Liquid waste flow will be calculated in accordance with the methodology set forth in the Commodity Charge Section of §1-1-5(D).

(2) Fixed Monthly Charge for Customers with water service:

<del>[-Serv Size</del>	<del>Meter</del>	<del>Resid</del>	<del>Comm</del>	<del>Indust</del>	<del>Instit</del>	<del>Multi-</del>
						<del>fam</del>
1	<del><math>\frac{5}{8} \times \frac{3}{4}</math></del>	<del>\$8.25</del>	<del>\$10.21</del>	<del>\$46.40</del>	<del>\$7.91</del>	<del>\$13.70</del>

1	2	1	13.36	16.20	78.61	12.77	22.69
2	3	1½	54.73	69.26	338.58	52.07	95.51
3	4	2	136.19	172.77	850.70	129.50	238.11
4	5	3	182.37	231.46	1141.14	173.41	319.15
5	6	4	388.53	493.42	2437.26	369.37	680.80
6	7	6	517.43	653.90	3247.67	491.89	906.91
7	8	8 & over	919.83	1168.50	5777.61	874.40	1612.81
8	]						

9	[+Serv Size	Meter	Resid	Comm	Indust	Instit	Multi-
10	fam						
11	1	5/8 X 3/4	\$6.93	\$8.60	\$38.94	\$6.64	\$11.49
12	2	1	11.20	14.03	65.98	10.72	19.04
13	3	1½	45.94	58.13	284.19	43.70	80.25
14	4	2	114.32	145.02	710.57	108.70	199.85
15	5	3	153.06	194.28	957.85	145.55	267.89
16	6	4	326.11	414.17	2045.76	310.03	571.45
17	7	6	434.32	547.98	2725.99	412.88	761.24
18	8	8 & over	772.07	945.99	4849.54	733.95	1353.75+

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and a schedule of charges will be designed and implemented based upon the Water Authority's Cost of Service Rate Model.

(3) Fixed Monthly Charge for Customers without water service:

Liquid Waste

Flow (CCF)	Residential	Commercial	Industrial	Institutional	Multi-family
[-0-10	\$8.25	\$10.21	\$46.40	\$7.91	\$13.70
11-19	13.36	16.20	78.61	12.77	22.69
20-63	54.73	69.26	338.58	52.07	95.51
64-82	136.19	172.77	850.70	129.50	238.11
83-343	182.37	231.46	1141.14	173.41	319.15
344-599	388.53	493.42	2437.26	369.37	680.80
600-803	517.43	653.90	3247.67	491.89	906.91
804 over	919.83	1168.50	5777.61	874.40	1612.81]
[+0-10	\$6.93	\$8.60	\$38.94	\$6.64	\$11.49

1	<u>11-19</u>	<u>11.20</u>	<u>14.03</u>	<u>65.98</u>	<u>10.72</u>	<u>19.04</u>
2	<u>20-63</u>	<u>45.94</u>	<u>58.13</u>	<u>284.19</u>	<u>43.70</u>	<u>80.25</u>
3	<u>64-82</u>	<u>114.32</u>	<u>145.02</u>	<u>710.57</u>	<u>108.70</u>	<u>199.85</u>
4	<u>83-343</u>	<u>153.03</u>	<u>194.28</u>	<u>957.85</u>	<u>145.55</u>	<u>267.89</u>
5	<u>344-599</u>	<u>326.11</u>	<u>414.17</u>	<u>2045.76</u>	<u>310.03</u>	<u>571.45</u>
6	<u>600-803</u>	<u>434.32</u>	<u>547.98</u>	<u>2725.99</u>	<u>412.88</u>	<u>761.24</u>
7	<u>804-over</u>	<u>772.07</u>	<u>945.99</u>	<u>4849.54</u>	<u>733.95</u>	<u>1353.75+</u>

8 Effective July 1, 2015 and July 1, 2017

9 A 5 percent revenue increase is approved and a schedule of charges will be designed  
 10 and implemented based upon the Water Authority's Cost of Service Rate Model.

11 (4) Fixed Monthly Charges for Wholesale and KAFB

12	<del>[+Serv Size</del>	<del>Wholesale</del>	<del>Item</del>	<del>KAFB</del>
13	<del>1</del>	<del>\$10.43</del>	<del>Per Month</del>	<del>\$33,212.76</del>
14	<del>2</del>	<del>17.09</del>		
15	<del>3</del>	<del>37.79</del>		
16	<del>4</del>	<del>176.82</del>		
17	<del>5</del>	<del>236.90</del>		
18	<del>6</del>	<del>505.04</del>		
19	<del>7</del>	<del>672.70</del>		
20	<del>8</del>	<del>1139.15]</del>		

21	<u>[+Serv Size</u>	<u>Wholesale</u>	<u>Item</u>	<u>KAFB</u>
22	<u>1</u>	<u>\$8.76</u>	<u>Per Month</u>	<u>\$27877.80</u>
23	<u>2</u>	<u>14.33</u>		
24	<u>3</u>	<u>22.91</u>		
25	<u>4</u>	<u>148.42</u>		
26	<u>5</u>	<u>198.89</u>		
27	<u>6</u>	<u>423.91</u>		
28	<u>7</u>	<u>564.64</u>		
29	<u>8</u>	<u>941.04+]</u>		

30 Effective July 1, 2015 and July 1, 2017

31 A 5 percent revenue increase is approved and a schedule of charges will be designed  
 32 and implemented based upon the Water Authority's Cost of Service Rate Model.

(D) Commodity Charge. All wastewater discharge shall be charged on the basis of the Commodity Charges for Retail and Special Customers rate table on a per unit basis (one unit equals 100 cubic feet).

Commodity Charges for Retail and Special Contract Customers

Customer Class	Base (\$/CCF)	Rehab (\$/CCF)	Total Commodity (\$/CCF)
Retail Customers			
Residential	\$0.585	\$0.772	\$1.357
Commercial	0.585	0.772	1.357
Industrial	0.585	0.772	1.357
Institutional	0.585	0.772	1.357
Multi-family	0.585	0.772	1.357
Special Contracts			
Wholesale	\$0.585	\$0.124	\$0.709
KAFB	0.585	0.124	0.709

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and a schedule of charges will be designed and implemented based upon the Water Authority's Cost of Service Rate Model.

(1) Customers with Water Service. The commodity charge for usage during the months of December, January, February and March (winter months) shall be based upon 95 percent of the metered or estimated volume of water usage during each of these months for each account. The commodity charge for usage during other months shall be based upon 95 percent of the metered or estimated volume of water usage during that month or shall be based upon 95 percent of the prior winter months' average, whichever is less for each account. The winter months' average is determined by averaging the metered or estimated volume of water used during the winter months.

(2) Customers without Water Service. The volume of wastewater discharge shall be determined by the physical measurement at the expense of the customer; however, where accurate and reasonable estimates can be made by statistical methods, such estimates shall be considered the volume of discharge upon which the Commodity Charge is based. The Water Authority expressly reserves the right to determine the estimated wastewater volume for any customer without water service, which determination may be appealed to the Executive Director.

(3) Special Wastewater Discharge Volume. The Water Authority recognizes that sewage discharge patterns for individual Customers may vary to a great extent from the norms of any particular class; therefore, any Customer may, at their own expense, provide the Water Authority with sewage flow data for consideration of a special wastewater discharge volume. Such data shall be certified by an engineer registered in the state. The Water Authority expressly reserves the right to determine the estimated wastewater volume for any Customer, which determination may be appealed to the Executive Director.

(E) Extra-Strength Surcharge.

(1) All Customers discharging wastewater into the POTW are subject to a surcharge if the discharged wastewater exceeds normal domestic wastewater strength. NORMAL STRENGTH is defined as:

(a) Chemical Oxygen Demand (COD) less than or equal to 500 mg/l; and

(b) Biochemical Oxygen Demand (BOD) less than or equal to 250 mg/l; and

(c) Total Suspended Solids (TSS) less than or equal to 330 mg/l; and

(d) Ammonia Nitrogen (NH<sub>3</sub>N) less than or equal to 25 mg/l.

(2) The Water Authority shall determine strength as defined by the above parameters in §1-1-5(E)(1) above. The procedures are described [+§1-1-5+](l) below. If it is determined that the wastewater strength exceeds the limits specified, a surcharge shall be levied at the rate of:

(a) \$.11 per pound of COD for the excess of 500 mg/l of COD; and

(b) \$.23 per pound of BOD for the excess of 250 mg/l BOD; and

(c) \$.21 per pound of TSS for the excess of 330 milligrams per liter of TSS; and

(d) \$.54 per pound of NH<sub>3</sub>N for the excess of 25 mg/l of NH<sub>3</sub>N.

(3) Any customer that is a Food Service Establishment permitted by the City of Albuquerque, Village of Los Ranchos, Bernalillo or Sandoval County shall be charged an extra strength surcharge of \$1.96 per unit (100 cubic feet).

(4) The Water Authority shall promulgate regulations to carry out the provisions of the extra-strength surcharge.

(F) Septic Tank Truck Discharge. No user owning vacuum or "cesspool" type pumping trucks or other liquid waste transport trucks shall discharge such waste into the POTW, unless such person shall first have applied for and received a Septic Tank Discharge or Chemical Toilet Discharge Permit from the [+Industrial Pretreatment Engineer+] ~~[-Executive Director-]~~ pursuant to the [+Sewer Use and Wastewater Control Ordinance Section 3-3-7+] ~~[-regulations "Establishing Administrative Policies and Fees for the Discharge of Septic Tank and Chemical Toilet Wastes" currently adopted by the Water Authority-]~~.

(G) Sewer Use Regulations. The Water Authority's Sewer Use and Wastewater Control or successor Ordinance, shall govern all discharges of wastewater to the POTW.

(H) Sampling; Metering Manhole Requirements. When required by the Utility, the owner of property serviced by a lateral sewer carrying industrial ~~[-liquid-]~~ wastes shall install a suitable control manhole or cleanout together with such necessary meter and other appurtenances in the lateral sewer to facilitate observation, sampling, and measurement of the wastes. Such monitoring locations shall be accessible, safely located, and constructed in such a manner as to prevent infiltration of ground and surface waters. They shall be constructed in accordance with plans approved by the Utility. The Utility has established standard details. The monitoring location and all equipment shall be installed by the owner at his expense, and shall be maintained by him so as to be safe and accessible at all times.

(I) Sampling and Testing Procedures.

(1) All dischargers subject to monitoring according to the Water Authority's Sewer Use and Wastewater Control Ordinance, will be monitored by the Water Authority. The discharge will be sampled and tested for compliance with the Water Authority's Sewer Use and Wastewater Control Ordinance, and to determine the surcharge amount.

(2) All measurements, tests and analysis of the characteristics of waters and wastes shall be determined in accordance with the latest edition of Standard Methods for the Examination of Water and Wastewater, published jointly by the

American Public Health Association and Water Pollution Control Federation, and the American Waterworks Association.

(3) Sampling shall be carried out by customarily accepted methods. The particular analyses involved will determine whether a 24-hour composite of all outfalls of a premise is appropriate or whether a grab sample or samples should be taken. Normally, but not always, BOD, COD, NH<sub>3</sub>N and TSS analyses are obtained from 24-hour composites of all outfalls.

(4) Those industries suspected of discharging either high COD, BOD, NH<sub>3</sub>N wastes or high TSS wastes shall be sampled for four consecutive days by grab samples or 24-hour composite samples from a Utility manhole. If COD results exceed 500 mg/l, BOD results exceed 250 mg/l, NH<sub>3</sub>N results exceed 25 mg/l, or TSS results exceed 330 mg/l on any of the two of the four consecutive days, or in any of the 24-hour composite samples, a sampling manhole may be required for industries discharging greater than 25,000 gallons per day or if required by the Water Authority's Sewer Use and Wastewater Control Ordinance or successor Ordinance. Upon installation of the sampling manhole, an automatic sampler will be used to gather a composite which shall be used to compute a monthly surcharge. Industries discharging less than 25,000 gallons per day and not otherwise requiring a sampling manhole may be required to install a cleanout and an automatic sampler will be used to gather a composite which shall be used to compute a monthly surcharge. Pretreatment may be required according to the Water Authority's Sewer Use and Wastewater Control Ordinance or successor Ordinance.

(5) The Water Authority may assess penalties for noncompliance with the Sewer Use and Wastewater Control Ordinance or successor Ordinance.

(J) Sewer Credit. For those accounts included within the Sewer Credit classification, a credit of \$9.62 per month will be applied to their billing; the billing shall be calculated using the Fixed Monthly Charge and Commodity Charge as set forth in this Ordinance.

(K) Customer utility statements shall contain the following itemized element: "Facility Rehabilitation: \$`x,' where `x' shall be the cost of the rate increase to fund facility rehabilitation."

1-1-6. WATER AND SEWER REHABILITATION FUND.



(A) An established portion of the revenue generated by fixed water rates and the Water Commodity Charge shall be distributed to a Water and Sewer Rehabilitation Fund. The fixed rate portion of the Water Rates contained in §1-1-3(B) which shall be distributed to the Water and Sewer Rehabilitation Fund are contained in the following schedule of charges. The portion of the water commodity rate to be distributed to the Water and Sewer Rehabilitation Fund shall be 0.184 per unit.

Fixed Water Rates (per month)

<del>[-Serv Size</del>	<del>Meter Size</del>	<del>Residential</del>	<del>Commercial</del>	<del>Industrial</del>	<del>Institutional</del>	<del>Multi-</del>
<del>family</del>						
<del>1</del>	<del><math>\frac{5}{8}</math> X <math>\frac{3}{4}</math></del>	<del>\$1.22</del>	<del>\$1.24</del>	<del>\$2.60</del>	<del>\$1.30</del>	<del>\$1.55</del>
<del>2</del>	<del>1</del>	<del>2.32</del>	<del>2.36</del>	<del>5.13</del>	<del>2.50</del>	<del>3.01</del>
<del>3</del>	<del>1½</del>	<del>7.99</del>	<del>8.16</del>	<del>18.21</del>	<del>8.67</del>	<del>10.53</del>
<del>4</del>	<del>2</del>	<del>17.92</del>	<del>18.32</del>	<del>41.11</del>	<del>19.48</del>	<del>23.72</del>
<del>5</del>	<del>3</del>	<del>33.02</del>	<del>33.76</del>	<del>75.86</del>	<del>35.89</del>	<del>43.67</del>
<del>6</del>	<del>4</del>	<del>77.27</del>	<del>80.51</del>	<del>181.26</del>	<del>85.63</del>	<del>104.23</del>
<del>7</del>	<del>6</del>	<del>120.87</del>	<del>123.55</del>	<del>278.13</del>	<del>131.40</del>	<del>159.94</del>
<del>8</del>	<del>8 &amp; over</del>	<del>272.98</del>	<del>279.03</del>	<del>628.51</del>	<del>327.68</del>	<del>361.31</del>
<del>[+Serv Size</del>	<del>Meter Size</del>	<del>Residential</del>	<del>Commercial</del>	<del>Industrial</del>	<del>Institutional</del>	<del>Multi-</del>
<del>family</del>						
<del>1</del>	<del><math>\frac{5}{8}</math> X <math>\frac{3}{4}</math></del>	<del>\$1.40</del>	<del>\$1.42</del>	<del>\$2.99</del>	<del>\$1.50</del>	<del>\$1.78</del>
<del>2</del>	<del>1</del>	<del>2.67</del>	<del>2.72</del>	<del>5.90</del>	<del>2.88</del>	<del>3.46</del>
<del>3</del>	<del>1½</del>	<del>9.19</del>	<del>9.38</del>	<del>20.94</del>	<del>9.97</del>	<del>12.11</del>
<del>4</del>	<del>2</del>	<del>20.61</del>	<del>21.07</del>	<del>47.28</del>	<del>22.40</del>	<del>27.28</del>
<del>5</del>	<del>3</del>	<del>37.97</del>	<del>38.83</del>	<del>87.24</del>	<del>41.27</del>	<del>50.22</del>
<del>6</del>	<del>4</del>	<del>88.86</del>	<del>92.59</del>	<del>208.45</del>	<del>98.48</del>	<del>119.86</del>
<del>7</del>	<del>6</del>	<del>139.00</del>	<del>142.08</del>	<del>319.85</del>	<del>151.11</del>	<del>183.93</del>
<del>8</del>	<del>8 &amp; over</del>	<del>313.93</del>	<del>320.88</del>	<del>722.78</del>	<del>376.83</del>	<del>415.51</del>

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and will be implemented based upon the Water Authority's Cost of Service Rate Model.

(B) In addition to the portion of the commodity rate to be distributed to the Water and Sewer Rehabilitation fund as identified in §1-1-5(D) above, the following

fixed rate portions of the sewer rates contained in §1-1-5(C) shall be distributed to the Water and Sewer Rehabilitation Fund.

### Fixed Monthly Rehabilitation Charges

<del>[-Serv Size</del>	<del>Meter Sz</del>	<del>Resid</del>	<del>Comm</del>	<del>Indust</del>	<del>Instit</del>	<del>Multi-fam</del>	<del>Wholesale</del>
<del>1</del>	<del><math>\frac{5}{8}</math> X <math>\frac{3}{4}</math></del>	<del>\$1.98</del>	<del>\$2.43</del>	<del>\$11.16</del>	<del>\$1.90</del>	<del>\$3.30</del>	<del>\$2.50</del>
<del>2</del>	<del>1</del>	<del>3.22</del>	<del>4.02</del>	<del>18.90</del>	<del>3.07</del>	<del>5.46</del>	<del>4.12</del>
<del>3</del>	<del>1½</del>	<del>13.16</del>	<del>16.65</del>	<del>81.39</del>	<del>12.52</del>	<del>22.89</del>	<del>17.06</del>
<del>4</del>	<del>2</del>	<del>32.73</del>	<del>41.53</del>	<del>207.65</del>	<del>31.13</del>	<del>57.25</del>	<del>42.50</del>
<del>5</del>	<del>3</del>	<del>43.85</del>	<del>55.64</del>	<del>274.31</del>	<del>41.69</del>	<del>76.72</del>	<del>56.94</del>
<del>6</del>	<del>4</del>	<del>93.41</del>	<del>118.61</del>	<del>585.89</del>	<del>88.80</del>	<del>163.65</del>	<del>121.41</del>
<del>7</del>	<del>6</del>	<del>124.38</del>	<del>157.99</del>	<del>780.71</del>	<del>118.24</del>	<del>218.01</del>	<del>161.71</del>
<del>8</del>	<del>8 &amp; over</del>	<del>221.12</del>	<del>312.40</del>	<del>1388.89</del>	<del>210.19</del>	<del>387.70</del>	<del>287.53</del> ]
<u>[+Serv Size</u>	<u>Meter Sz</u>	<u>Resid</u>	<u>Comm</u>	<u>Indust</u>	<u>Instit</u>	<u>Multi-fam</u>	<u>Wholesale</u>
<u>1</u>	<u><math>\frac{5}{8}</math> X <math>\frac{3}{4}</math></u>	<u>\$2.19</u>	<u>\$2.68</u>	<u>\$12.33</u>	<u>\$2.10</u>	<u>\$3.65</u>	<u>\$2.77</u>
<u>2</u>	<u>1</u>	<u>3.56</u>	<u>4.44</u>	<u>20.88</u>	<u>3.39</u>	<u>6.03</u>	<u>4.55</u>
<u>3</u>	<u>1½</u>	<u>14.54</u>	<u>18.40</u>	<u>89.94</u>	<u>13.84</u>	<u>25.29</u>	<u>18.85</u>
<u>4</u>	<u>2</u>	<u>36.17</u>	<u>45.89</u>	<u>229.45</u>	<u>34.40</u>	<u>63.26</u>	<u>46.97</u>
<u>5</u>	<u>3</u>	<u>48.46</u>	<u>61.48</u>	<u>303.11</u>	<u>46.07</u>	<u>84.77</u>	<u>62.91</u>
<u>6</u>	<u>4</u>	<u>103.22</u>	<u>131.06</u>	<u>647.41</u>	<u>98.12</u>	<u>180.83</u>	<u>134.16</u>
<u>7</u>	<u>6</u>	<u>137.44</u>	<u>174.58</u>	<u>862.69</u>	<u>130.66</u>	<u>240.90</u>	<u>178.69</u>
<u>8</u>	<u>8 &amp; over</u>	<u>244.34</u>	<u>345.20</u>	<u>1534.72</u>	<u>232.26</u>	<u>428.41</u>	<u>317.72</u> +

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and will be implemented based upon the Water Authority's Cost of Service Rate Model.

### Monthly Rehabilitation Charges for KAFB

Item KAFB

~~[-Per Month \$7,984.02-]~~

[+Per Month \$8,822.34+]

Effective July 1, 2015 and July 1, 2017

A 5 percent revenue increase is approved and will be implemented based upon the Water Authority's Cost of Service Rate Model.

(C) Committed expenditures for the rehabilitation of water wells, pump stations, reservoirs, service lines, other water lines, gate valves and the committed

1 expenditures for rehabilitation of sewer lines, odor control stations, pumping stations  
2 and treatment facilities from revenues in the Water and Sewer Rehabilitation Fund shall  
3 not be less than \$30 million dollars per year.

4 (D) The distributions from water and sewer rates to the Water and Sewer  
5 Rehabilitation Fund shall be reviewed every five years and updated as needed to adjust  
6 for construction inflation, new capital inventory, rate increases and other factors.

#### 7 1-1-7. WATER AND SEWER SYSTEM AND UTILITY FINANCIAL POLICIES.

8 (A) The term of each and every instrument of debt shall be 12 years or less;  
9 except for sustainable water supply projects. This policy shall not apply to the possible  
10 acquisition of other operating water and wastewater utility systems or to mitigate short  
11 term rate impacts.

12 (B) At a minimum, an average of 50 percent of the cost of capital projects  
13 which constitute the normal capital program of the water and sewer system including  
14 the rehabilitation and replacement of existing facilities, and the construction of water  
15 wells, pump stations, reservoirs, service lines, other water lines, gate valves, revenue  
16 meters and meter boxes, sewer lines, odor control stations, and pumping stations, and  
17 treatment facilities shall be paid with cash rather than borrowed funds. The normal  
18 capital program excludes special capital projects such as the expansion of the  
19 wastewater treatment plants, arsenic mitigation, state and federal grant projects, state  
20 and federal mandated projects, and related to water resources management to achieve  
21 a sustainable supply of water. This policy shall not apply to the possible acquisition of  
22 other operating water and wastewater utility systems or to mitigate short term rate  
23 impacts.

24 (C) At a minimum, 25 percent of the cost of capital projects not included in the  
25 normal capital program of the water and sewer system shall be paid with cash rather  
26 than borrowed funds. This policy shall not apply to the possible acquisition of other  
27 operating water and wastewater utility systems sustainable water supply or to mitigate  
28 short term rate impacts.

