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Meeting Date: May 18, 2022  
Staff Contact: Stan Allred, Chief Financial Officer

**TITLE:** R-22-13 – Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for Fiscal Year Beginning July 1, 2022 and Ending June 30, 2023

**ACTION:** Recommend Approval

**SUMMARY:**

This legislation is the Water Authority's proposed budget appropriation for Fiscal Year 2023 beginning July 1, 2022. The FY23 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.

Included with the proposed budget is the FY23 Performance Plan. This plan is connected to the five-year goals and contains performance measures that help guide the operating and capital budgets in allocating the Authority's financial resources.

**Fiscal Year 2023 HIGHLIGHTS:**

The FY23 Executive Director's Proposed Budget establishes the Water Authority's financial plan and uses the Goals, Objectives and the Performance Plan as guides for the appropriation of funds. The Water Authority, with input from the operating divisions, developed the budget by determining those essential costs necessary to successfully run the utility operation.

Helping to guide this effort is *Water 2120*, the Water Authority's 100-year water resources management strategy, adopted in September 2016. *Water 2120* incorporates the latest science regarding the effect of climate change on the availability of surface water supplies. Using climatic hydrologic simulation models from the Office of the State Engineer, Sandia National Laboratories and the U.S. Bureau of Reclamation and Geological Survey, among other agencies, it takes climate variability into account and for the first time looks at a 100-year time horizon for the greater Albuquerque area. Three different demand scenarios along with three supply alternatives are used to examine the need for new supplies while maintaining a ground water resource for future generations. A portfolio of supply options is used to fill the gaps to meet future demand over the next 100 years. A key component going forward will be the shift from acquisition of water rights to the development of reuse facilities to have a more resilient supply.

## **Operations**

The operational cornerstone of *Water 2120* is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After twelve years of operation, the DWP – along with conservation and other resource management efforts – has resulted in rising aquifer levels throughout the service area as documented by the U.S. Geological Survey.

The Water Authority will continue to operate two potable water supply systems, surface water and groundwater. The Water Authority's goal is to have the DWP supply 70-75% of all customer demand. Flow conditions in the Rio Grande, due to the continuing drought conditions, have limited the ability to fully realize this goal on a consistent basis.

The Water Authority began a major renovation of the SWRP in FY10, called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Several key improvement projects in this program have been completed, including the Preliminary Treatment Facility (PTF), aeration basin and air piping renovations, final clarifier renovations, and major renovations and improvements to the Solids Dewatering Facility (SDF). In FY23, RRAMP improvements will continue with the existing digesters, odor control rehabilitation at the primary clarifiers, and landscaping will be improved to include: new access gates, create privacy, and increase security at the facility.

In FY23, SWRP staff will actively recruit new customers for the Soil Amendment Facility compost and wood chips.

Areas of focus for SWRP staff will be to optimize the operation of digester gas cleaning and cogeneration emission control systems; managing the cogeneration and solar power systems to increase the supply of power from renewable resources; and to optimize effluent re-use water disinfection practices and establish key performance indicators to monitor the progress.

The SWTP staff plan to work towards the AWWA Partnership for Safe Water-Treatment Phase IV Excellence in Treatment Award. Other areas of focus for the plant will be to coordinate a faster re-start of the plant in November 2022 without sacrificing the quality of the restart and partnering with Collections and SWRP staff to optimize the iron sludge discharges for odor control purposes.

Groundwater Operations management will fine tune the groundwater system operations to trim the summer power costs while maintaining system resilience & reliability. Staff plan to deploy high arsenic wells to meet supply needs in the Northside non-potable system once the Collector Well is offline (pending permit approvals). Staff will be working with PNM to assess the impact of wide-spread power outages on water deliveries and will engage the services of a consultant to perform the requisite hydraulic modeling to counteract the impacts.

Groundwater staff will continue optimizing operations for arsenic absorption and evaluate alternatives for arsenic treatment and begin a pilot project focused on the sodium

hypochlorite generator salt and the frequency of electrolytic cell cleanings using hydrochloric acid.

Wastewater Collections section will utilize closed-circuit television (CCTV) to monitor unlined concrete lines that are 15" and greater. Staff will partner with SWTP and SWRP staff to optimize the iron sludge discharges for odor control purposes. Staff will implement a pilot study that uses "smart" manhole covers to aid in the prediction of blockages.