29 (D) Utility Expansion Charge (UEC) revenues or those of successor  
30 development fees in excess of \$6[-,000,000-] [+million+] per year shall be transferred to  
31 the Joint Water and Sewer Capital Funds. The transfer of these funds shall be made in  
32 the fiscal year following the most recent audited Comprehensive Annual Financial  
33 Report.

1 (E) Utility Expansion Charge rates shall be based on adopted policies of the  
2 Water Authority.

3 (F) Appropriations of cash transfers from water and sewer utility operating  
4 funds or debt service funds to a Joint Water and Sewer Capital Fund shall be made in  
5 the amounts appropriated during the year for which the appropriations have been made.

6 (G) The Water Authority has implemented an asset management program to  
7 manage its capital infrastructure focusing on minimizing the total cost of designing,  
8 acquiring, operating, maintaining, replacing, and disposing of capital assets over their  
9 life cycle while achieving desired service levels. It will allow the Water Authority to  
10 manage existing assets more effectively, make informed decisions on policy and  
11 budgetary matters, and plan for future needs. Based upon this program the Water  
12 Authority will begin to incrementally increase its Capital Implementation Program  
13 spending at approximately \$3 million a year until the Water Authority can reach and  
14 sustain a spending level of approximately \$76 million a year.

15 (H) A Rate Reserve Fund is established for reserving water and sewer  
16 revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and  
17 to mitigate future rate increases. This Rate Reserve Fund will be funded at \$2 million  
18 per year. By Fiscal Year 2015 the goal for the Water Authority is to achieve and  
19 maintain a Working Capital Balance that will be 1/12 of the Water Authority's annual  
20 budgeted expenditures. The Rate Reserve Fund will be counted in the Working Capital  
21 Balance calculation, however any expenditure from the Rate Reserve Fund will require  
22 an appropriation approved by the Water Authority Board.

23 (I) The Water Authority's Investment Policy is attached as Appendix A and  
24 provides the policy guidance on the investment of funds. The Water Authority's Debt  
25 Management Policy and Guidelines is attached as Appendix B and sets forth the  
26 parameters for issuing debt and managing the outstanding debt portfolio and provides  
27 guidance regarding the purposes for which debt may be issued, types and amounts of  
28 permissible debt, timing and method of sale that may be used, and structural features  
29 that may be incorporated. The Water Authority's Post Issuance Compliance Policy is  
30 attached as Appendix C, and provides the post-issuance tax compliance controls and  
31 procedures related to financial obligations.

32 1-1-8. UTILITY EXPANSION CHARGE (UEC) and WATER SUPPLY CHARGE (WSC).

(A) (1) A UEC charge will be paid to the Water Authority at the time of meter sale or application for service for all properties connecting to the water and/or wastewater system in accordance with the following schedule. The amount of the UEC's shall be adjusted annually by building cost or construction cost indices (BCI or CCI) as published by the Engineering News Record (ENR). Where water service does not exist and sewer service is to be taken and the sewer UEC is applicable, the charge shall be based upon the wastewater flow. A unit of flow is equal to 100 cubic feet.

(a) Financing for Water UEC

Finance for Water UEC

<del>Water Meter Size</del>	<del>Water Payment</del>	<del>Minimum Cash Down</del>	<del>Balance to Finance</del>
5/8 X 3/4"	\$2,834	\$142	\$2,692
1"	4,723	236	4,487
1 1/2"	9,446	472	8,974
2"	15,116	756	14,360
3"	30,227	1,511	28,716
4"	47,231	2,361	44,870
6"	94,465	4,723	89,771
8" or More	151,144	7,557	143,587-]

<u>Water Meter Size</u>	<u>Water Payment</u>	<u>Minimum Cash Down</u>	<u>Balance to Finance</u>
5/8 X 3/4"	\$2902	\$145	\$2,757
1"	4,836	242	4,594
1-1/2"	9,673	484	9,189
2"	15,479	774	14,705
3"	30,952	1,548	29,404
4"	48,365	2,418	45,947
6"	96,732	4,837	91,895
8" or More	154,771	7,739	147,032+]

(b) Financing for Sewer UEC

Finance for Wastewater UEC

<del>Water Meter Size</del>	<del>Liquid Waste Flow</del>	<del>Sewer Payment</del>	<del>Minimum Cash Down</del>	<del>Balance to Finance</del>
5/8 X 3/4"	0 10	\$2,126	\$106	\$2,020

1	1"	11-19	3,543	177	3,366
2	1 1/2"	20-63	7,084	354	6,730
3	2"	64-82	11,335	567	10,768
4	3"	83-343	22,725	1,136	21,589
5	4"	344-599	35,420	1,771	33,649
6	6"	600-803	70,845	3,542	67,303
7	8" or More	804 & over	113,353	5,668	107,685-]
8	[+Water Meter Size Liquid Waste Flow Sewer Minimum				
9	<u>Balance to</u>				
10			Payment	Cash Down	Finance
11	5/8 X 3/4"	0-10	\$2,177	\$109	\$2,068
12	1"	11-19	3,628	181	3,447
13	1-1/2"	20-63	7,254	363	6,891
14	2"	64-82	11,607	580	14,027
15	3"	83-343	23,270	1,164	22,106
16	4"	344-599	37,191	1,860	35,331
17	6"	600-803	74,387	3,719	70,668
18	8" or More	804 & over	116,073	5,804	110,269+]

(2) The UEC may be paid in full or paid over time with an initial minimum of 5 percent down payment and the balance shall be subject to a fixed monthly charge to include a carrying charge set at 7 percent per annum. On all connections, the balance shall be paid in full within 120 months.

(3) The fixed monthly charge for the UEC shall run against the property and be the responsibility of any subsequent owner until paid in full. All monies collected through the imposition of the UEC, including the fixed monthly charge, shall be placed in a separate account to be used for financing the expansion for the water and sewer system.

(B) Reactivation of disconnected service. No refund of UEC will be made for a service downsizing. Reconnections requesting larger service than was originally installed shall pay UEC determined by subtracting the current charge for the original service size from the current charge for the new service size requested.

(C) Charges for multiple residential units:

(1) Requests for residential or commercial water and/or sewer service which will provide for more than one residential unit will pay UEC according to one of the following schedules:

(a) Apartment Complexes.

(i) With 30 dwelling units or less shall pay 50 percent of the product of the total number of units times the water and/or sanitary sewer UEC for a 5/8" x 3/4" water meter.

(ii) With more than 30 dwelling units shall pay the amount given by the equation below:

$$\text{Equivalent Units} = (0.45) \times (\text{No. of Units}) + 1.49$$

$$\text{Total UEC} = (\text{Equivalent Units}) \times (5/8" \times 3/4" \text{ Meter UEC})$$

(b) Mobile Home Parks, regardless of size, shall pay 53 percent of the product of the total number of dwelling units times the water and/or sanitary sewer UEC for a 5/8" x 3/4" water meter.

(c) Condominiums, regardless of size, shall pay 53 percent of the product of the total number of dwelling units times the water and/or sanitary sewer UEC for a 5/8" x 3/4" water meter.

(d) Commercial service shall pay the larger of the following:

(i) The water and/or sewer UEC as shown in §1-1-8(A).

(ii) 50 percent of the product of the number of equivalent residential units times the water and/or sewer UEC charge for a 5/8" x 3/4" meter.

(e) Low income housing developments shall pay the greater of either:

(i) Eight percent of the product of the total number of dwelling units times the water and sanitary sewer UEC set forth in §1-1-8(A)(1) of this Ordinance for a 5/8" x 3/4" water meter; or,

(ii) The UEC set forth in §1-1-8(A)(1) of this Ordinance for the meter size required to service the development. The size shall be determined by the Water Authority based on the number of water fixture units described in AWWA M-22.

(f) At the time the water and sewer UEC is due and payable for a low income housing development, the owner of the low income housing development shall give the Water Authority a promissory note in the principal amount that is equal to

the difference between the amount of the water and sewer UEC set forth in §1-1-8(A)(1) of this Ordinance for a 5/8" x 3/4" water meter and the amount of the water and sewer UEC set forth in §1-1-8(C)(1)(e). The promissory note shall be due and payable on the date the Low Income Housing Development ceases to qualify as a low income housing development as defined in §1-1-2(A). The promissory note shall not bear any interest from the date of the promissory note with maturity date of the promissory note. The promissory note shall bear interest at the rate imposed by §1-1-8(A)(2) from the maturity date of the promissory note until the date the promissory note is paid. The promissory note shall be secured by a mortgage on the low income housing development that is subject and subordinate only to mortgages securing the costs to purchase the land for the low income housing development and to design and construct the low income housing development.

(2) If the service requested necessitates modification and/or installation of additional facilities other than those already in existence and available to serve the property, then the cost of such modifications and/or additional facilities shall be applied and apportioned according to existing Water Authority policy.

(D) (1) A Water Supply Charge (WSC), as specified herein, will be assessed by the Water Authority at the time of meter sale or application for service to any new water user customer requesting connection to the water system in an area requiring new or enhanced infrastructure through a service expansion in accordance with §1-1-8(D)(1). The proceeds from this charge will be dedicated and restricted to the development of new water resources, rights or supplies to serve the beneficiary new customers outside of the established infrastructure consistent with the Water Authority's Regional Water Plan and Water Resources Management Strategy and other guiding principles adopted by the Water Authority. The amount of the WSC shall be adjusted annually by building cost or construction cost indices (BCI or CCI) as published by the Engineering News Record (ENR). The WSC fee does not apply to non-potable water service.

#### Financing for Water Supply Charge - WSC

<del>Water Meter Size</del>	<del>Water Payment</del>	<del>Minimum Cash Down</del>	<del>Balance to Finance</del>
5/8 X 3/4"	\$1,464	\$73	\$1,391
1"	2,448	122	2,326
1 1/2"	4,877	244	4,633



1	2"	7,804	390	7,414
2	3"	15,608	780	14,828
3	4"	24,386	1,219	23,167
4	6"	48,880	2,444	46,436
5	8" or More	78,038	3,902	74,136-]
6	[+Water Meter Size Water Payment			Minimum Cash Down
7	Finance			Balance to
8	5/8 X 3/4"	\$1,499	\$75	\$1,424
9	1"	2,507	125	2,382
10	1-1/2"	4,994	250	4,744
11	2"	7,991	400	7,591
12	3"	15,983	799	15,184
13	4"	24,971	1,249	23,722
14	6"	50,053	2,503	47,550
15	8" or More	79,911	3,996	75,915+]

(2) The WSC may be paid in full or paid over time with an initial minimum of 5 percent down payment and the balance shall be subject to a fixed monthly charge to include a carrying charge set at seven percent per annum. On all new hook-up connections, the balance shall be paid in full within 120 months.

(3) The fixed monthly fee for the WSC shall run against the property and be the responsibility of any subsequent owner until paid in full. All monies collected through the imposition of the WSC shall be placed in a separate account to be used for financing the development of additional long term water supplies to serve expansions of the Water Authority's service area subsequent to June 15, 2007.

(4) The WSC is not reimbursable under the line extension policy. All revenues generated from the WSC will be maintained in it's own activity and to be used only as specified in §1-1-8(D)(1).

#### 1-1-9. SPECIFIC SERVICES.

Fees for specific services shall be as follows:

##### (A) Metered Service Lines.

- (1) 5/8 X 3/4" meter set only, \$295
- (2) 1" meter set only, \$ 355
- (3) 1 1/2" meter set only, \$555

- 1 (4) 2" meter set only, \$635
- 2 (5) 3" metered service line installation.
- 3 (a) 3" meter set only with compound meter without vault, \$2,185
- 4 (6) 4" metered service line installation.
- 5 (a) 4" meter set only with compound meter without vault, \$3,125
- 6 (b) 4" meter set only with fire assembly meter without vault
- 7 \$7,210
- 8 (7) 6" metered service line installation.
- 9 (a) 6" meter set only with compound meter without vault, \$5,140
- 10 (b) 6" meter set only with fire assembly meter without vault
- 11 \$7,520
- 12 (8) 8" metered service line installation.
- 13 (a) 8" meter set only with fire assembly without vault \$13,040
- 14 (9) 10" and larger: Contact the Utility for price quote
- 15 (B) Meter Size Reduction Installation.
- 16 (1) 5/8 X 3/4" through 1-1/2", contact the Utility for price quote
- 17 (2) 2", contact the Utility for price quote
- 18 (3) 3" and larger, contact the Utility for price quote
- 19 (C) Nonpayment Delinquency Fee.
- 20 (1) 5/8 X 3/4" and 1", \$45
- 21 (2) 1-1/2" through 10", \$60
- 22 (D) Combined Fire-Domestic Meters.
- 23 (1) Requests for this type of metered service, which provide both fire
- 24 protection and domestic-irrigation service, may be made at the New Services Section of
- 25 Utility Development. Upon the satisfactory determination of peak flow water delivery
- 26 requirements, as certified by an engineer registered in the State of New Mexico, in
- 27 accordance with the City and the County fire codes and the AWWA M22 an equivalent
- 28 meter size will be determined for the service. Fixed monthly charges for private fire
- 29 protection shall also be applied commensurate with the degree of fire protection
- 30 capacity being provided.
- 31 (2) Fees for installation (set only) is in §1-1-9(A).
- 32 (E) Cross Connection Fees

(1) Containment Inspection Fees. An inspection fee of \$50 shall be assessed to all customers required to have premise inspections to cover expenses incurred by the Water Authority during the initial inspection of the premise. The inspection fee shall be assessed only to those customers whose premise are not in compliance with this Ordinance at the time of inspection.

(2) Backflow Prevention Assembly Administrative Charge. All customers required to provide cross-connection control by containment and/or isolation shall be assessed an annual administrative fee of \$30 (fee is not to be prorated in case of change in ownership) for each backflow prevention assembly located at the premise. This fee incorporates expenses incurred by the Water Authority to maintain records, to process required testing notices and to enter data as required.

(F) Meter Reset

(1) Contact the Utility for a price quote.

1-1-10. FRANCHISE FEE.

There shall be a charge of four percent on the total sales of water and sewer services added to customer billings to compensate the Water Authority for the franchise fee charged by the City, County and the Village of Los Ranchos and a charge of two percent on the total sales of water and sewer services added to customer billings to compensate the Water Authority for the franchise fee charged by the City of Rio Rancho for the granted authorization to use rights-of-way and public places to construct, operate, and maintain water and wastewater systems

1-1-11. PAYMENT.

All charges shall be payable at any location as designated by the Water Authority and will become delinquent 15 days following the "due by" date on the Customer's utility statement.

1-1-12. PENALTY FOR DELINQUENT ACCOUNTS.

A penalty of 1.5 percent per month may be imposed on all delinquent accounts.

1-1-13 PENALTY FOR NONCOMPLIANCE WITH THE SEWER USE AND  
WASTEWATER CONTROL ORDINANCE

(A) Any permitted Industrial User who has violated, or continues to violate, any Pretreatment Standard or Requirement as defined in the Sewer Use and Wastewater Control Ordinance shall be assessed a penalty of up to \$1,000 per violation per day.

(B) Any other violations of the Sewer Use and Wastewater Control Ordinance may be subject to a penalty up to \$ 1,000 per violation per day+]

1-1-14. RESPONSIBILITY OF PAYMENT, LIENS, AND DEPOSIT.

(A) The assessed fees and service charges provided for herein are the personal responsibility of the owner of record, as reported by the Bernalillo County Assessor for the real property served.

(B) The Water Authority may file a lien of record on such real property for such charges including any interest or penalties accruing on same.

(C) Reasonable deposits may be required of any Customer including tenants. Deposits not to exceed six months in duration. Such deposits and accrued interest shall be applied to the utility account immediately upon becoming delinquent or the expiration of six month period. Any credit status created by applying the deposit will be absorbed by the monthly service charges and considered prepayments for services. Such deposits shall draw reasonable interest.

1-1-15. DISCONTINUANCE OF SERVICE; HEARING.

(A) The Water Authority may cause the water supply to be turned off and discontinue service to the property if any charge provided for herein remains unpaid for a period of 30 days from the "due by" date on the Customer's utility statement. Service may not be discontinued for delinquencies of a previous owner unless a lien, or record has been filed prior to the real property changing ownership or responsibility with the Bernalillo County Clerk indicating that outstanding Utility charges remain.

(B) In order to discontinue service, a written notice shall be sent to the Customer at least ten calendar days' notice before termination of service and notice of the right to protest the Water Authority's proposed action at an administrative hearing.

(C) The Customer must request in writing that a hearing be held and such request must be received by the Executive Director on or before the date the services are to be terminated. If the Customer requesting the hearing is not the owner of record, the Customer must provide proof that the owner of record will be bound by the decision of the hearing officer.

(D) At such hearing, the Customer may present evidence as the Water Authority and the Executive Director may affirm, overrule or modify the decision to terminate the services. The decision shall be final.

1 (E) In the event a hearing is requested, the services shall not be terminated  
2 until and in accordance with that decision.

3 (F) A nonrefundable hearing fee of \$50.00 shall accompany each appeal filed  
4 pursuant to this §1-1-15.

5 (G) For purposes of expediting the satisfaction of delinquent accounts the  
6 Executive Director may at his discretion waive, credit, and or remove penalty fees or  
7 other fees from any account.

8 1-1-16. EFFECTIVE DATE AND PUBLICATION

9 The effective date of this Ordinance will be July 1, [-2013-][+2014+] unless  
10 otherwise stated.

11 1-1-98. PROHIBITIONS.

12 (A) No person shall use or cause to be used any water produced or  
13 distributed by the Water Authority without the consent of Water Authority. Water  
14 distributed through authorized meter or obtained by any means authorized by  
15 ordinances or administration rules and regulations shall constitute the consent of the  
16 Water Authority.

17 (B) No person shall discharge or cause to be discharged any liquid waste to  
18 the liquid waste collection or treatment system operated by the Water Authority without  
19 the consent of the Water Authority and compliance with the Water Authority's Sewer  
20 Use and Waste Water Control Ordinance. Approved connections or permits shall  
21 constitute such consent.

22 (C) No person shall willfully break, injure, or tamper with any property of the  
23 Water Authority, including but not limited to: wells, pump stations, reservoirs, sewage  
24 treatment plants, lift stations, distribution lines, fire hydrant service lines, meters, gate  
25 valves, manhole covers or grates.

26 (D) Violation of any of the above described Prohibitions constitutes a violation  
27 of the conditions of Water Authority service and shall be subject to a connection service  
28 charge of \$400.00 per occurrence and charges for one year of usage based upon prior  
29 usage or the customer class average or termination of service.

30 Section 2. SEVERABILITY CLAUSE. If any Section, paragraph, sentence,  
31 clause, work or phrase of this Ordinance is for any reason held to be invalid or  
32 unenforceable by any court of competent jurisdiction, such decision shall not affect the  
33 validity of the remaining provisions of this Ordinance. The Water Authority hereby

declares that it would have passed this Ordinance and each Section, paragraph, sentence, clause, word or phrase thereof irrespective of any provision being declared unconstitutional or otherwise invalid.

## Appendix A



### **INVESTMENT POLICY**

## Albuquerque Bernalillo County Water Utility Authority Investment Policy

~~[This policy shall be known as the Albuquerque Bernalillo County Water Utility Authority Investment (ABCWUA) policy entitled and adopted on June 19, 2013.]~~

### **Definitions**

As used in this investment policy:

- ~~(a) *Investment committee* means a committee consisting of member of the ABCWUA's Audit Committee, the Executive Director, the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).~~
- ~~(b) *Investment officer* means the CFO or his/her designee.~~
- ~~(c) *NASD* means National Association of Security Dealers.~~
- ~~(d) *FDIC* means Federal Deposit Insurance Corporation.~~
- ~~(e) *FSLIC* means Federal Savings and Loan Insurance Corporation.~~
- ~~(f) *SIPC* means Security Investment Protection Corporation.~~
- ~~(g) *Financial institution* means a federally insured bank or savings and loan association.~~
- ~~(h) *Local financial institution* means those with a main office or manned branch office located within the service area of ABCWUA.~~
- ~~(i) *Time deposit* means a certificate of deposit or savings certificate deposited in a federally insured bank or savings and loan association.~~
- ~~(j) *Net worth* is as defined by the Financial Institutions Division of the Department of Commerce and Industry of the State of New Mexico.~~
- ~~(k) *Basis points* is construed so that one hundred (100), basis points equals one (1) percent interest.~~

### **Policy declarations**

It is the intent of this policy to establish the authority and procedures for the investment of the ABCWUA's funds in an effort to:

- ~~(1) Maximize investment returns while minimizing risk;~~
- ~~(2) Maintain a level of liquidity to ensure that unanticipated cash needs are met;~~
- ~~(3) Allow for diversification of the ABCWUA's portfolio;~~
- ~~(4) Recognize the impact of the ABCWUA's investment program on the local economy.~~
  - ~~(b) The criteria for selecting investments shall be, in the following order of priority:
    - ~~(1) Safety;~~
    - ~~(2) Liquidity;~~
    - ~~(3) Yield.~~~~
  - ~~(c) The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule, which is: "Investments shall 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." The prudent investor rule shall be applied in the context of managing the overall portfolio.~~
  - ~~(d) The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for specific~~



## Albuquerque Bernalillo County Water Utility Authority Investment Policy

~~security's credit risk or market price changes, provided that these deviations are reported immediately to the investment committee and that appropriate action is taken to control adverse developments.~~

### **Allowed investment instruments**

~~[Allowed investment instruments are:]~~

- ~~(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 (\$1,000,000.00) 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 (5) years last preceding.~~
- ~~(d) Time deposits in banks and savings and loan associations.~~
- ~~(e) Interest bearing checking accounts in banks and savings and loan associations.~~
- ~~(f) Passbook savings accounts.~~
- ~~(g) Banker's acceptances.~~
- ~~(h) SEC 2a-7 money market funds whose portfolios consist of the foregoing securities.~~
- ~~(i) The Local Government Investment Pool pursuant to Section 6-10-10.1, NMSA 1978.~~

~~Deposit-type securities (i.e., certificates of deposit) shall be collateralized in accordance with the State Board of Finance. Such collateral shall be held by an independent third party financial institution acceptable to the ABCWUA. Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978).~~

### **Limitations and Restrictions**

~~The investment officer shall at all time maintain sufficient liquidity to coincide with projected cash flow needs, taking into account expenditures (payroll, debt retirement payments, capital improvements program disbursement) as well as considering anticipated revenue. These funds may be invested for a period of time equal to the planned expenditure of the funds.~~

~~No more than 40% of the portfolio may be invested in any one sector except for U.S. Treasuries and Agencies. Individual holdings of obligors other than those backed by the U.S. Government, its agencies, or its instrumentalities are limited to 5% of the total market value of the portfolio.~~

- ~~• No individual security will have a final maturity greater than 3 years~~
- ~~• With the exception of CDs and bank deposits, any investment portfolio with marketable securities will have an average weighted maturity or duration of no greater than 1.5-2.0 years~~
- ~~• For securities which are peg to a floating interest rate, the next reset date shall be used to determine the effective maturity~~

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

~~All issuers must be minimally rated A-/A3 by S&P and Moody's rating agencies at the time of purchase with split ratings allowed. Should a downgrade occur below the minimum rating, the investment officer shall confer with its investment advisors on a decision to sell or hold the security.~~

### **Time deposits**

~~(a) Financial institutions must meet all of the following requirements to qualify as a depository for the ABCWUA:~~

~~(1) Financial institution must be federally insured.~~

~~(2) Financial institution's equity to asset ratio must be at or above levels recommended by federal regulatory agencies.~~

~~(3) Financial institutions must submit to the ABCWUA within forty five (45) days following the end of each quarter a copy of their quarterly call report as issued to the appropriate federal agency to qualify as a depositor.~~

~~(4) Financial institutions whose annual reports indicate successive losses for the two (2) preceding years will not qualify as a depositor.~~

~~(5) Financial institutions must have assets in excess of one hundred million dollars (\$100,000,000.00).~~

~~(6) Time deposits shall be in a minimum denomination of one hundred thousand dollars (\$100,000.00).~~

~~(f) The total of time deposits with any financial institution shall not at any time exceed the net worth of said financial institution.~~

### **Security for time deposits**

~~Any financial institution designated as a depository shall deliver securities of the type specified in Section 6-10-16 NMSA, 1978, or a joint safekeeping receipt therefore, to the investment officer in an aggregate value equal to one half the amount of the ABCWUA money to be received, in accordance with subsection B of Section 6-10-16 NMSA, 1978.~~

### **Banker's Acceptances**

~~(a) The investment officer shall be authorized to purchase banker's acceptances when the yield on said instruments exceeds the highest bid from the local financial institutions by twenty five (25) basis points.~~

~~(b) Investment in banker's acceptances shall be limited to those whose accepting bank qualifies for time deposit.~~

~~(c) The investment officer shall not invest in excess of five (5) percent of the ABCWUA's portfolio in banker's acceptances of a single accepting bank.~~

### **Safekeeping of Securities**

~~(a) No ABCWUA funds to be invested in negotiable securities shall be paid out unless there is a simultaneous transfer of securities either by physical delivery or, in the case of un-certificated securities, by appropriate book entry on the books of the issuer to the ABCWUA or to a third party safekeeping financial institution acting as agent or trustee for the ABCWUA, which agent or trustee shall furnish timely confirmation to the ABCWUA.~~

# **Albuquerque Bernalillo County Water Utility Authority** **Investment Policy**

~~(b) Notwithstanding the provisions of subsection (a) of this section, securities may be held in "street name" with an SIPC insured broker or dealer at a level not to exceed the amount of the SIPC insurance plus any insurance provided by an insurance company which has received an A+ rating by A.M. Best and Company.]~~

## **I. OVERVIEW: INVESTMENT POLICY**

**INVESTMENT AUTHORITY:** The responsibility for investing the excess funds of the ABCWUA lies with the Chief Financial Officer (CFO) of the ABCWUA or his/her designee, the investment manager. ABCWUA's governing body acts as the Board of Finance per 6-10-9 NMSA 1978.

### **PURPOSE:**

**A.** The CFO's investment authority is to prudently manage the investment of public money that is not immediately required for the operations of ABCWUA.

**B.** In satisfying this financial responsibility, the CFO must also observe the fiscal obligation of maintaining sufficient liquidity to provide for the continuing functions of ABCWUA.

**C.** While serving, the CFO is bound to satisfy the fundamental fiduciary obligation of preserving and protecting the principal of the public money.

**D.** The CFO and/or investment manager, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for specific security's credit risk or market price changes, provided that these changes are reported at the next meeting or immediately via email if necessary, to the investment committee and that appropriate action is taken to control adverse developments.

**SCOPE OF THE INVESTMENT POLICY:** This investment policy is a comprehensive guide governing the investment functions of the ABCWUA with respect to funds invested by the investment manager. The guidance formulated in this policy is to be observed by individuals and entities involved in any aspect of the administration or management of investments made by the ABCWUA's investment manager or an investment management firm. This investment policy will be effective upon approval by the governing board.

## **II. DEFINITIONS:**

**A.** "Competitive bid for securities" means the selection of securities through a solicitation or review and evaluation of online inventory offerings from various approved broker/dealers.

**B.** "Investment committee" or "committee" means the ABCWUA's investment committee; see also Section III.C of this policy.

**C.** "Investment grade" means, for purposes of this policy, a rating within any of the following rating ranges by at least two of the rating agencies:

<b><u>Rating Agency</u></b>	<b><u>Long-Term</u></b>	<b><u>Short-term</u></b>
<b><u>Standard &amp; Poor's</u></b>	<b><u>A- to AAA</u></b>	<b><u>A-1</u></b>
<b><u>Fitch</u></b>	<b><u>A- to AAA</u></b>	<b><u>F1</u></b>
<b><u>Moody's</u></b>	<b><u>A3 to Aaa</u></b>	<b><u>P-1</u></b>

A rating from a rating agency not on the list shall not be considered.

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

D. **"Investment portfolio"** means each separate fund managed by the investment manager, including operating funds, bond proceeds and other monies.

E. **"Investment manager"** means the person and/or firm responsible for investing the public funds per this policy.

F. **"Financial institution"** means a federally insured bank or savings and loan association, see section F.2(d) below.

G. **"Local financial institution"** means those with a main office or manned branch office located within the service area of ABCWUA.

H. **"Time deposit"** means a certificate of deposit or savings certificate deposited in a federally insured bank or savings and loan association located in New Mexico.

I. **"Net worth"** is as defined by the Financial Institutions Division of the Department of Commerce and Industry of the State of New Mexico.

J. **"Basis points"** is construed so that one hundred (100) basis points equals one (1) percent interest.

### **III. POLICY STATEMENT**

A. **Investment Policy Priorities:** The ABCWUA's investment manager will observe the following priorities in making investment decisions:

1. **Safety of funds** – to ensure the performance of basic governmental functions, the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;

2. **Maintenance of liquidity** – the second level of priority must be accorded to maintaining sufficient liquidity to satisfy the reasonably anticipated, continuing operational requirements of ABCWUA;

3. **Maximum return after first two priorities are met** – the third priority must be accorded to maximizing investment return, through budgetary and economic cycles, consistent with the higher priorities of safety and liquidity;

4. Allow for diversification of the ABCWUA's portfolios; and

5. Recognize the impact of the ABCWUA's investment program on the local economy.

#### **B. Standard of Investment:**

1. The standard of prudence to be applied in the investment of public money by the ABCWUA's investment manager shall be the "prudent person" rule: *"Investments shall be made with the judgment and care, under circumstances then prevailing, that 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."*

2. Fiduciary Duty should be upheld: *"A fiduciary relationship is generally viewed as the highest standard of customer care available under law. Fiduciary duty includes both a duty of care and a duty of loyalty. Collectively, and generally speaking, these duties require a fiduciary to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest."*

~ Securities Industry and Financial Markets Association (SIFMA)

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

**3.** The investment manager, acting in accordance with this policy and any other written procedures pertaining to the investment of excess funds and exercising due diligence, shall be relieved of personal responsibility, if any, for credit risk or market price changes of a particular security.

The loss of market value, reduced yield or return on a particular security shall be promptly reported to ABCWUA's investment committee (next meeting or immediately via email if necessary) in accordance with this policy and the situation causing the loss of market value, reduced yield or return must be closely monitored and evaluated to ensure that any decision to hold or sell the particular security is based on the best publicly available information.

**C. Investment Committee:** The investment committee shall monitor the efficacy, efficiency and currency of the investment policy.

**1.** The investment committee shall consist of one member of the ABCWUA's Board as appointed by the Chairperson of the Board, the Executive Director, the Chief Financial Officer (CFO) and the Chief Operating Officer (COO), plus one private sector finance professional, appointed by the Chief Financial Officer. The private sector member shall serve for a term of two (2) years after appointment and shall be eligible for reappointment to serve for consecutive two (2) year terms. Any vacancy created by a private sector member shall be filled in the same manner as original appointments. The investment manager will attend and make reports at all investment committee meetings.

**2.** The investment committee shall meet monthly if funds are invested in instruments other than bank deposits. Otherwise, the committee shall meet quarterly to:

**a.** Review the investment policy, no less than annually, and recommend, if advisable, modifications in the investment policy from time to time and have changes formally adopted by board resolution;

**b.** assess, no less than annually, the utility and efficacy of established internal controls as loss prevention measures with respect to the investment portfolio;

**c.** deliberate these topics: economic outlook, portfolio diversification and maturity structure, potential risks, and the rate of return on the investment portfolio assessed within the parameters of first meeting safety and liquidity requirements;

**d.** identify potential violations of and suggest remedial actions to achieve conformity with the investment policy;

**e.** recommend, no less than annually, action on depositories, custodians, broker/dealers and investment managers and advisors; and

**f.** assess whether the investment policy is being properly implemented by the individuals and entities involved in the administration and management of investment activities.

### **D. Internal Controls:**

**1.** The ABCWUA CFO shall establish a system of internal controls governing the administration and management of the investment portfolios. Any audit findings related to investment-related internal controls shall be reviewed annually by the investment committee.

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

2. The controls shall be designed to prevent and control losses of public money arising from fraud, error, misrepresentation, unanticipated market changes, conflicts of interest or imprudent actions.

3. All securities held for ABCWUA's portfolio will be held in the name of ABCWUA with a third party custodian, free and clear of any lien.

4. The fiscal agent and custodial banks responsible for, or in any manner involved with, the safekeeping and custody process on behalf of ABCWUA shall be bonded to protect from losses, malfeasance and misfeasance.

### **E. Ethics and Conflicts of Interest:**

1. The ABCWUA CFO shall adopt and implement an employee code of conduct policy, a campaign contributions policy, and a whistle blower policy applicable to the public officers and employees subject to ABCWUA policies and supervision. These policies shall be included in this investment policy as appendices. These policies may be updated according to the policies and procedures of ABCWUA. Any changes or updates implemented by the CFO shall be reported to the governing body at its next regularly scheduled meeting.

2. The CFO and employees involved in the investment process, in addition to complying with the applicable policies listed above and statutes, shall refrain from personal business activity that may impair their ability to make impartial investment decisions, or otherwise conflict with the selection of broker/dealers or investment advisors for best execution of the investment policy.

3. All broker/dealers and other securities professionals working with ABCWUA shall become familiar with and comply with all policies of the office and state laws including, but not limited to the following statutes, as they may be amended from time to time: the Campaign Reporting Act, §§ 1-19-25 NMSA 1978 *et seq.*; the Governmental Conduct Act, §§ 10-16-1 NMSA 1978 *et seq.*; and the Procurement Code, §§ 13-1-28 NMSA 1978 *et seq.* Any contract professionals working with ABCWUA should acknowledge in writing that they have read and understand this policy and all governing rules and statutes.

### **F. Investments Permitted by Policy:**

1. The scope of investment authority of the investment manager is defined by the applicable investment statutes and constitutional provisions, principally Sections 6-10-10, 6-10-10.1, 6-10-36, 6-10-44 and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the New Mexico Constitution, specifying particular types of investments that may be made by the investment manager, which establish certain prerequisites, limitations and other requirements relating to those investments. Moreover, the ABCWUA CFO and/or board, in its discretion, may further limit or restrict those investments.

2. The ABCWUA CFO and its governing body have determined that only the following statutorily authorized investments may be made and these investments shall be subject to further limitations or restrictions as follows:

**a. 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 US treasury notes and bills and "Ginnie Mae" mortgage-backed certificates issued by the Government National Mortgage Association. Investments shall be limited to a maximum maturity of five (5) years at time of purchase.

**b. United States Government Agency 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

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

securities include Federal Farm Credit Bank "FFCB", Federal Home Loan Bank "FHLB", Federal Home Loan Mortgage Association "FHLMC" and Federal National Mortgage Association "FNMA" and other names 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. Investments in US Government Agency Obligations shall be limited to a maximum maturity of five (5) years at time of purchase.

**c. Repurchase Agreements:** Contracts for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by ABCWUA.

**i.** The contract at the time of purchase shall be fully secured by obligations of the United States, or its agencies or instrumentalities, or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract.

**ii.** Section 6-10-10 (J) limits repurchase agreements (other than bond proceeds) to a maximum maturity of one (1) year with no exception or other provision for repurchase agreements that are VRNs, but flexible repurchase agreements shall be restricted to bond proceeds (with a maximum maturity of three (3) years). Providers of repurchase agreements and flexible repurchase agreements shall have an investment grade rating.

**iii.** Subject to the prior approval of the governing body with respect to the custodial undertaking agreement, tri-party repurchase agreements are proper investments under this policy.

**iv.** The investment manager will enter into repurchase agreements only with approved primary reporting dealers, banks and other financial institutions having a net worth in excess of \$500 million.

Preference will be given to a provider that is rated in one of the top two rating categories by all national rating agencies, without regard to qualifier, numerical or otherwise.

**d. Bank, Savings and Loan Association or Credit Union Deposits:** Deposits are allowed 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 statute and policies of the governing body related to interest rate and collateral requirements. CD deposits shall not be made with custodial banks. Deposits shall be limited to a maximum maturity of three (3) years. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.

**e. Municipal Securities:** Pursuant to 6-10-10.F(1), the investment manager may also invest in municipal securities that at time of purchase are investment grade and have a final maturity of up to three years. 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 (\$1,000,000.00) 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 (5) years last preceding. If the rating declines below investment grade the investment manager shall notify the members of the investment committee in writing within one business day. The committee will recommend an appropriate course of action at its next regular meeting or may elect to meet sooner to determine a course of action.

**f. Government Money Market Mutual Funds:**  
Shares of an open-ended diversified investment company that:

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

- i. is registered with the United States Securities and Exchange Commission;
- ii. complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds; assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States Securities and Exchange Commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated. ABCWUA shall not, at any time, own more than five (5) percent of a government money market mutual fund's assets;
- iii. is invested only in United States Government and Agency Obligations and repurchase agreements secured by such obligations;
- iv. has assets under management of at least one billion dollars (\$1,000,000,000);
- v. the investments made by ABCWUA are less than five percent (5%) of the assets of the fund; and
- vi. is rated AAA or equivalent by a nationally recognized rating agency.

**g. Local Government Investment Pool:** As permitted by section 6-10-10.1 NMSA 1978, funds may be invested in the Local Government Investment Pool (LGIP) managed by the NM State Treasurer.

**G. Diversification:** It is the policy of ABCWUA to diversify the investment portfolios. Investments shall be diversified to reduce the risk of loss resulting from an over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following diversification limitations, at the time of purchase, shall apply to each portfolio:

- 1. Investment maturities will be laddered to avoid undue concentration of assets in a specific maturity sector and to meet cash flow requirements.**
- 2. Investment in callable debentures is permitted, but the amount invested in callable instruments should not exceed twenty-five percent (25%) of the total amount invested of each portfolio.**
- 3. The maximum level of deposits any single financial institution, with preference to local financial institutions, will as a percentage of the investment portfolio not exceed an amount set by the investment committee. CD deposits may only be made in NM financial institutions per the requirement in the New Mexico Constitution Article VIII, Section 4.**
- 4. Investments in United States agency obligations issued by any single agency shall be limited to thirty-five percent (35%) of a portfolio. US Agency mortgage securities will be limited to twenty five percent (25%) of the portfolio.**
- 5. Investments in repurchase agreements from any single provider shall be limited to twenty-five percent (25%) of a portfolio.**
- 6. Municipal securities will be limited to fifteen percent (15%) of the portfolio. Securities issued by a single municipal entity shall be limited to five percent (5%) of a portfolio.**

**H. Risk:** ABCWUA recognizes that any portfolio of marketable investment securities is subject to interest-rate risk. To limit the possibility of loss of principal due to interest rate fluctuations, the investment manager will make reasonable efforts to match investments with anticipated cash requirements. The CFO/investment manager or designee shall give particular emphasis to the following factors when selecting a specific security for inclusion in the portfolio:



## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

**1. Relative Yield to Maturity:** Comparison of return available from alternative investments for comparable maturity dates.

**2. Marketability:** Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.

**3. Intermarket Yield Analysis:** Analysis of the spread relationship between sectors of the market, i.e. treasury bonds or bills versus agency bonds or discount notes, to take advantage of aberrations in yield differentials.

**4. Yield Curve Analysis:** Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.

**5. General Economic and Interest Rate Outlook:** Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

**I. Anticipated Cash Flow Requirements:** The CFO will project the short-term and long-term cash needs to determine the amount available for short-term and long-term investment and report this information to the investment committee and governing body quarterly or at an interval deemed necessary by the investment committee.

**J. Safekeeping and Custody:**

**1.** All investment securities purchased by ABCWUA, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for ABCWUA's portfolios will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month and all securities held for ABCWUA at month-end including the book and market value of holdings.

**2.** Any bank that is in any manner involved with, the safekeeping and custody process of ABCWUA shall be bonded in amounts required by the governing body under its custody agreement to protect from losses, from malfeasance and misfeasance.

**K. Collateral Policy:**

Deposits shall be collateralized at 102%. Such collateral shall be held by an independent third party financial institution acceptable to the ABCWUA. Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978). Collateral shall be held in a custodial bank per 6-10-21, NMSA 1978 and shall be assigned to ABCWUA per 6-10-18, NMSA 1978.

Securities accepted as collateral may be subject to additional restrictions as specified by the investment committee.

**L. Selection of Investment Advisors, Consultants/Managers:** ABCWUA may use an investment advisor, consultant and/or manager for the investment of securities in accordance with the following rules:

**1.** The firm or individual shall be selected in accordance with ABCWUA's procurement code;

**2.** The firm and individual shall be registered under the Investment Adviser Act of 1940;

**3.** Prior to execution and prior to any renewal of each and every contract, the CFO must obtain approval by the governing body. Approval of a contract requires that the investment advisor, consultant and/or manager must provide in writing to ABCWUA:

## **Albuquerque Bernalillo County Water Utility Authority Investment Policy**

4. The investment advisor, consultant or manager shall report, in writing, to the investment committee at all regularly scheduled investment committee meetings. The report shall (i) establish performance benchmarks for ABCWUA's portfolios, and (ii) review recommended investments, portfolio strategies and/or performance against established benchmarks. The report shall be included in the investment manager's next monthly report. Performance benchmarks established by the investment manager or the investment advisor, consultant and/or manager must be approved by the investment committee.

**M. Performance Benchmarks:** The investment portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of ABCWUA.

1. Short-term funds (liquidity) and funds that must maintain a high degree of liquidity will be compared to an appropriate short-term.

2. Medium term investment and other funds (core) that have longer terms shall be compared to indices of similar duration.

**N. Selection of Depositories:** When selecting depositories, consideration will be given to minimizing risk, protecting investment capital and obtaining the best purchase or sale price. The following guidelines will be used in selecting depositories.

1. Depositories: In selecting financial institutions for the deposit of ABCWUA funds, the CFO will consider the credit worthiness of the institutions.

a. The CFO through his/her collateral compliance and risk assessment program will monitor the financial institutions' credit characteristics and financial history throughout the period in which ABCWUA funds are deposited.

b. Each depository will be required at all times to collateralize ABCWUA deposits at the level required by the collateral policy (see section III.K of this policy) and the depository agreement adopted by the governing body.

**O. Reporting Requirements:** ABCWUA shall prepare and submit to the governing body an "investment committee report".

1. The Report shall summarize the following:

a. a listing of the portfolio in terms of investment securities, balances, maturities, return and other features deemed relevant;

b. the book and market value of all holdings;

c. a report of primary issues purchased and report of secondary issues purchased or sold;

d. a report of all commissions paid in dollars on repurchase agreements and on each transaction where the commission is disclosed;

e. for each approved portfolio, returns on a monthly, quarterly, fiscal year-to-date and three-year basis versus approved benchmarks;

f. the total investment earnings by fund for the reporting period;

g. report of holdings of variable rate and structured notes;

h. the investment strategies employed during the period;

i. a summary of recent market conditions, economic developments and anticipated investment conditions;

**Albuquerque Bernalillo County Water Utility Authority  
Investment Policy**

j. any areas of policy concern warranting possible revisions of current or planned investment policies;

k. a projection of the ABCWUA's short-term and long-term cash needs;

l. all transactions where there were fewer than three bids or offers;

m. all sale transactions resulting in a book loss;

n. all transaction errors;

o. any trades between portfolios; and

p. all changed allocations.

**VII. APPROVAL:**

**ABCWUA Board** \_\_\_\_\_ **ABCWUA**

\_\_\_\_\_  
Secretary \_\_\_\_\_ Chief Financial Officer \_\_\_\_\_

| Date: \_\_\_\_\_ Date: \_\_\_\_\_

**History:**

Previously issued+]

# ***FY15 Proposed Operating/Capital Budget and Rate Ordinance***



Albuquerque Bernalillo County  
Water Utility Authority

# ***FY15 Operating & CIP Budget Highlights***

- A 5% rate revenue adjustment is proposed
- Operating working capital of 1/12 of operating expenditures as required by ordinance
- \$2 million is added to the Rate Reserve Fund
- \$51 million for capital projects

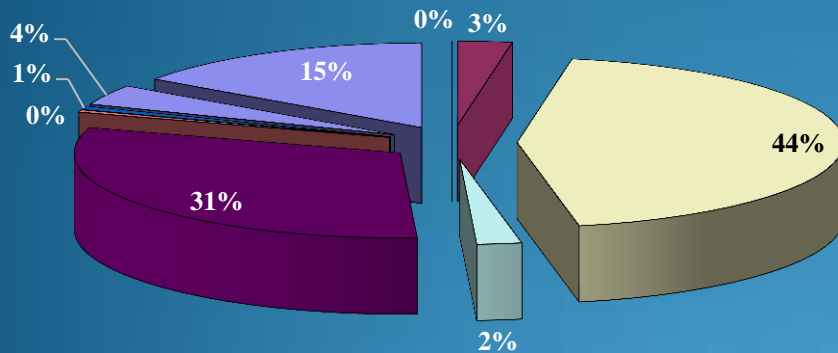
# ***FY15 Budget Assumptions***

- Nominal growth in service area
- Consumption assumed to be at 135 gcpd
- Growth in operating expenses include only essential items
- Continued increased capital spending for rehabilitation work at the Southside Reclamation Plant

# *FY15 Projected Revenues*

## *\$203,959,000*

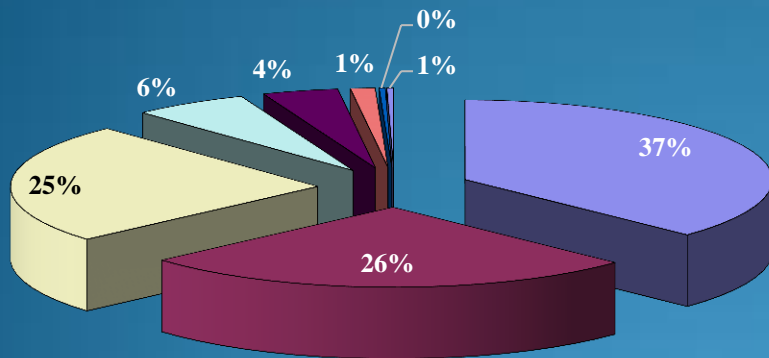
### Revenue Sources



- INTEREST (\$10,000)
- MISCELLANEOUS (\$5,500,000)
- WATER (\$90,277,000)
- WATER RESOURCES MANAGEMENT (\$4,500,000)
- SEWER (\$62,513,000)
- CIP EMPLOYEES (\$800,000)
- SOLID WASTE TRANSFER (\$1,323,000)
- FRANCHISE FEE (\$7,836,000)
- SJC STRATEGY IMLEMENTATION (\$31,200,000)

# ***FY15 Budgeted Expenditures***

## ***\$196,813,000***



■ **DEBT SERVICE (\$73,160,000)**

■ **WAGES & BENEFITS (\$51,803,000)**

■ **OPERATING EXPENSE (\$48,142,000)**

■ **TRANSFER TO OTHER FUNDS (\$12,000,000)**

■ **FRANCHISE FEE (\$7,836,000)**

■ **RISK (\$2,544,000)**

■ **OTHER CAPITAL (\$640,000)**

■ **WORKERS COMP (\$688,000)**



# ***Finance Plan Summary***

Operating Fund										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE										
Total	181,563	205,769	225,852	233,363	244,938	250,510	250,417	260,666	263,276	268,963
EXPENDITURES										
Total	180,553	195,166	209,857	217,875	226,143	234,095	236,816	246,899	246,292	250,361
WORKING CAPITAL BALANCE	1,010	10,603	15,995	15,487	18,795	16,415	13,601	13,766	16,984	18,602
Rate Revenue Adjustment	5.00%	5.00%	5.00%	0.00%	5.00%	0.00%	0.00%	5.00%	0.00%	0.00%

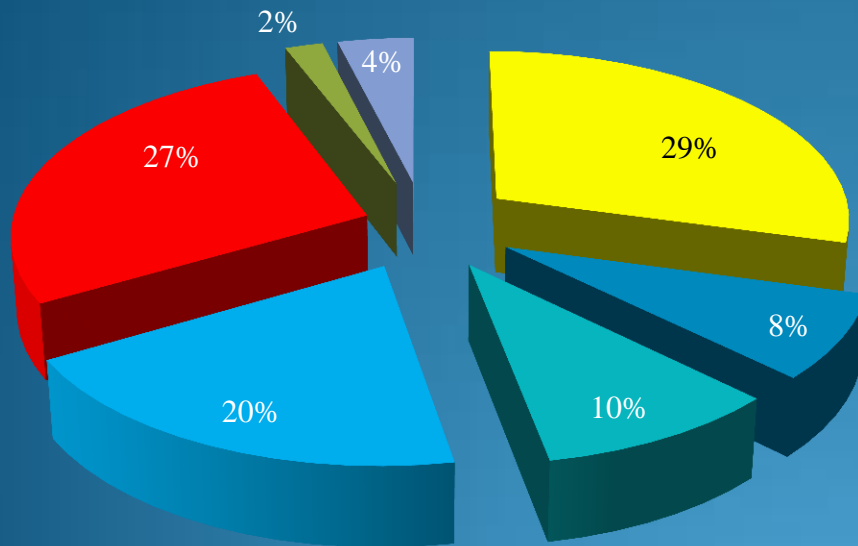
# *CIP Appropriations*

## Authorization of \$51 million

- \$48 million for FY15 basic water and sewer program of which a minimum of \$33 million is for rehab and replacement. Included in the total amount is \$10 million for the Southside Reclamation Plant and \$5 million for growth
- \$3 million for Special Projects
  - \$2 million for AMI
  - \$1 million Steel Water Line Replacement

# ***FY15 CIP Planned Spending***

## ***\$51,000,000***



■ Basic Pipeline Renewal (\$14,910,000)

■ Basic Plant Renewal (\$4,090,000)

■ Basic Growth Projects (\$5,000,000)

■ Construction of PTF and Dewatering (\$10,000,000)

■ Southside Water Reclam. Plant (\$14,000,000)

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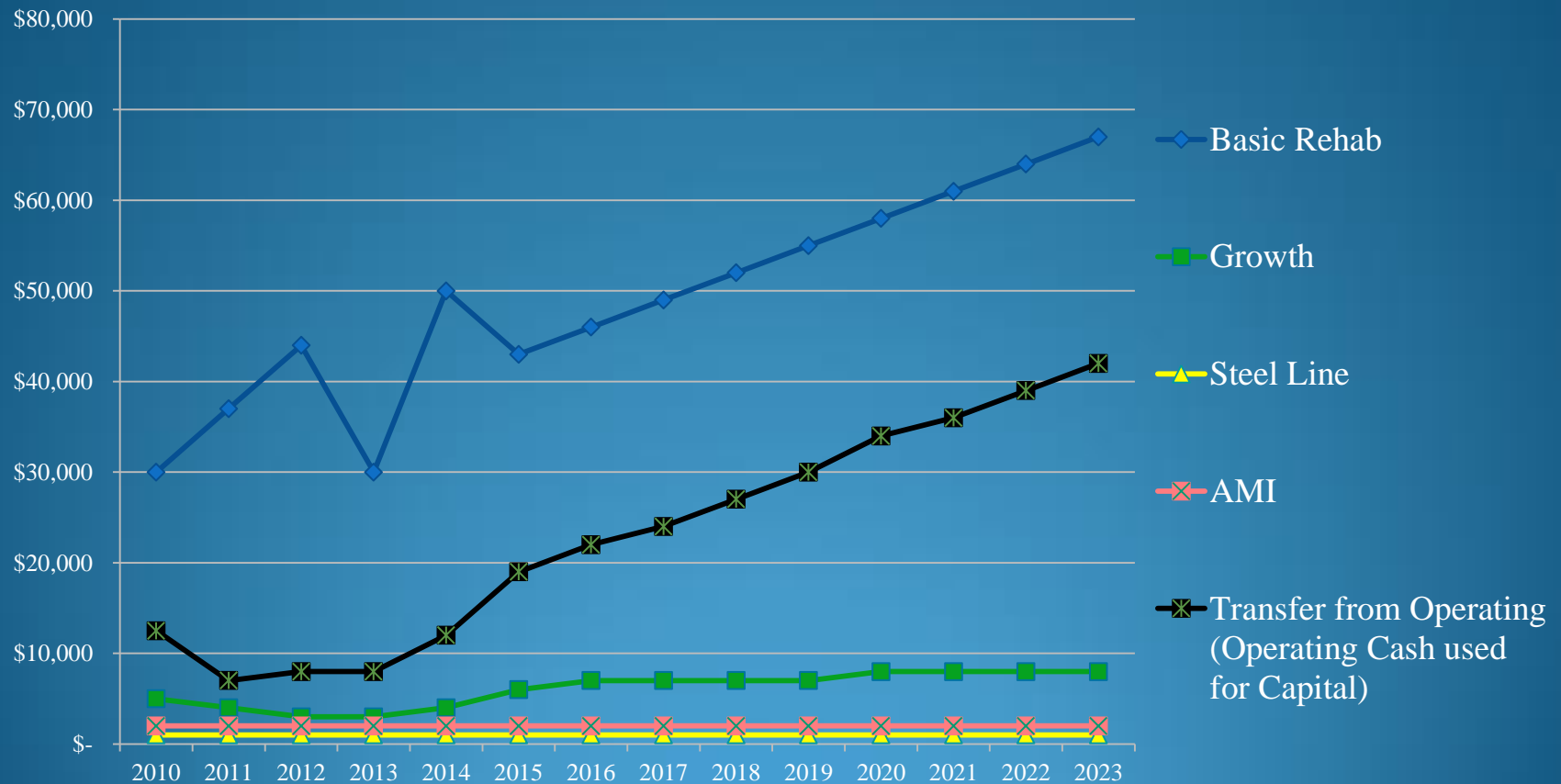
■ Automated Meter Reading (\$2,000,000)

# ***Increase CIP Spending***

*in thousands*

<b>Capital Funds</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Basic Rehab w/ Increase for Rehab / Asset Management Plan</b>	\$ 50,000	\$ 43,000	\$ 46,000	\$ 49,000	\$ 52,000	\$ 55,000	\$ 58,000	\$ 61,000	\$ 64,000	\$ 67,000
<b>Steel Line</b>	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
<b>AMI</b>	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>Growth</b>	\$ 4,000	\$ 6,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000

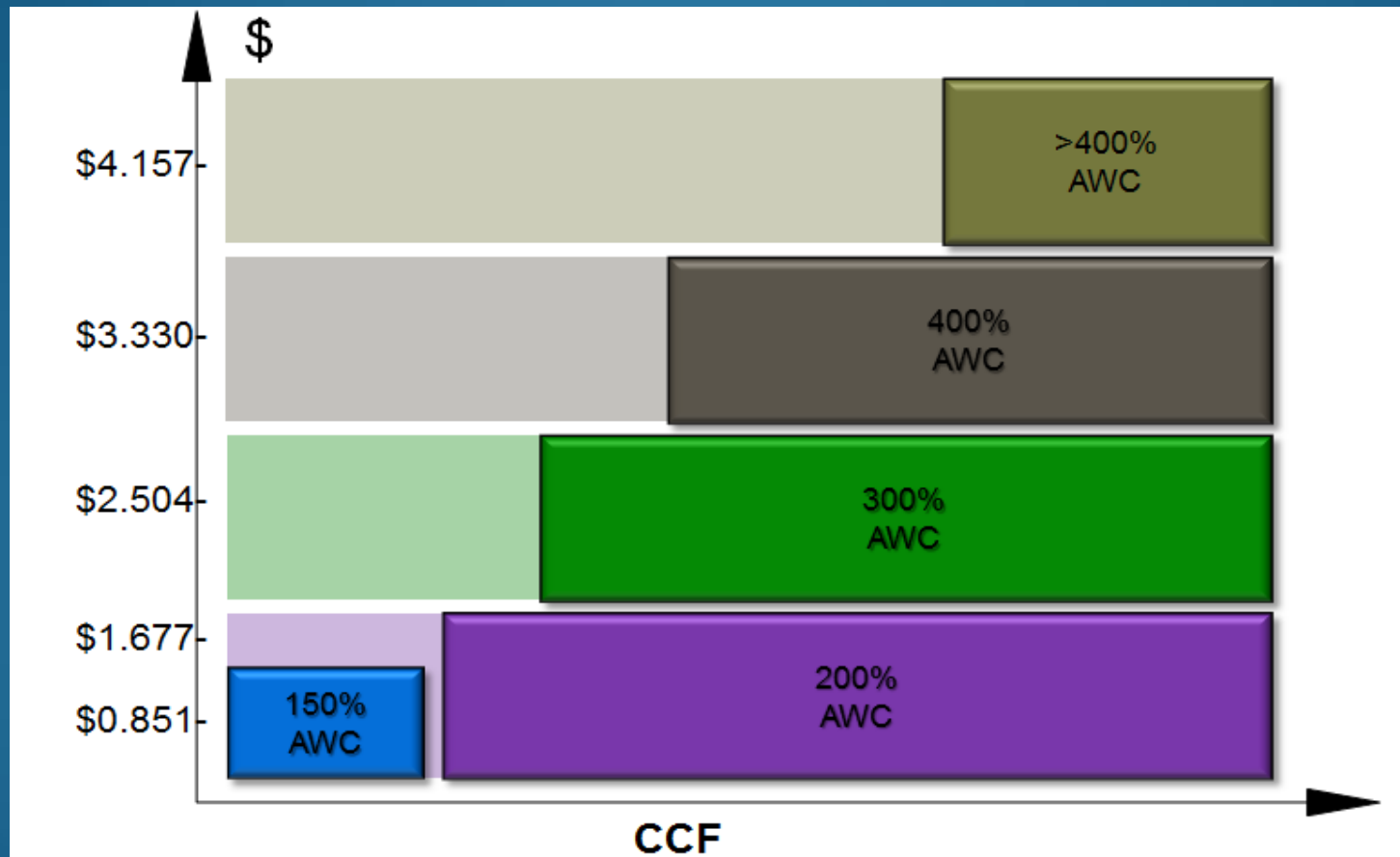
# FY15 CIP Planned Spending Increase



# ***Water and Wastewater Service Charges- Residential 5/8" Meter***

<b>Item</b>	<b>Existing FY2014</b>	<b>Proposed FY 2015</b>
Water	\$8.63	\$9.92
Strategy Implementation	\$3.95	\$4.51
Sewer	\$8.25	\$9.12
<b>Total</b>	<b>\$20.83</b>	<b>\$23.55</b>

# Water Commodity Rates



# ***Recommendation***

- Increase the Fixed Service Charges to Meet the 5% Rate Revenue Requirement
- Maintain the 50% Low Usage Discount on Commodity Charges for Residential Service Size 1 Customers
- Adjust Utility Expansion Charges and Water Supply Charge by 2.4% Based Upon the April 1, 2014 ENR Building and Construction Cost Indexes



# ***FY15 Proposed Operating/Capital Budget and Rate Ordinance***



Albuquerque Bernalillo County  
Water Utility Authority

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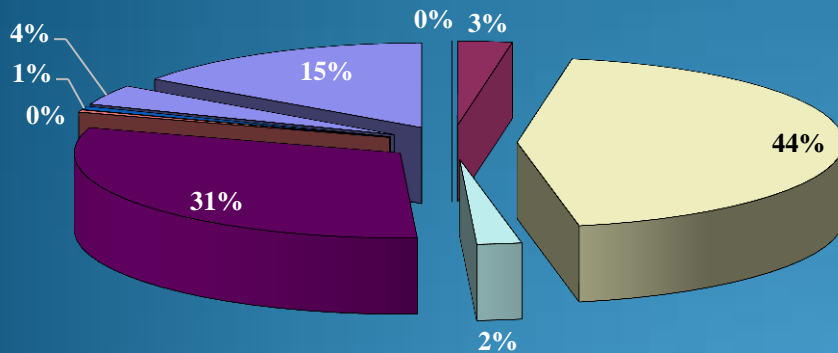
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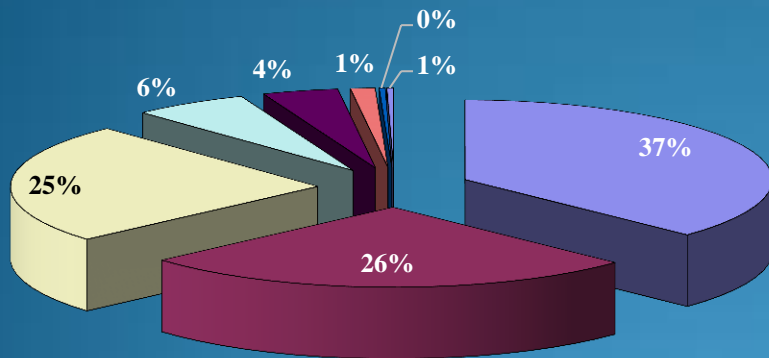
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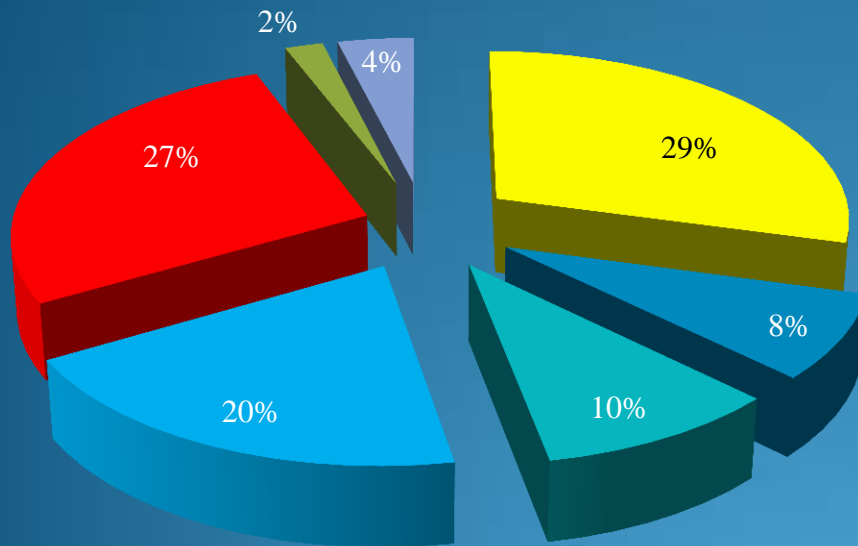
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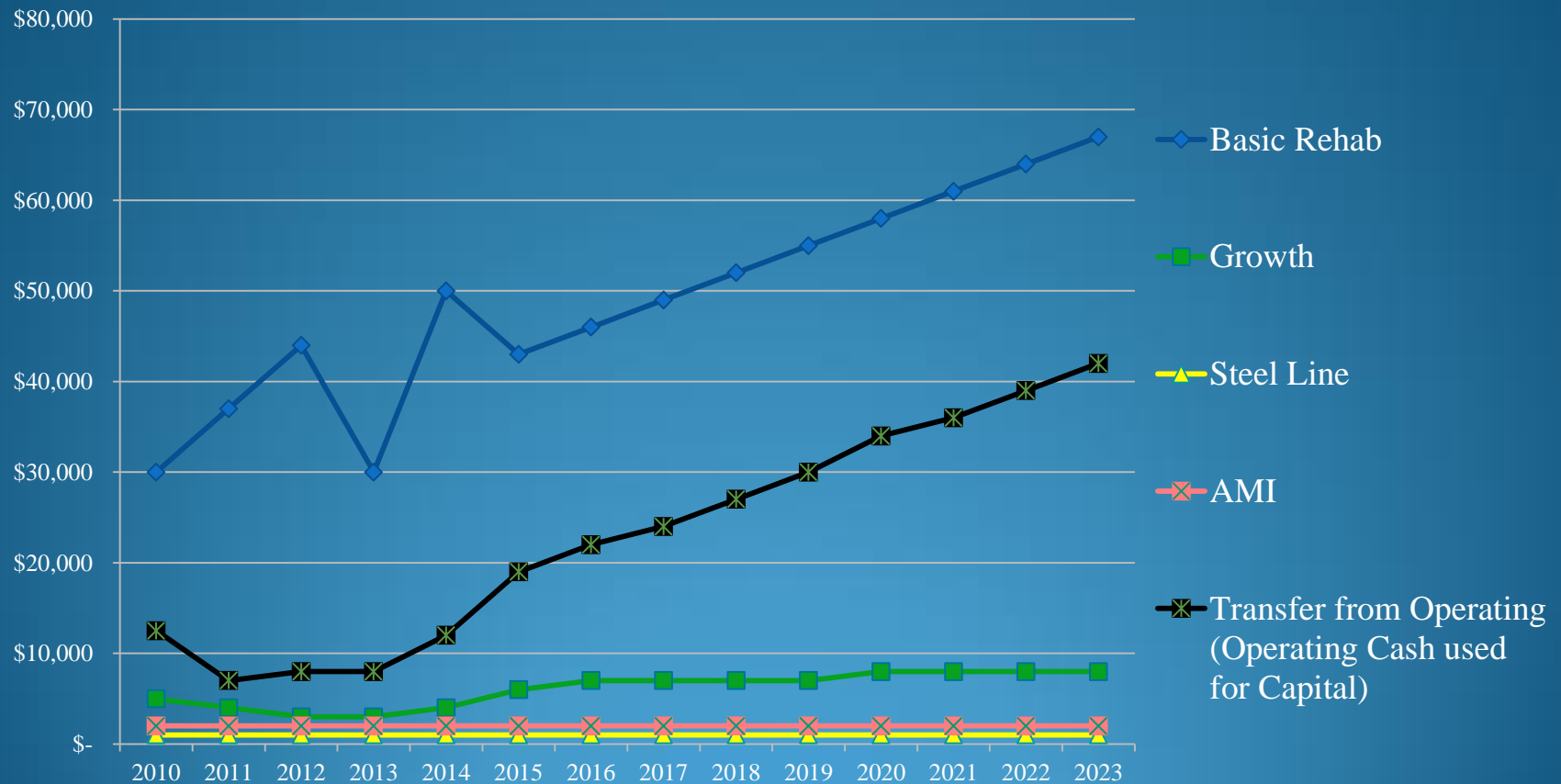


# ***Increase CIP Spending***

*in thousands*

<b>Capital Funds</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
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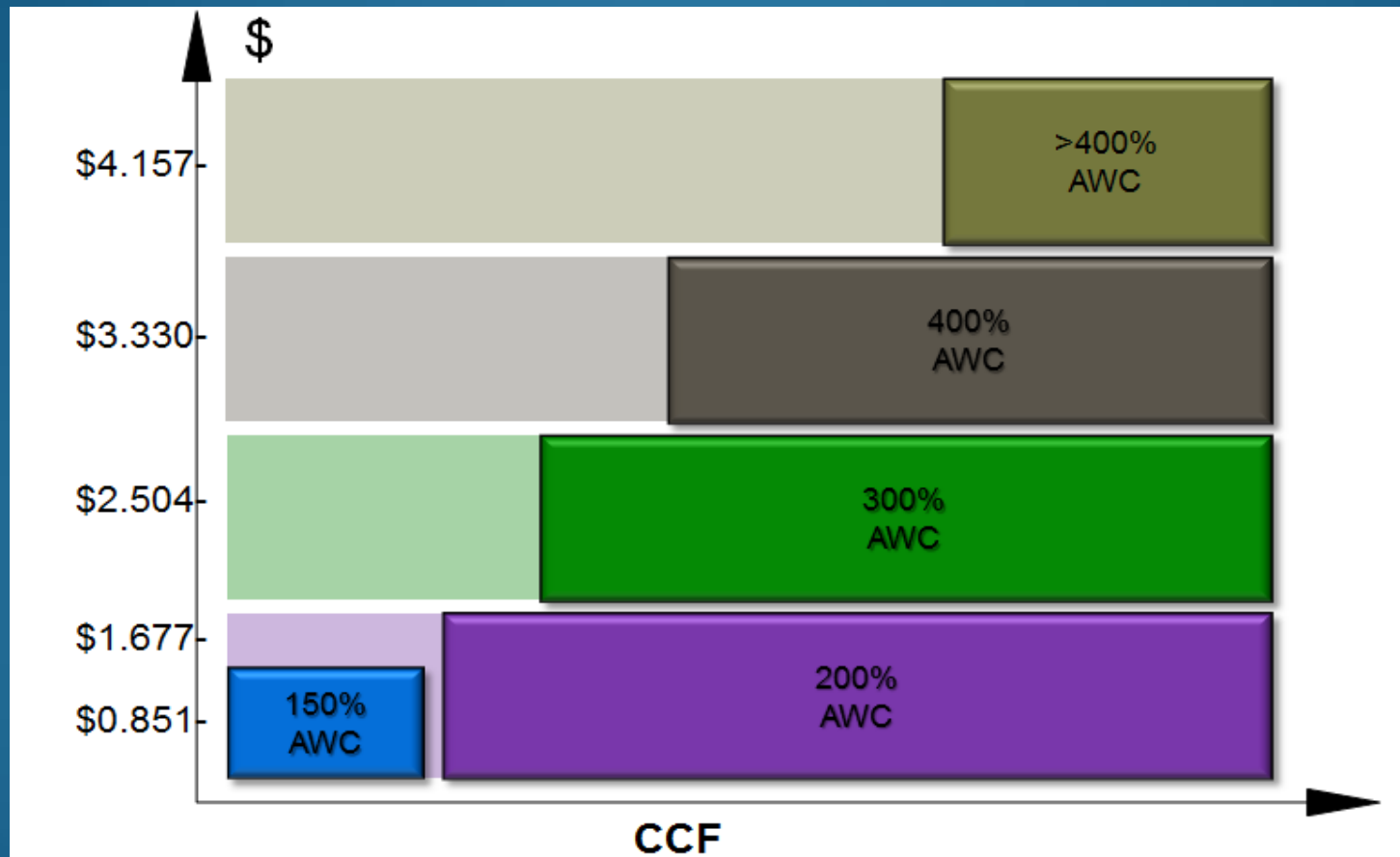
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# ***Recommendation***

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Meeting Date: May 21, 2014  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE: R-14-8 - Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for Fiscal Year Beginning July 1, 2014 and Ending June 30, 2015**

**ACTION: Recommend Approval**

**SUMMARY:**

This legislation is the Water Authority's proposed budget appropriation for Fiscal Year 2015 beginning July 1, 2014. The FY/15 budget was developed utilizing the Water Authority's Five-Year Goals, One-Year Objectives, Performance Plan and the Guiding Principles in determining the costs needed to effectively and efficiently run the utility operation.

**FY 2015 HIGHLIGHTS:**

For FY/15 the proposed budget includes a 5% rate revenue adjustment. Looking forward, the Water Authority must continue to spend the \$250 million to upgrade its sewage treatment plant and adding an additional \$36 million per year in Capital Implementation Program (CIP) funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in a recent asset management study commissioned by the Water Authority. The CIP infrastructure renewal budget is planned to increase by \$3-million per year starting in FY/15 to get CIP spending to a \$76 million level adjusted for inflation.

In FY/15, revenues are expected to be \$7.1 million over proposed expenditures. The Water Authority will use the majority of the excess revenue to bring the Working Capital or Fund Balance to \$10.6 million at June 30, 2015. By Ordinance, the Water Authority will be required to increase its Fund Balance to 1/12 of the annual budgeted expenditures by FY/15.

In FY/14, the Water Authority implemented the SunGard Enterprise Resource Planning (ERP) system. This project implemented a full range of financial and human capital resources modules. In FY/14 Phase 1 was completed and the project went live on July 1, 2013. The Water 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 began on July 1, 2013 and was completed on April 28, 2014. This Phase will implement the remaining HR modules to include items such as Employee Self Service. Other SunGard modules will become available during FY/14 and the Water Authority will develop work plans to implement those modules.

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

The San Juan-Chama Drinking Water Project (DWP) is expected to increase surface water treatment to provide 60% of water supplied to the service area, but this may change as we enter the fifth year of drought in the Middle Rio Grande. With the pending drought, the Water 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 Water Authority will still have more than three years of water available at the end of calendar year 2014.

The design of the full-scale pilot Aquifer Storage and Recovery (ASR) program will be continuing in FY/15 with permitting, design and construction to attempt to ultimately store more than 50,000 acre-feet into the aquifer at the Large Scale project at the water treatment plant site along with the Webster Well. This project will allow for storage during winter months that could be used in a single year or through a series of years assist in providing a drought management account for the rate payers.

The Plant Division began a major renovation of the Southside Water Reclamation Plant (SWRP) in FY/10 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 (PTF) in late 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 2014 the funding for the RRAMP improvements will be provided through the Water Authorities Capital Improvement Program (CIP).

The Information Technology Division (ITD) will continue to push mobile technologies to field and operations staff to become more efficient. This includes Maximo, SharePoint and mobile Kronos/Timekeeping. ITD will also begin preparations for the upgrade of Water Authority Enterprise applications including Maximo, SunGard, and Customer Care & Billing (CC&B).

ITD will continue its' separation from the City of Albuquerque's network. This includes beginning conversion to Voice over Internet Protocol (VOIP) for phones, and the replacement of all network infrastructures to be owned and managed by the Water Authority. ITD will also begin the consolidation and standardization of file storage and shared drives, resulting in lowering maintenance costs and standardization.

Construction of the Southside Municipal Effluent Polishing and Reclamation project was completed in April, 2013. Connections to the individual users commenced during the Spring of 2013 and will continue until all of the users have connected. Full operations began during irrigation season 2013 and continue in irrigation season 2014. The project will eventually provide up to 2,500 acre-feet of non-potable water to more than 40 large turf sites in the southeast heights and south valley of Albuquerque including Isotopes Baseball Park, UNM Championship and Puerto del Sol Golf Courses, Bullhead and Vietnam Veterans park and Mesa del Sol.

In FY/15, the Water Authority continues with the implementation of Phase 3 of its Automated Meter Infrastructure (AMI) project for small residential meters (less than 4"). The Water Authority now has over 55,000 meters on the AMI technology. In FY/15 Phase 3 of the AMI implementation is expected to be completed, which will include all City of Albuquerque accounts, so the City of Albuquerque can be billed on a composite bill. The Customer Care and Billing (CC&B) Web Self Service with a single logon interface for customers will be completed in FY/15 and will allow for the increase in the market penetration of paperless billing in FY/15, and the AMI project will provide access of monthly, daily and hourly water usage to customers.

Also included in the FY/15 proposed budget is the addition of \$2 million to the Rate Reserve Fund.

**FISCAL IMPACT:**

This appropriation consists of the Water Authority Operating Fund which totals \$196,813,000 and the Water Authority's Debt Service Fund which totals \$80,161,000.

**COMMENTS:**

The FY/15 budget includes a 5% rate revenue adjustment.

For FY/15, General Operating Fund revenue is projected to be \$203.9 million with proposed expenditures of \$196.8 million. Revenues are expected to be \$7.1 million over proposed expenditures. This amount will bring the Working Capital or Fund Balance to \$10.6 million at June 30, 2015. By Ordinance, the Water Authority will be required to increase its Fund Balance to 1/12 of the annual budgeted operating expenditures by FY/15.

**Revenues**

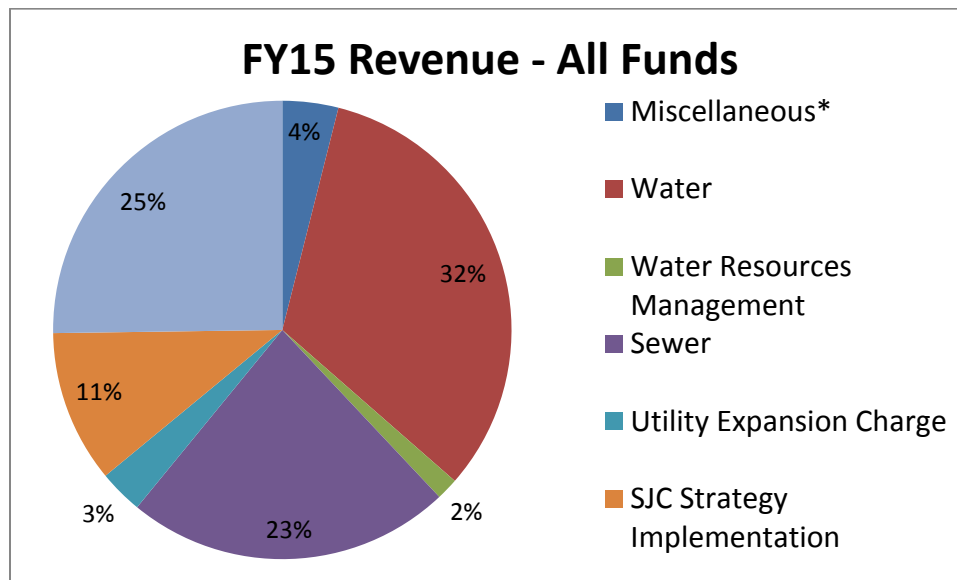
The revenue table is an estimate of Revenues projected next year. This table has been adjusted from the one provided at the April meeting. It has been adjusted to reflect the amounts in the 2014 budget. After extensive research, it has been determined that the budgeted revenue included in the monthly reports for FY/14 has been overstated by \$9 million. This error is due to the conversion from the City's ERP system to the Authority's new SunGard ERP system. The error has been fixed and the Authority's independent Internal Auditor is reviewing how the error took place and will implement internal controls so this error will not happen in the future. The projected revenue shortfall of \$8.7 million is still accurate. The following is a revenue comparison of the FY/13 Unaudited, FY/14 Approved and the FY/15 Proposed budgets:



# **WATER AUTHORITY OPERATING FUND 21**

ACCOUNT NAME	UNAUDITED FY13	BUDGET FY14	BUDGET FY15	DIFFERENCE FY15-FY14
Interest	(2,000)	750,000	10,000	(740,000)
Miscellaneous	6,255,000	1,550,000	5,500,000	3,950,000
Water	79,973,000	90,415,000	90,277,000	(138,000)
Water Resources Management	4,594,000	4,500,000	4,500,000	0
Sewer	61,543,000	62,387,000	62,513,000	126,000
CIP Employees	568,000	800,000	800,000	0
Refuse Transfer	1,236,000	1,236,000	1,323,000	87,000
Franchise Fee	6,629,000	7,836,000	7,836,000	0
SJC Strategy Implementation	29,161,000	30,000,000	31,200,000	1,200,000
<b>FUND TOTAL</b>	<b>189,957,000</b>	<b>199,474,000</b>	<b>203,959,000</b>	<b>4,485,000</b>

Operating Fund revenue for FY/15 is estimated to be \$4.5 above the FY/14 approved budget. The increase is due to the projected increase in miscellaneous revenue as trended over the last 2 years. Revenue in the Debt Service Fund has a \$7.0 million increase due to an increase in the transfer from operating for debt service payments.



\* Consolidated for Reporting Purposes

\* \* Miscellaneous includes Interest, CIP Employees, Refuse Trans őr, Franchise Fee

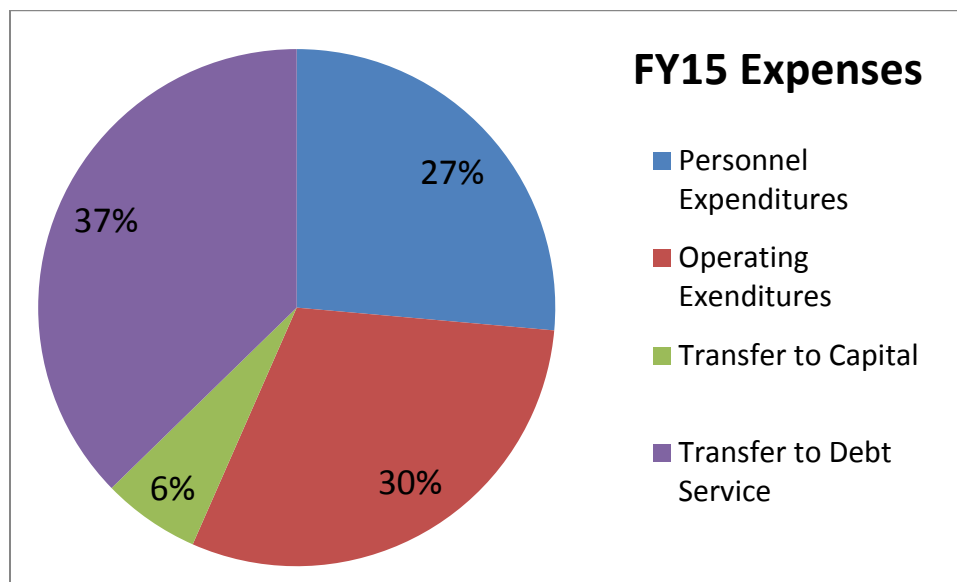
### **Expenditures**

The following is the appropriation comparison of the FY/13 Unaudited Actuals, FY/14 Approved and the FY/15 Proposed budgets:

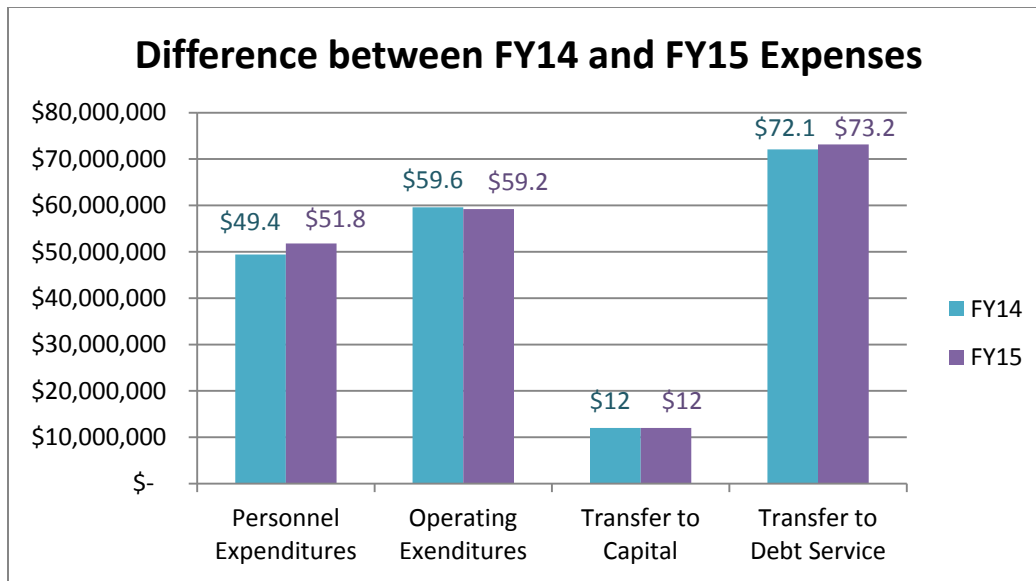
		<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Difference</b>
<b>A</b>	<b>ACCOUNT DESCRIPTION</b>	<b>ACTUALS</b>	<b>APPROP</b>	<b>REQUEST</b>	<b>FY15-FY14</b>
<b>51</b>	500101 REGULAR WAGES	31,582,291	31,646,741	32,375,643	728,902
	500110 LONGEVITY	477,211	471,350	343,452	(127,898)
	500201 PART TIME	21,966	516,416	480,989	(35,427)
	500301 OVERTIME	2,633,881	1,476,797	1,526,797	50,000
	514400 PERA	5,752,915	5,950,975	6,499,501	548,526
	514800 FICA	2,532,706	2,549,762	2,601,136	51,374
	515600 OTHER EMP BENEFITS	5,438,260	6,191,998	7,334,901	1,142,903
	515700 F/B-RETIREE HEALTH	592,018	626,088	640,224	14,136
	516000 EDUCATIONAL INCENT	36,926	-	-	-
	516200 EMPLOYEE INCENTIVE	105,085	-	-	-
<b>51</b>	<b>PERSONNEL EXPENDITURES Total</b>	<b>49,173,259</b>	<b>49,430,126</b>	<b>51,802,643</b>	<b>2,372,516</b>
<b>52</b>	520500 PROFESSIONAL SERV	882,704	1,199,612	1,204,012	4,400
	521000 OTHER SERVICES	12,419	52,000	18,500	(33,500)
	521500 UTILITIES	135,307	253,000	253,000	-
	521510 ELECTRICITY	10,173,638	9,330,108	9,330,108	-
	521520 GAS UTILITY	1,528,119	1,960,500	1,960,500	-
	521530 REFUSE REMOVAL	140,394	128,000	129,000	1,000
	521540/45 TELEPHONE/NETWORK	628,565	488,932	472,954	(15,978)
	521550 WATER AND SEWER	360,678	163,000	155,000	(8,000)
	522000 SUPPLIES	3,153,543	2,044,965	1,810,548	(234,417)
	522012 CHEMICALS	6,301,080	7,240,972	6,940,972	(300,000)
	522500 TRAVEL	47,722	92,400	79,900	(12,500)
	523000 TRAINING	108,589	201,660	159,660	(42,000)
	523400 DUES/MEMBERSHIPS	222,019	175,492	176,022	530
	523800 REPAIRS AND MAINT	9,888,823	10,976,380	11,275,906	299,526
	523900 VEHICLE MAINT	1,737,548	1,342,948	1,200,586	(142,362)
	523910 RADIO MAINT	36,306	36,306	23,226	(13,080)
	523920 FUELS/LUBE	1,395,903	1,367,579	1,281,792	(85,787)
	524105 WORKERS COMP	754,159	754,159	688,117	(66,042)
	524107 INS TORT & OTHER LIAB	2,618,768	2,609,769	2,543,727	(66,042)
	525200 FRANCHISE FEES	6,629,317	7,951,000	7,836,000	(115,000)
	525210 NM WATER CONS FEES	569,040	1,100,000	700,000	(400,000)
	525300 CUST DEPOSITS	197	-	-	-
	525430 INTEREST	368,343	363,000	332,000	(31,000)

525800 PRINCIPAL	1,007,322	1,039,000	1,070,000	31,000
527000 ADMIN SVCS-IDOH	1,809,000	1,550,000	455,882	(1,094,118)
527500 CONTRACTUAL SVCS	9,643,915	7,168,073	9,112,089	1,944,016
<b>52 OPERATING EXPENDITURES Total</b>	<b>60,153,420</b>	<b>59,588,855</b>	<b>59,209,501</b>	<b>(379,354)</b>
532000 NON-STRUCT IMPROV	-	-	-	-
532500 AUTOMOBILES	523,337	618,326	618,326	-
533000 MACH/EQUIP NONAUTO	196,733	55,693	22,000	(33,693)
533500 OFFICE FURNITURE	-	-	-	-
<b>53 CAPITAL CHARGES Total</b>	<b>720,070</b>	<b>674,019</b>	<b>640,326</b>	<b>(33,693)</b>
57581000 BAD DEBT EXPENSE	3,611	-	-	-
591621 TRF OTHER FUNDS	8,000,000	12,000,000	12,000,000	-
595000 INTERFD D/S	66,362,000	72,094,000	73,160,530	1,066,530
<b>57 INTERNAL SERVICE CHARGES Total</b>	<b>74,365,611</b>	<b>84,094,000</b>	<b>85,160,530</b>	<b>1,066,530</b>
<b>Grand Total</b>	<b>184,412,360</b>	<b>193,787,000</b>	<b>196,813,000</b>	<b>3,025,999</b>

The proposed operating expenditures contain a net increase of \$12.1 million from FY/13. This includes an increase of \$1.9 million in salaries and benefits, an increase in general operating expenses of \$0.69 million and a increase in internal services charges of \$9.8 million.



\* Consolidated for Reporting Purposes



Personnel expenditures include a 2.5% increase in benefits primarily due to the Affordable Health Care Act as well as a 2% step increase in salaries. Total Personnel Costs have increased by \$2 million as compared to FY/14. Two net new mid-year positions were added in FY/14, and an additional 2.5 new positions are requested per this budget. The Records Manager Position was also deleted as part of this budget. The FY/15 annualized costs of the additional positions are budget neutral by offsetting positions and other operating costs. The positions added are a Risk Manager, a Systems Support Specialist II, a Heavy Equipment Operator, a GPS Coordinator and a half time Treasury Officer. Total general operating costs including cost such as Power, Chemicals, Workers Comp, Tort and other cost in the operations of the utility are close to the same level as FY/14. Capital costs decreased by \$33,600. The internal service charges increased by \$1.0 million which include an increase in the transfer to debt service of \$1.0 million due to the borrowing in the fall of FY/14.

Working Capital will add \$10 million from the surplus of revenue over expenditures in FY/15. This \$10 million will be added to the FY/14 balance of \$1 million. The Working Capital balance at June 30, 2015 is estimated to be \$10.9 million. By Ordinance the Water Authority will be required to increase its Fund Balance to 1/12 of the annual budgeted expenditures by FY/15.

An additional \$2 million is reserved in the rate reserve fund. The Water Authority will also provide deferred UEC collections on up to 50 affordable housing units developed by non-profit housing developers.

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

as well as budgetary implications, the Water Authority must actively manage the daily operations of the Utility.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-14-8

1 **RESOLUTION**

2 **APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO**  
3 **COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY**  
4 **1, 2014 AND ENDING JUNE 30, 2015.**

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

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

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

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

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

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

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

19 Section 1. That the following amounts are hereby appropriated to the following  
20 funds for operating The Albuquerque Bernalillo County Water Utility Authority during  
21 Fiscal Year 2015:

22 <u>JOINT WATER AND SEWER OPERATING FUND – 21</u>	196,813,000
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23 This appropriation is allocated to the following divisions:

24 Administration	2,142,000
25 Risk	3,679,000
26 Human Resources	1,304,000
27 Finance	3,342,000
28 Customer Services	7,834,000

1	Information Technology	5,748,000
2	Wastewater Plant	10,830,000
3	San Juan-Chama Water Treatment Plant	2,917,000
4	Groundwater Operations	5,670,000
5	Wastewater Collections	5,940,000
6	Water Field Operations	18,904,000
7	Compliance	5,338,000
8	Water Resources, Engineering & Planning	7,040,000
9	Power & Chemicals	18,482,000
10	Taxes	8,536,000
11	Authority Overhead	1,700,000
12	San Juan-Chama	2,247,000
13	Transfers to Other Funds:	
14	Joint Water and Sewer Rehab (28)	12,000,000
15	Joint Water and Sewer Bond Debt Service (31)	73,160,000
16	<u>JOINT WATER AND SEWER REVENUE BOND</u>	
17	<u>DEBT SERVICE FUND – 31</u>	80,161,000
18	This appropriation is allocated to the following programs:	
19	Debt Service	75,161,000
20	Transfer to Other Funds:	
21	Joint Water and Sewer Capital Fund (29)	5,000,000
22	Section 2. The Executive Director is authorized to develop and establish a	
23	nonrecurring safety/performance incentive program. This program will provide	
24	employees with an incentive based on cost reductions or performance enhancements	
25	resulting in operating efficiencies and/or a reduction in work related losses. Funding for	
26	this program is contingent on savings in the same or a greater amount.	
27	Section 3. The Water Authority shall continue its partnership with non-profit	
28	affordable housing developers under contract with local government whereby the first	
29	time homebuyer will not be required to pay the Utility Expansion Charge until the	
30	property is sold. No more than 50 units per year will be authorized under this program.	
31	The Water Authority will secure its position with a second mortgage.	
32	Section 4. The Rate Reserve Fund is augmented by the amount of \$2,000,000.	

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

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Meeting Date: May 21, 2014  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE:** R-14-9 – Appropriating Funds for the Capital Implementation of the Albuquerque Bernalillo County Water Utility Authority for the Fiscal Year Beginning July 1, 2014 and Ending June 30, 2015.

**ACTION:** Recommend Approval

**SUMMARY:**

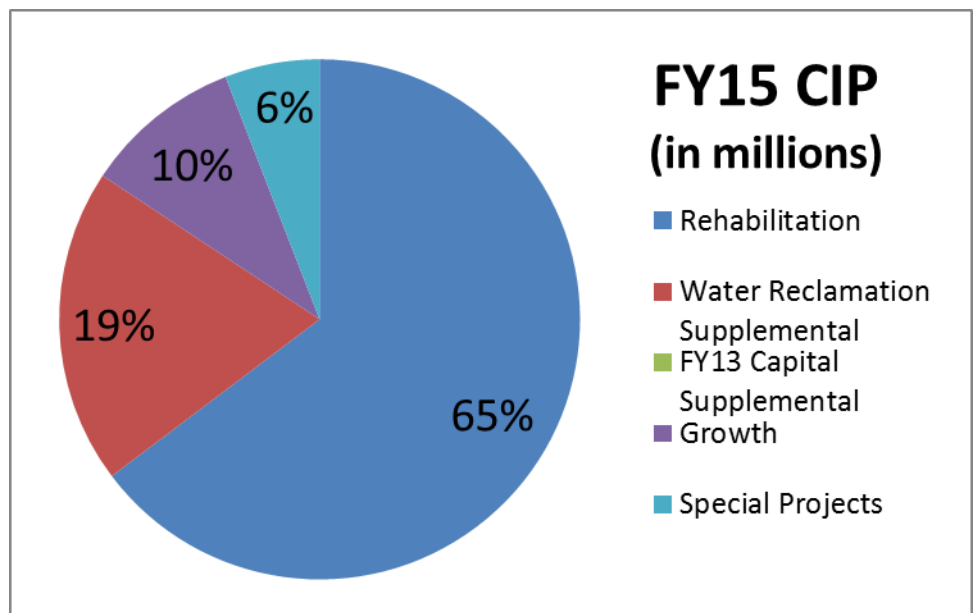
This legislation appropriates funding for the FY/15 Capital Implementation Program (CIP). This appropriation provides funding for new projects as well as supplements current appropriations for projects that are ongoing.

**FISCAL IMPACT:**

The appropriation totals \$51.0 million. \$48.0 million is appropriated for the Basic capital program and \$3.0 million is appropriated for special projects. The \$48.0 million is comprised of \$33.0 million in base level rehabilitation funding per the Rate Ordinance, \$10.0 million in supplemental water reclamation facility rehabilitation funding and \$5.0 million in growth program funding.

The \$33.0 million in rehabilitation funding per the Rate Ordinance allocates \$14.91 million for Field, \$17.49 million for Plant and \$.60 million for Compliance. The \$10 million in supplemental water reclamation facility funds increases the Plant funding to \$27.49 million.

The \$3.0 million for special projects is comprised of \$2.0 million for Automated Meter Infrastructure (AMI) / Leak Detection and \$1.0 million for steel water line replacement.



The \$5 million in growth program funding represents a \$1 million increase from the current year. This is second consecutive year the growth program has been increased by \$1 million and reflects the recovery to some degree of Utility Expansion Charge (UEC) revenue which is the sole funding source of the growth program.

The debt proceeds allocated in the appropriation were received in October, 2013 when the Series 2013A Revenue Bonds were sold. The Series 2013B bonds were refunding bonds and will refund a 2005 New Mexico Finance Authority Loan. The Series 2013A bonds allow for the continued supplemental funding of rehabilitation at the water reclamation plant as well as continued support for the Basic rehabilitation program.

There are no appropriations included in this legislation for projects that will be funded with resources from FY 2016 and beyond.

# **COMMENTS:**

The revenue sources for the appropriations in this legislation are comprised of:

	<u>Debt</u>	<u>Cash</u>
Rehab		
Basic per Rate Ordinance	\$ 24,000,000	\$ 9,000,000
Basic Supplemental	\$ 10,000,000	
Special Project	\$	\$ 3,000,000
Growth		
Basic Program	\$ _____ -	\$ <u>5,000,000</u>
Total	\$ <u>34,000,000</u>	\$ <u>17,000,000</u>

The blueprint for the Basic capital program is the Decade Plan, a ten year plan required to be updated biennially with two, four, six, eight and ten year planning elements. There must always be an approved two year planning element in place before the Board can approve a current year capital program appropriation. FY 2015 is the second year in the current FY 2014 – FY 2023 Decade Plan which the Board approved a year ago.

## Basic Program appropriations by decade plan category

### Rehab

Water Reclamation Line Renewal	\$ 4,400,000
Water Line Renewal	\$ 3,150,000
Water Reclamation Plant Renewal	\$ 24,000,000
Soil Amendment Facility Renewal	\$ 50,000
Lift Station and Vacuum Station Renewal	\$ 2,425,000
Odor Control Facilities Renewal	\$ 10,000
Drinking Water Plant Groundwater System Renewal	\$ 2,165,000
Drinking Water Plant Treatment Systems Renewal	\$ 3,270,000
Reuse Line and Plant Renewal	\$ 30,000
Water Reclamation Compliance	\$ 600,000
Water / Water Reclamation Shared Facility Renewal	\$ 500,000
Franchise Fee Compliance	\$ 2,000,000
CIP Funded Position Transfer	\$ <u>400,000</u>
	\$ <u>43,000,000</u>

#### Growth

Water Lines	\$ 1,500,000
Development Agreements	\$ 1,250,000
MIS / GIS	\$ 2,000,000
Low Income Water/Sewer Connections	\$ <u>250,000</u>
	\$ <u>5,000,000</u>

#### **FY 2015 CAPITAL PROGRAM HIGHLIGHTS:**

The major project in the Basic rehabilitation program for FY/15 will be the ongoing construction of the replacement Preliminary Treatment Facility (PTF). The project has a current contract cost of \$30.8 million and is expected to be substantially complete by the end of FY/15. The other major project in the current decade plan, the Dewatering Replacement project, is being reevaluated whether rehabilitation or replacement of the existing facility represents the best use of limited funds.

A major stress on the Basic rehabilitation program cash flows in FY 2014 came from the projects done to move the Water Authority's water and sewer lines required by the Paseo Del Norte Interchange Rehabilitation project managed by the City of Albuquerque. More than \$5 million will end up being spent for these line relocations which add little value to the Water Authority's infrastructure but are necessary per the terms of the franchise agreements. These line projects will be substantially complete by June 30, 2014.

A smaller but significant project ongoing at the Southside Water Reclamation Plant is the continuing effort to upgrade the plant wide electrical and instrumentation controls. The electrical gear at the reclamation plant has reached or has passed its design life which makes it difficult for the plant to keep the electrics in a good and safe working condition. There are negative impacts on reliability as a result which has impacted treatment processes during plant wide facility power outages and been responsible for NPDES discharge permit violations.

The largest planned project other than at the water reclamation plant is the chemical solids systems improvement project at the Surface Water Treatment Plant. During the process of removing solids from the water, a coagulant (ferric chloride) and a polymer are added to the water. The coagulant and the polymer promote the solids in aggregating and coming out of suspension. The solids removed during the clarification process require further processing. The chemical solids systems improvement project will include evaluation, design and construction of improvement to the waste solids handling and treatment systems at the surface water treatment plant. The improvements will facilitate the surface water treatment plant operating at its current finished water capacity of 92 million gallons per day (mgd) when the Rio Grande source water is especially turbid.

The remainder of the Basic rehabilitation program is primarily focused on line contingency work and normal maintenance work in the groundwater plant system with minimal planned projects.

The growth project chosen to receive the new funding is the Increased Transmission Capacity to Corrales Trunk project which will move water from the Volcano Cliffs reservoirs site into the Corrales Trunk. The project will also facilitate conveyance of treated surface water and reduce reliance on groundwater.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-14-9

1 **RESOLUTION**

2 **APPROPRIATING FUNDS FOR THE CAPITAL IMPLEMENTATION PROGRAM FOR**  
3 **THE ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY FOR**  
4 **THE FISCAL YEAR BEGINNING JULY 1, 2014 AND ENDING JUNE 30, 2015**

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

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

10 WHEREAS, the Budget Ordinance, requires the Executive Director to formulate  
11 an annual Capital Implementation Program budget for the Water Authority; and

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

14 WHEREAS, the Board has received the Capital Implementation Program Budget  
15 formulated by the Executive Director and has deliberated on it and provided public  
16 notice and input; and

17 WHEREAS, appropriations for the Capital Implementation Program of the Water  
18 Authority must be approved by the Board; and

19 WHEREAS, the appropriation of these Capital Implementation Program funds to  
20 projects with their respective purposes are timely and necessary for Water Authority to  
21 serve its customers.

22 BE IT RESOLVED BY THE WATER AUTHORITY:

23 Section 1. That the appropriations for the projects as stated below are hereby  
24 made.

25	<u>Purpose</u>	<u>Source</u>	<u>Increase</u>
26	<u>Basic Program</u>		
27	<u>Water Utility / Joint Water &amp; Sewer Rehab Fund 628</u>		
28	<u>Sanitary Sewer Pipeline Renewal</u>		

[+Bracketed Material+] - New  
[-Bracketed Material-] - Deletion

[+Bracketed Material+] - New  
 [-Bracketed Material-] - Deletion

1	Interceptor Sewer Rehabilitation	Bond Proceeds	1,000,000
2	Interceptor Rehab Contingency	Bond Proceeds	1,400,000
3	Small Diameter Sewer Line		
4	Rehabilitation	Bond Proceeds	1,000,000
5	Small Diameter Sewer Line		
6	Rehab Contingency	Bond Proceeds	500,000
7	Sewer Line CCTV Inspections	Bond Proceeds	500,000
8	<u>Drinking Water Pipeline Renewal</u>		
9	Small Diameter Water Line		
10	Rehabilitation	Bond Proceeds	1,000,000
11	Small Diameter Water Line		
12	Rehab Contingency	Bond Proceeds	1,000,000
13	Large Diameter Water Line		
14	Rehab Contingency	Bond Proceeds	500,000
15	Water Meters, Meter Boxes and		
16	Service Lines Rehabilitation	Bond Proceeds	150,000
17	Large Water Valve Replacement	Bond Proceeds	250,000
18	Pressure Reducing Valve		
19	Replacement	Bond Proceeds	100,000
20	Asset Management Plan For		
21	Large Diameter Water Line	Bond Proceeds	150,000
22	<u>Southside Water Reclamation Plant Renewal</u>		
23	Preliminary Treatment Facility		
24	Replacement	Bond Proceeds	7,500,000
25	Dewatering Facility Replacement	Bond Proceeds	6,000,000
26	Existing Digester Rehabilitation		
27	Improvements	Bond Proceeds	1,500,000
28	Primary Clarifier Improvements	Bond Proceeds	1,500,000
29	Water Reclamation Plant Contingency	Transfer from Fund 21	1,500,000
30		Bond Proceeds	1,500,000
31	ABB Service Contract	Transfer from Fund 21	140,000
32	Plant Wide Electrical, Instrumentation		
33	And Control Improvements	Bond Proceeds	1,000,000

1	Plant Equalization Basins	Transfer from Fund 21	750,000
2	Program Management Assistance	Transfer from Fund 21	100,000
3	New Digester Capacity	Transfer from Fund 21	1,210,000
4	Digester Cleaning Program	Transfer from Fund 21	300,000
5	Chemical Storage and Feed		
6	Systems Upgrade	Transfer from Fund 21	500,000
7	Pre-Screens for UV Disinfection		
8	Facility	Transfer from Fund 21	500,000
9	<u>Soil Amendment Facility (SAF) Renewal</u>		
10	Upgrade of Soil Amendment Facility	Bond Proceeds	50,000
11	<u>Lift Station and Vacuum Station Renewal</u>		
12	Lift Station Rehabilitation	Bond Proceeds	1,500,000
13	Vacuum Station Rehabilitation	Bond Proceeds	770,000
14	Lift Station Programmable Logic		
15	Controller Replacement	Bond Proceeds	155,000
16	<u>Odor Control Facilities Renewal</u>		
17	Interceptor Odor Control	Bond Proceeds	10,000
18	<u>Drinking Water Plant Groundwater System Renewal</u>		
19	Sodium Hypochlorite Generator System		
20	Rehabilitation / Replacement	Bond Proceeds	205,000
21	Booster Pump Station Rehabilitation	Bond Proceeds	590,000
22	Well Rehabilitation and Maintenance	Bond Proceeds	120,000
23	Reservoir Cleaning and Inspection	Bond Proceeds	50,000
24	Corrales Well No. 5 Improvements	Bond Proceeds	700,000
25	Corrales Trunk Gas Engine Overhauls	Bond Proceeds	350,000
26	Booster Pump Surge Tank Renewal	Bond Proceeds	50,000
27	Valve Exercising Equipment and		
28	Valve Replacement	Bond Proceeds	100,000
29	<u>Drinking Water Plant Treatment Systems Renewal</u>		
30	Water Treatment Plant Contingency	Bond Proceeds	150,000
31	Chemical Solids Systems		
32	Improvements	Bond Proceeds	740,000
33	Grit Removal Basin Improvements	Bond Proceeds	240,000

[+Bracketed Material+] - New  
[-Bracketed Material-] - Deletion

1	Dissolved Ozone Monitoring		
2	Improvements	Bond Proceeds	150,000
3	Water Systems SCADA Rehabilitation	Bond Proceeds	20,000
4	College Arsenic Removal		
5	Demonstration Facility Rehabilitation	Transfer from Fund 21	50,000
6	Corrales Trunk Arsenic System		
7	Improvements	Bond Proceeds	100,000
8	Corrales Well No. 2 Arsenic		
9	Treatment Project	Bond Proceeds	600,000
10	Corrales Well No. 4 Arsenic		
11	Treatment Project	Bond Proceeds	540,000
12	Corrales Trunk Arsenic Media		
13	Replacement	Transfer from Fund 21	350,000
14	Raw Water Pumping Station		
15	Rehabilitation	Bond Proceeds	80,000
16	Add Caustic Soda Storage and Feed		
17	System at the SJCWTP	Transfer from Fund 21	250,000
18	<u>Reuse Line and Plant Rehabilitation</u>		
19	Reuse Line Rehabilitation	Bond Proceeds	10,000
20	Reuse Plant Rehabilitation	Bond Proceeds	20,000
21	<u>Compliance</u>		
22	Water Quality Laboratory	Transfer from Fund 21	295,000
23	NPDES Program	Transfer from Fund 21	155,000
24	Water Quality Program	Bond Proceeds	150,000
25	<u>Shared Renewal</u>		
26	Ferrous / Ferric Transfer Station 70		
27	Rehabilitation	Transfer from Fund 21	500,000
28	CIP Funded Position Transfer	Transfer from Fund 21	400,000
29	<u>Franchise Agreement Compliance</u>		
30	Franchise Fee Water and Sewer	Transfer from Fund 21	1,000,000
31	City of Albuquerque DMD Street		
32	Rehabilitation Manhole and Valve		
33	Box Adjustments	Transfer from Fund 21	1,000,000



[+Bracketed Material+] - New  
[-Bracketed Material-] - Deletion

1    Water Utility / Joint Water & Sewer Fund 629

2    Warehouse Meters                      Transfer from Fund 31                      500,000

3    Increased Transmission Capacity

4      To Corrales Trunk                      Transfer from Fund 31                      1,000,000

5    Development Agreements                      Transfer from Fund 31                      1,250,000

6    MIS / GIS                      Transfer from Fund 31                      2,000,000

7    Low Income W/S Connections                      Transfer from Fund 31                      250,000

8    Special Projects

9    Water Utility / Joint Water & Sewer Rehab Fund 628

10   Automatic Meter Infrastructure                      Transfer from Fund 21                      2,000,000

11   Steel Water Line Replacement                      Transfer from Fund 21                      1,000,000

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# DROUGHT, WATER USE AND ANNUAL OPERATING PLAN

Water Authority Board

May 21, 2014



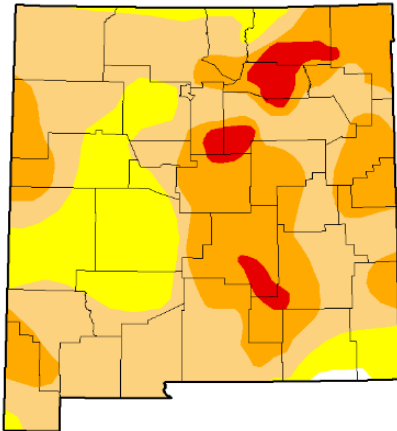
Albuquerque Bernalillo County  
Water Utility Authority

# Drought Summary

[Current Calendar Year Review](#) | [Current Water Year Review](#) | [Temperature and Precipitation Outlooks](#)

[Other Hydrologic Information](#) | [Special Hydrologic/Climate Features](#) | [Related Web Sites](#)

## U.S. Drought Monitor New Mexico



**January 14, 2014**  
(Released Thursday, Jan. 16, 2014)  
Valid 7 a.m. EST

	Drought Conditions (Percent Area)					
	None	D0-D1	D1-D2	D2-D3	D3-D4	D4
Current	0.39	96.61	79.94	33.13	3.97	0.00
Last Week 5/20/14	0.39	96.61	79.58	32.98	3.96	0.00
3 Months Ago 9/15/13	1.04	98.19	74.58	37.69	3.36	0.00
Start of Calendar Year 1/1/14	0.39	99.61	75.21	32.86	3.96	0.00
Start of Water Year 10/1/13	1.06	98.34	74.92	37.81	3.36	0.00
One Year Ago 1/14/13	0.00	100.00	90.45	92.97	31.78	0.97

### Intensity:

D0 Abnormally Dry  
D1 Moderate Drought  
D2 Severe Drought  
D3 Extreme Drought  
D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:  
Eric Liebeherr  
U.S. Department of Agriculture



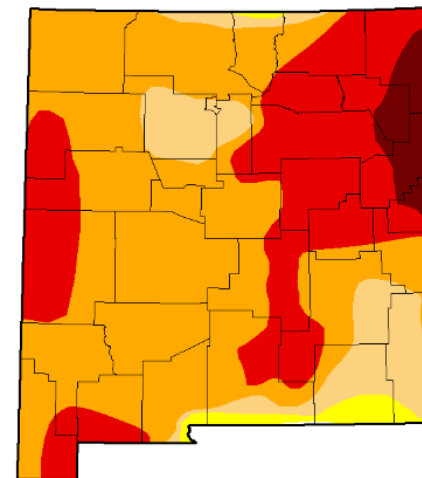
<http://droughtmonitor.unl.edu/>

# Drought Summary

[Current Calendar Year Review](#) | [Current Water Year Review](#) | [Temperature and Precipitation Outlooks](#)

[Other Hydrologic Information](#) | [Special Hydrologic/Climate Features](#) | [Related Web Sites](#)

## U.S. Drought Monitor New Mexico



**May 13, 2014**  
(Released Thursday, May. 15, 2014)  
Valid 8 a.m. EDT

	Drought Conditions (Percent Area)					
	None	D0-D1	D1-D2	D2-D3	D3-D4	D4
Current	0.00	99.91	97.58	88.22	30.29	4.47
Last Week 5/6/14	0.00	99.91	97.47	88.19	33.28	4.47
3 Months Ago 2/15/14	0.41	99.59	95.09	48.44	12.93	0.00
Start of Calendar Year 1/1/14	0.39	99.61	75.21	32.86	3.96	0.00
Start of Water Year 10/1/13	1.06	98.34	74.92	37.81	3.36	0.00
One Year Ago 5/14/13	0.00	100.00	99.04	97.93	81.69	44.14

### Intensity:

D0 Abnormally Dry  
D1 Moderate Drought  
D2 Severe Drought  
D3 Extreme Drought  
D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:  
Mark Svoboda  
National Drought Mitigation Center

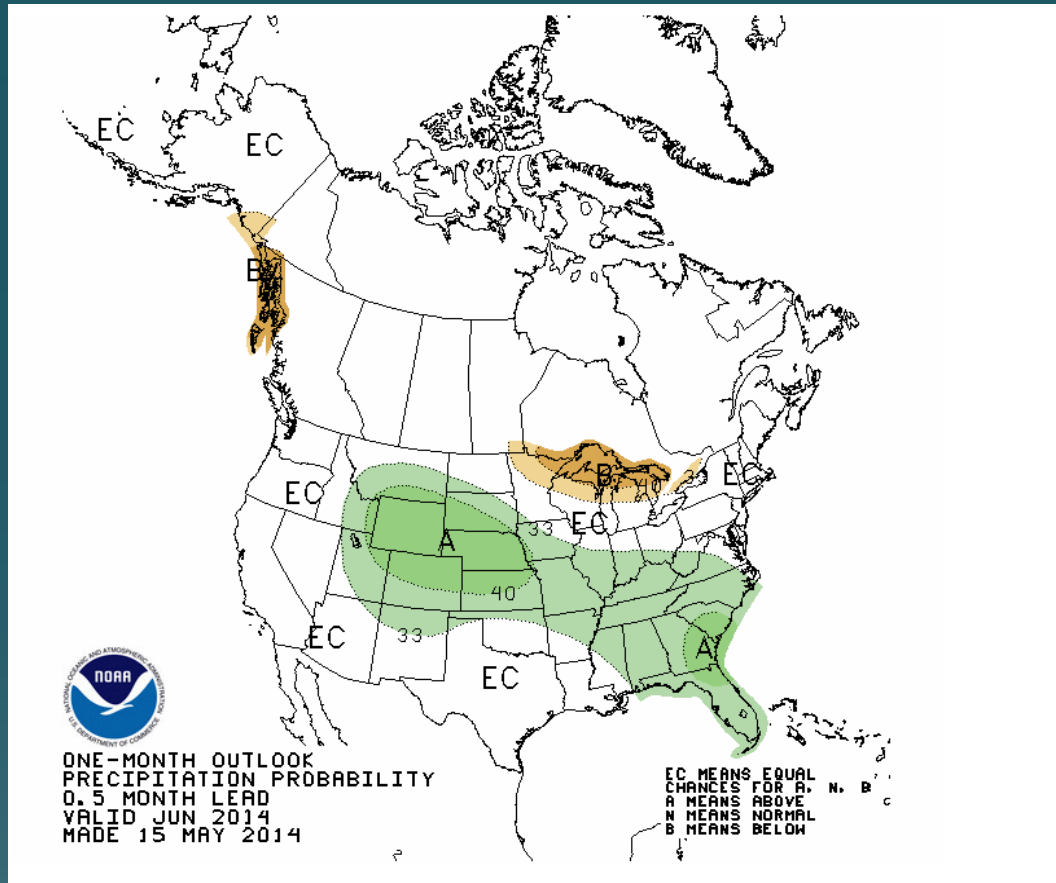


<http://droughtmonitor.unl.edu/>



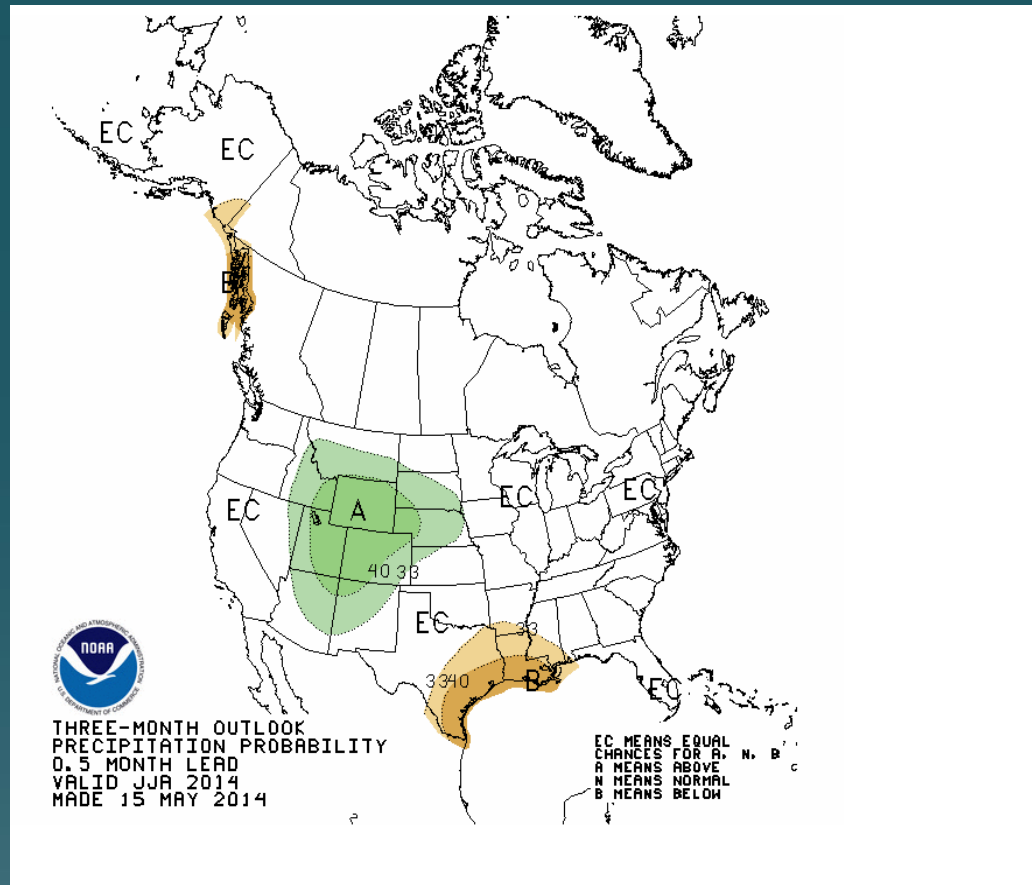
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Water Utility Authority

# NOAA Precipitation: June



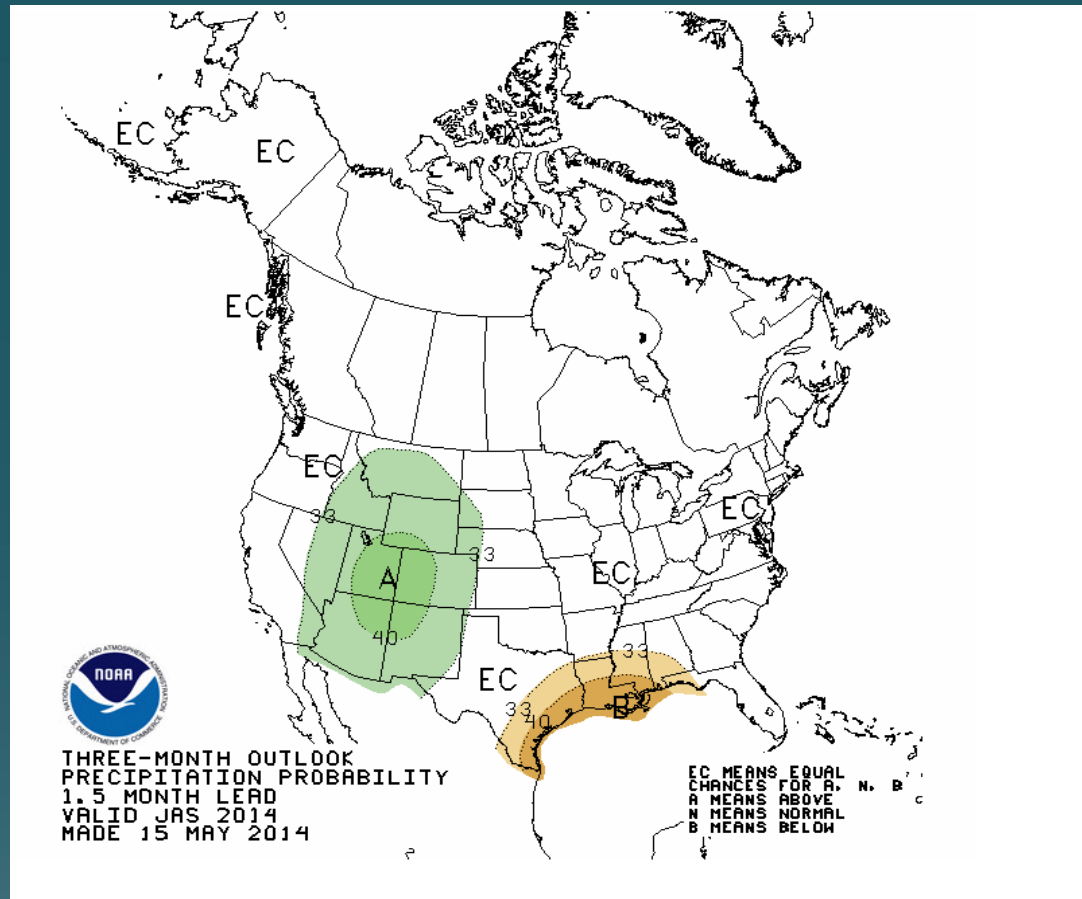
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# NOAA Precipitation Predictions: June, July, August



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# NOAA Precipitation Predictions: July, August, September



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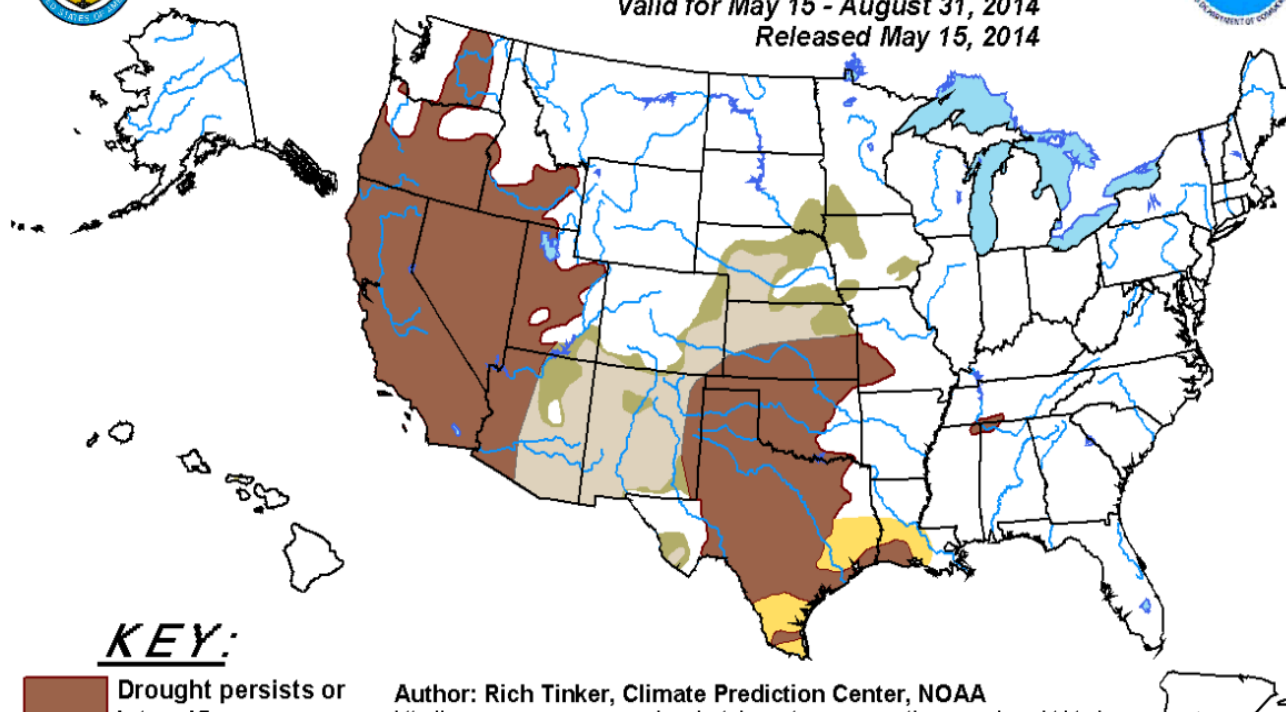


# U.S. Seasonal Drought Outlook





Drought Tendency During the Valid Period

Valid for May 15 - August 31, 2014

Released May 15, 2014



## KEY:

-  Drought persists or intensifies
-  Drought remains but improves
-  Drought removal likely
-  Drought development likely

Author: Rich Tinker, Climate Prediction Center, NOAA

[http://www.cpc.ncep.noaa.gov/products/expert\\_assessment/season\\_drought.html](http://www.cpc.ncep.noaa.gov/products/expert_assessment/season_drought.html)

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity).

For weekly drought updates, see the latest U.S. Drought Monitor.

NOTE: The tan area areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period although drought will remain.

The Green areas imply drought removal by the end of the period (D0 or none)

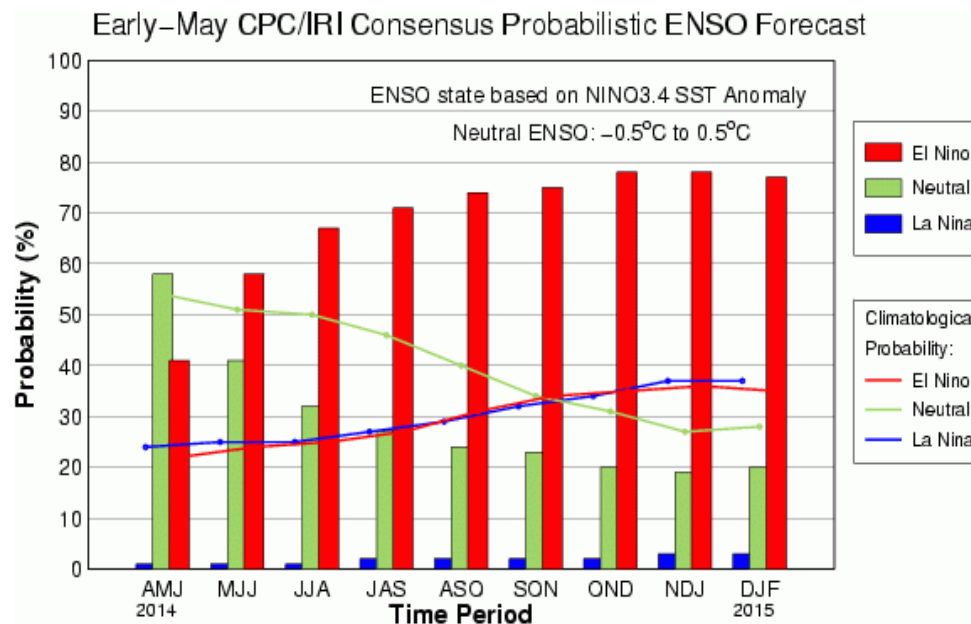


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# Monthly Predictions for Development of El Niño Conditions

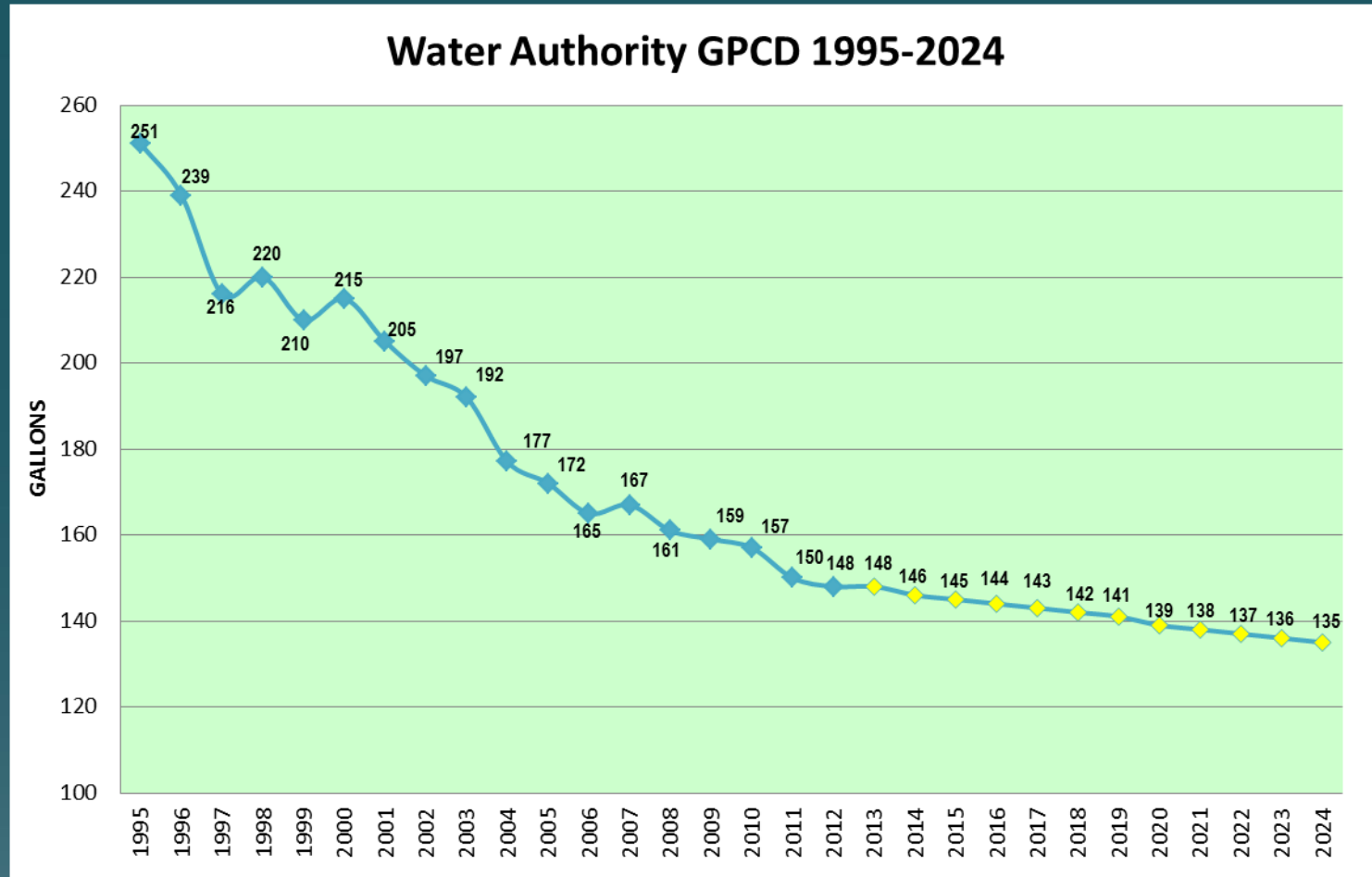
## Special Hydrologic/Climate Features

1. CPC forecasters continue to indicate neutral ENSO conditions strongly trending to El Niño conditions during the summer. An El Niño watch remains in effect, with forecasters predicting a greater than 65% chance of El Niño conditions developing this summer.



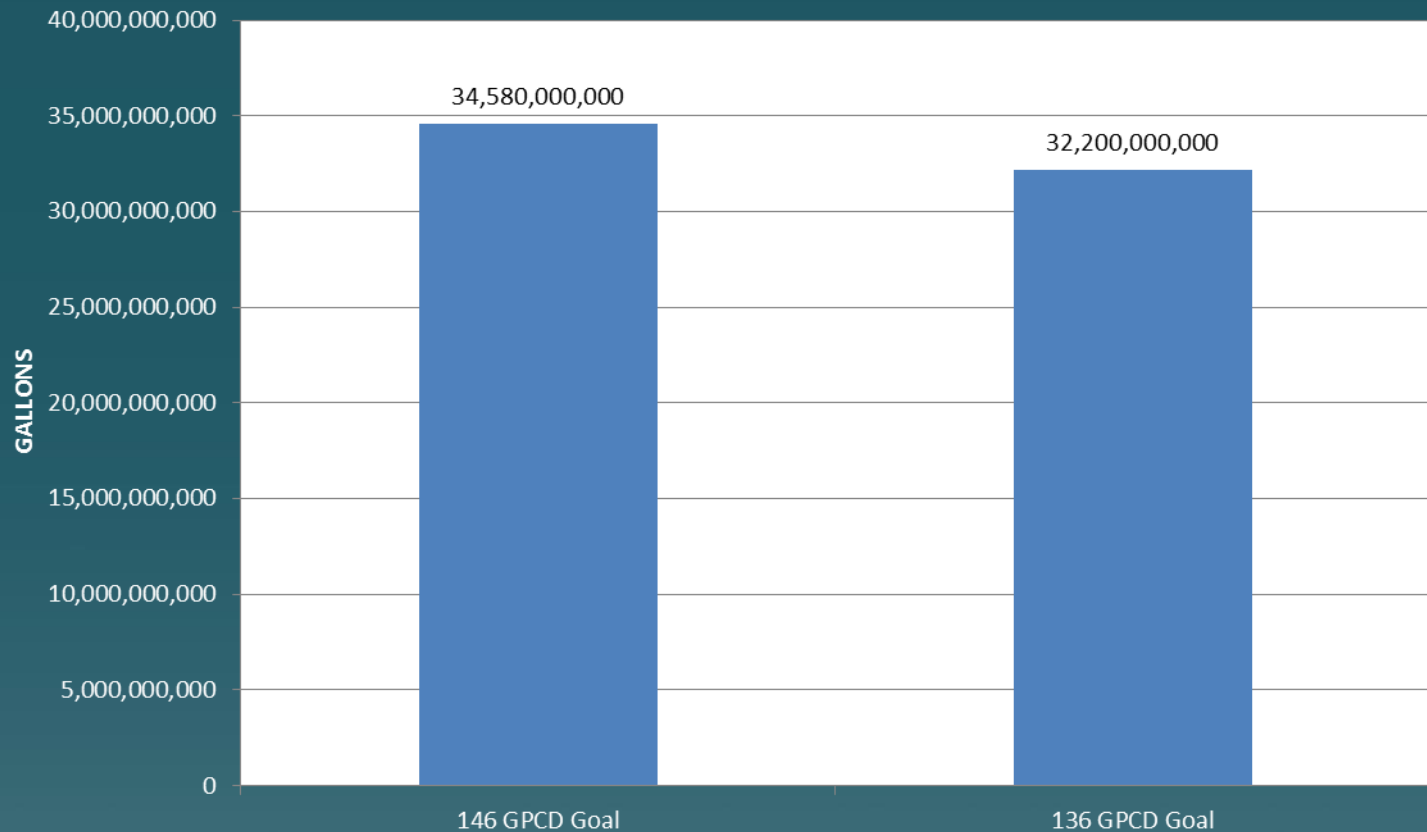


# Annual Goals from Conservation Plan



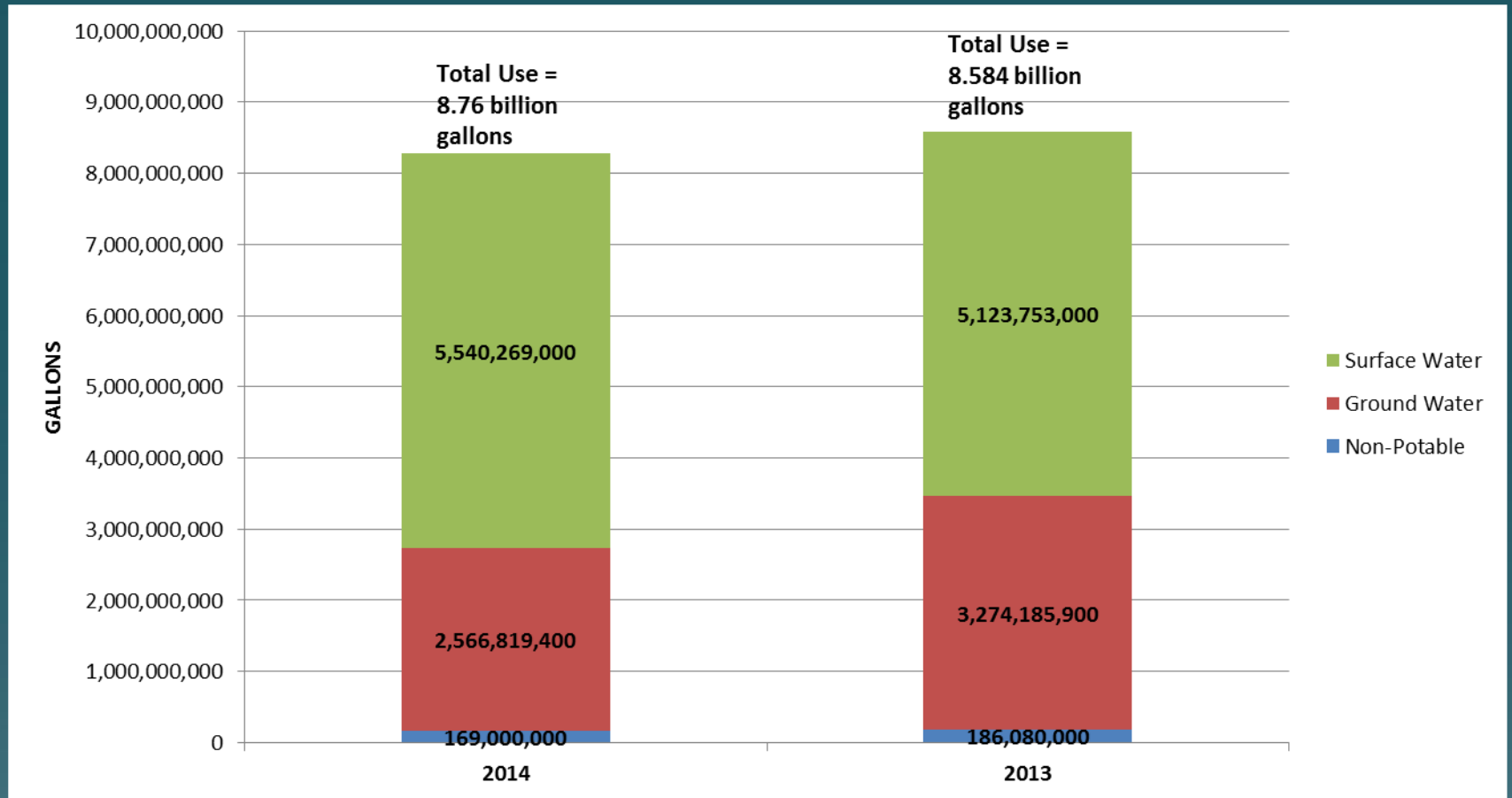
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# Annual Water Use to Achieve Conservation Goals



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# Water Use 2014 vs 2013 (Goal Year)



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# Drought Stage Criteria Chart

Groundwater Pumping /GPCD	Less than 120% of the GW pumping goal	Between 120% and 130% of GW pumping goal	Between 130% and 140% of GW pumping goal	More than 140% of the GW pumping goal
< 2 GPCD over the goal	None	None	None	Stage 1
2-4 GPCD over the goal	None	Stage 1	Stage 1	Stage 2
4-6 GPCD over the goal	None	Stage 1	Stage 2	Stage 3
> 6 GPCD over the goal	Stage 1	Stage 2	Stage 3	Stage 3

## Drought Stage Key

Drought Advisory

Drought Watch

Drought Warning

Drought Emergency



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# Drought Advisory

Entered into whenever the majority of Bernalillo County is in Severe Drought according to the National Weather Service regardless of water use. Public education increased immediately, does not require approval of the Board.



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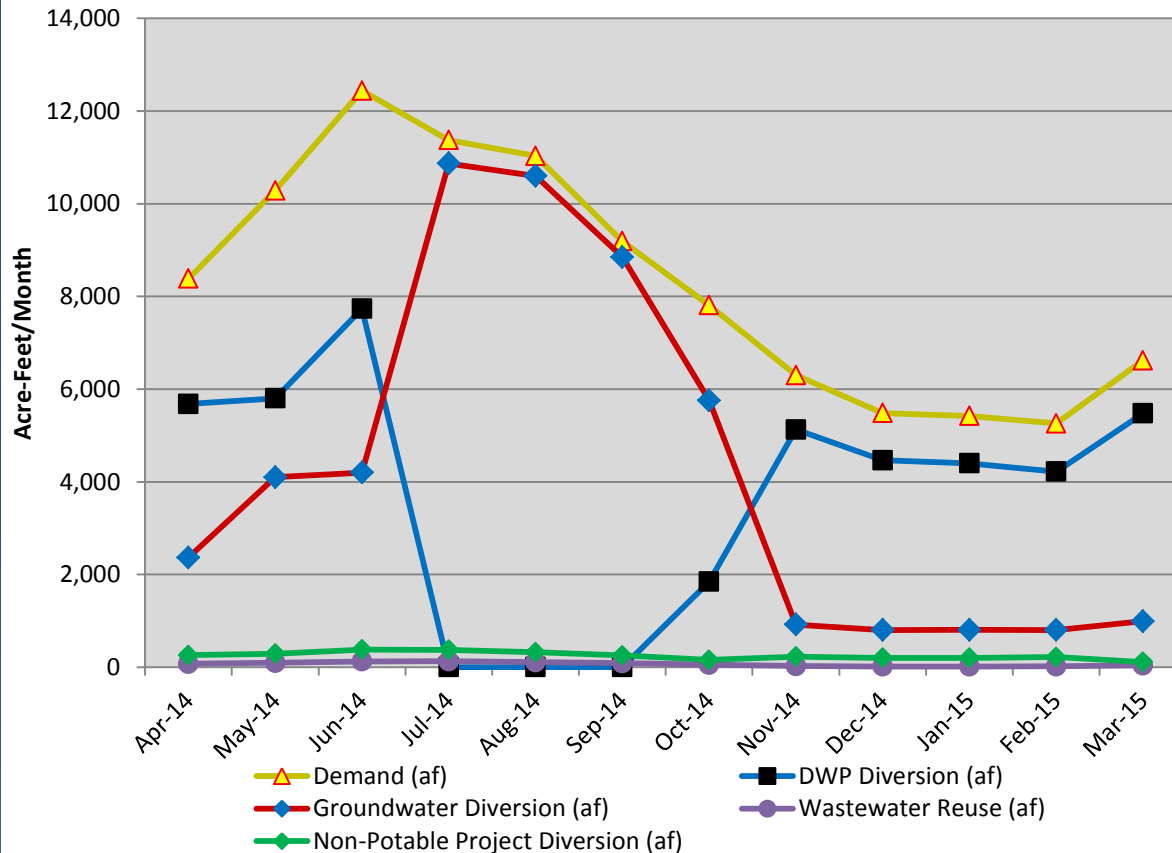
# Annual Operating Plan

Projected Water Authority Monthly Diversions from April 1, 2014 through March 31, 2015

Month	Drinking Water Project (af)	Groundwater (af)	Non-Potable Project (af)	Wastewater Reuse (af)	Total Monthly Demand (af)
Apr-14	5,682	2,365	261	75	8,383
May-14	5,800	4,100	292	96	10,288
Jun-14	7,736	4,200	380	125	12,441
Jul-14	0	10,870	375	128	11,373
Aug-14	0	10,600	321	110	11,031
Sep-14	0	8,850	254	87	9,191
Oct-14	1,845	5,755	157	54	7,811
Nov-14	5,128	921	228	24	6,301
Dec-14	4,466	803	200	14	5,483
Jan-15	4,400	805	203	15	5,423
Feb-15	4,219	804	218	20	5,261
Mar-15	5,476	993	111	38	6,618



# Annual Operating Plan



Albuquerque Bernalillo County  
Water Utility Authority

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Meeting Date: May 21, 2014  
Staff Contact: Rick Shean, Water Quality Hydrologist

**TITLE:** OB-14-9 - Update on Water Authority Activities and the Independent Conceptual Model and Plume Containment for the Kirtland Air Force Base (KAFB) Bulk Fuels Facility (BFF) Site

**ACTION:** None

**SUMMARY:**

Water Authority staff continue to monitor corrective action activities at the KAFB BFF Site in conjunction with INTERA, Inc., as the Water Authority's independent contractor. In addition, the Water Authority continues to work with the U.S. Air Force Civil Engineering Center in San Antonio on a mutually acceptable contingency plan to implement in the event Water Authority production wells become imminently threatened. It is anticipated that a public review draft should be available by the end of June.

In January of this year, Water Authority staff tasked INTERA Inc. to develop a conceptual site model (CSM) using data collected by KAFB's contractor during the investigation of the contamination at the KAFB BFF Site. INTERA has identified data gaps that are critical to understand the full nature and extent of the contamination, which will be important in developing interim measures and ultimately a final remedy to clean up this site.

INTERA was also asked to develop a conceptual remediation plan to address the groundwater contamination at this site in response to inquiries from the public and public officials about the Water Authority's concept for preventing further migration of the plume and to protect the Ridgecrest wells. INTERA is working on a few conceptual remedies, but has prepared a simplified model showing that the downgradient dissolved phase ethylene dibromide (EDB) plume can be contained by extraction wells that will produce an amount of water that can be handled by the Water Authority's Southside Reuse System on a year round basis.

**FISCAL IMPACT:**

None



# Update on Water Authority Activities and the Independent Conceptual Site Model and Plume Containment for the KAFB Bulk Fuel Facility Site

21 May 2014

Rick Shean, ABCWUA  
Eileen Marcillo, INTERA, Inc.



Albuquerque Bernalillo County  
Water Utility Authority

# Water Authority Activity Status

- Ongoing discussions with Air Force Civil Engineering Center (AFCEC) on the Contingency plan.
- Reviewing and providing input on Interim Measure proposal documents prepared by KAFB contractor.
- Preparing Independent Conceptual Site Model (CSM) and conceptual remediation plan with Water Authority consultant.
- Collaborating with the New Mexico Environment Department (NMED) and other stakeholders in Interim Measure / Remediation Plan Discussions.

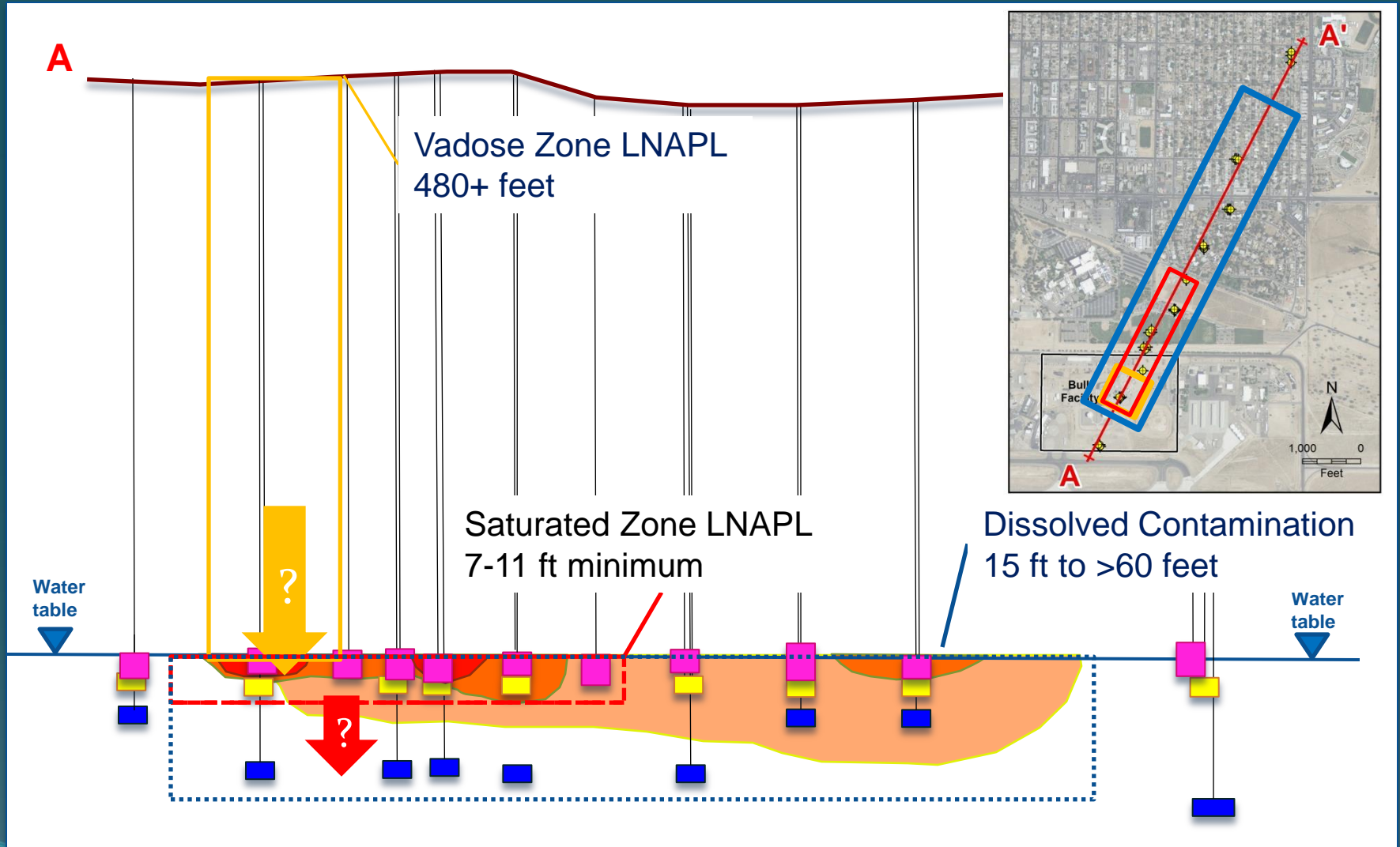


# Purpose of Conceptual Plan

- Prepare a conceptual remediation plan for dissolved ethylene dibromide (EDB) plume (preliminary).
  - Demonstrate the most effective site for remediation (potential Interim measure).
  - Demonstrate that capturing of EDB plume to prevent further migration can be done effectively.



# Contaminant Domains



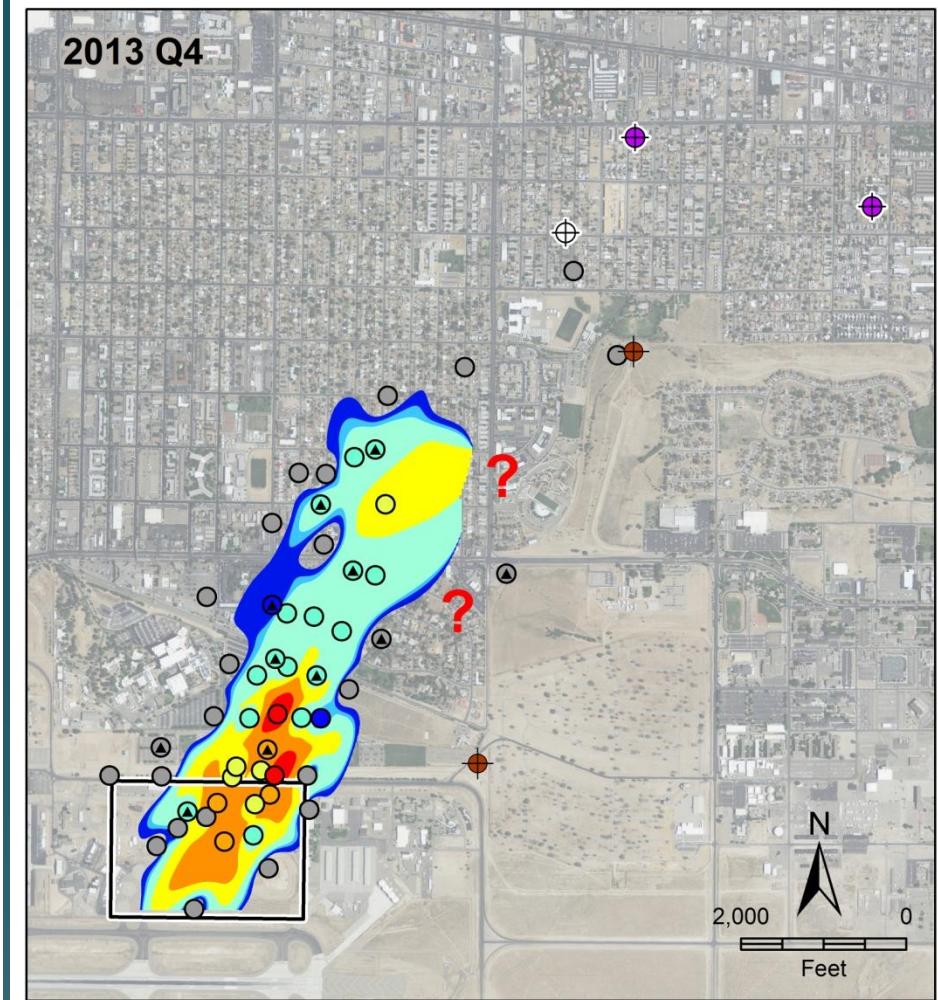
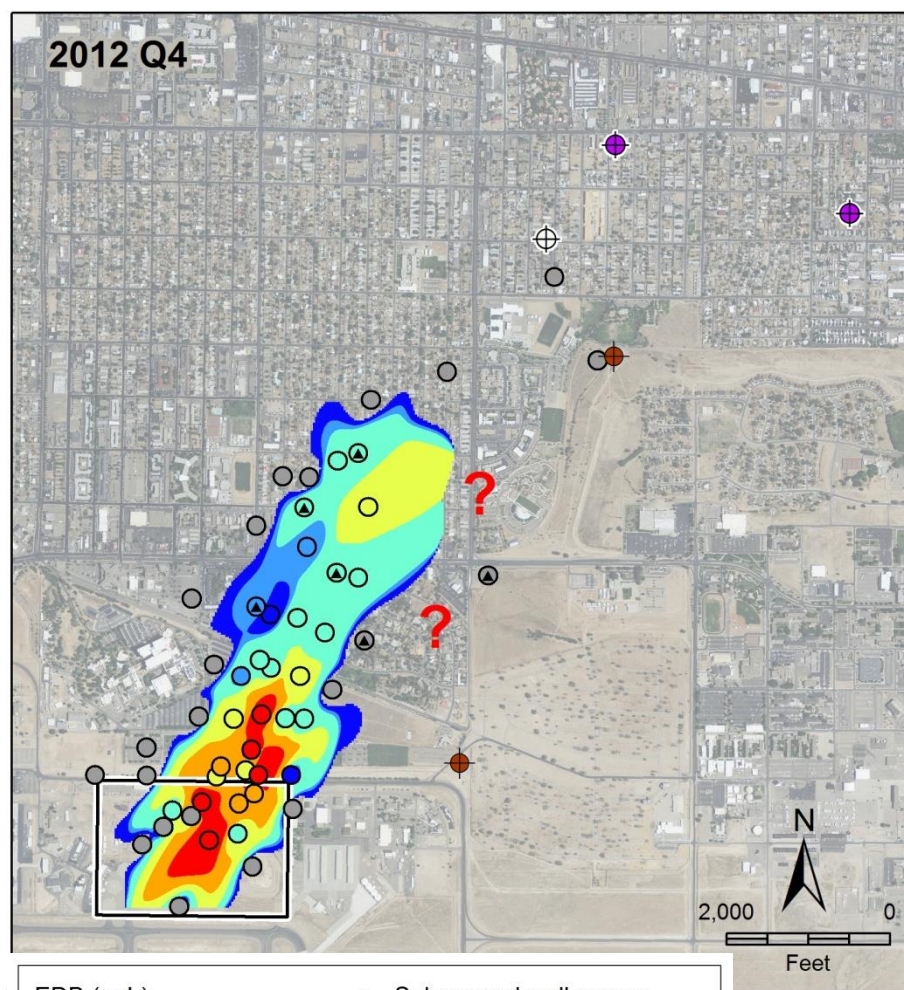
# Identified Data Gaps

- LNAPL in vadose zone
  - Limited LNAPL saturation and chemical data for soil
    - Migrating LNAPL
    - Mass of LNAPL and EDB above the water table
- LNAPL below the water table
  - Mass below the current water table
  - Mass below the water table in the future
    - 2-3 feet rise per year
- NMED currently reviewing Resource Conservation and Recovery Act Final Investigation report submitted Mar. 31, 2014.





# Shallow Dissolved Contamination



EDB ( $\mu\text{g/L}$ )

- 0.013 - 0.050
- 0.051 - 0.100
- 0.101 - 1.000
- 1.001 - 10.000
- 10.001 - 100.000
- 100.001 - 1000.000
- Non-detect

- ▲ Submerged well screen
- Bulk Fuels Facility
- KAFB water supply well
- ⊕ Trumbull monitoring well
- Ridgecrest water supply well



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# Additional Data Gaps

- Dissolved contamination
  - EDB plume extent still not fully delineated
    - Deep monitoring well network is insufficient
  - Dissolved plumes are not stable
    - Source mass is likely increasing
    - Long-term monitoring required to show plume changes
  - Rising water table moves the plume up away from the existing well screens
    - Some shallow wells no longer monitor the higher concentration plume
  - No aquifer test near downgradient edge of plume



# Independent Remediation Plan

- Looking at remediation of all contaminant domains
- Evaluating different remedial alternatives to contain and remove dissolved EDB approaching Ridgecrest well field
- Preliminary results for capturing and treating dissolved EDB
- Collaborating with NMED and stakeholders on development of remedial options.





# Indep. Remediation Plan Cont.

- Assumptions

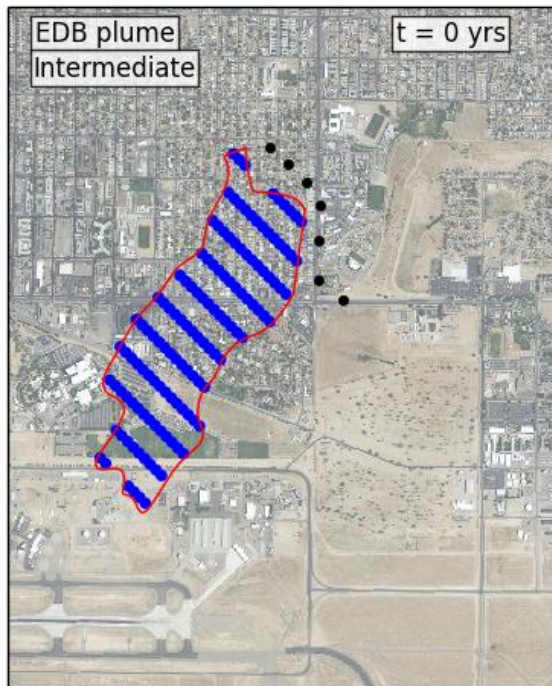
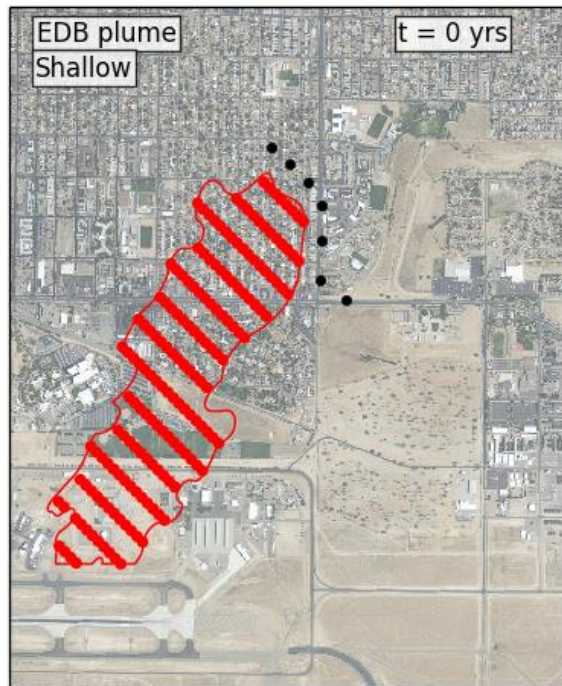
- Used available data for hydraulic properties
  - Used conservative estimate of hydraulic conductivity
- Groundwater flow is driven by regional gradient
- No contaminant contribution from source area

- Preliminary results

- 7 capture wells
  - 60 gallons per minute (gpm) – 420 gpm total
  - Ridgecrest well field – up to 3,000 gpm per well
  - Domestic household well – 5 gpm



# Modeling Plume Capture



# Plume Capture Model



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# Independent CSM / Remediation Plan Conclusions

- CSM shows critical data gaps still exist.
- Slow progress in development of containment / remediation plan for downgradient dissolved phase EDB plume – primary threat to production wells.
- Water Authority urged to determine what activities could be performed to protect production wells.
- Not a final remedy proposal, but demonstration that the EDB plume can be contained by manageable efforts.
- Continued collaboration with NMED and stakeholders key to development of successful solutions.



# Questions?



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Water Utility Authority