Water Field-Distribution section will continue to task a dedicated crew to replace 30,000 aging water meters with smart meters. Field crews will continue to perform block to block rehab repairs which will generate significant cost savings by performing these tasks in-house.

Field crews will continue the flushing program to systematically flush water lines and filter the water using the new No Des system before returning it to the distribution system and minimize water loss. Inf FY22, 8.2 million gallons of water were saved using this system. Crews will continue to exercise 4,000 isolation valves; the long-term goal is to exercise all isolation valves over a ten-year period. To support the water audit and strategic water loss plan, staff will test a minimum of 300 small meters and test all new meters when they are received.

Field crews will begin year 2 of the 5-year plan to replace the SJC transmission line actuators. The current actuators are undersized and weak, so crews are replacing them before they break; generating cost savings by not having to hire outside contractors.

Water Resources-Conservation has updated the Xeriscape rebate program and will launch a new campaign for this effort. Staff will focus their efforts on the following areas: The Homeowners' Association Landscape Irrigation Transformation program (evaluations of irrigation systems), the Low-Income Conservation Support program (conservation audits and conservation kits), and the Multi-Family Outreach program (apartment performance efficiency audits and retrofit kits).

Staff will continue its collaboration with Explora to coordinate staff for mentorship opportunities and facilitation of the interactive water exhibits for the new STEM center.

Water Resources-Environmental staff will work to get the remaining permanent easements around Abiquiu reservoir, which is an important step to increasing the storage at this facility from 170,000 acre-feet to 238,000 acre-feet. Staff will begin the permitting process for the next Aquifer Storage Recovery well site, begin monitoring and analysis of the groundwater at the data gap well site, begin the permitting process for the Bosque Water Resource Recovery Plant and complete the design of the Silvery Minnow habitat created by the SWRP Outfall project.

Centralized Engineering will continue managing CIP projects. Major projects include: \$12.5 million for Sanitary Sewer Pipeline Renewal projects, \$19.5 million for SWRP Renewal projects, \$7.8 million for Drinking Water Plant Groundwater System Renewal projects and \$4.4 million for Information Technology projects.

In-House Design projects for FY23 include preparing two additional steel water line packages, preparing two sanitary sewer renewal packages, continuing development and refinement of the master/guide specifications and standard detail drawings, and continuing work on the Lift Station Design Guide and the Booster Pumping Station Design Guide.

The Asset Management Program Team will continue the Comprehensive Asset Management Plan with a consultant by performing condition and risk assessments and updating asset attributes and replacement cost data.

Asset Management staff will continue to monitor progress on the Strategic Asset Management Program and transition the dashboards and key performance indicators to Microsoft Power BI.

The Grant Administrator position will evaluate, plan and manage the submission of grant proposals to obtain funding for projects.

The Utility Development group will continue to review and edit the draft Guide to Development. Staff will develop key performance indicators for various deliverables to help manage workload and assist with decision-making. Staff will update the Work Order process to allow users to make submittals online and revamp the Mini Work Order process to increase efficiency.

### **Compliance**

Water and Wastewater Operations are regulated by a myriad of federal, state, and local environmental permits, regulations, and rules. The Compliance Division continues to maintain a matrix that is updated quarterly of regulatory requirements to monitor regulatory initiatives to define operational impacts and develop compliance strategies.

The Water Quality Lab will be participating in the rehab and upgrade project for the Water Quality Lab building. As part of this project, staff will be managing on-site documentation and preparing documents for archival storage.

NPDES program staff will work with a consultant to complete the mercury minimization plan which has a compliance deadline of December 2022. Staff will spearhead a feasibility study for permanent pH monitoring stations outside of the SWRP plan to be able to investigate low pH alerts at the plant intake areas.

### **Administration, Employee Relations and Development**

The Water Authority will continue to conduct periodic activities to engage, educate, and provide updates to customers, legislators and neighborhood associations regarding Water Authority activities and initiatives, and offer opportunities for dialogue and feedback.

Public Relations staff conduct Customer Conversations meetings to engage customers and obtain input from customers and complete and disseminate results of the Customer

Opinion Survey. Staff will also deploy video message boards at various locations to enhance internal communications.

Risk/Safety will continue implementing the Security Consultant's deliverables in accordance with AWWA G430 standards and to carry out important liability protection of the utility's assets. Risk staff will continue supporting the multi-jurisdictional Hazard Mitigation Plan. Staff will expand its risk software system to enhance data management by analyzing claims and loss data to identify trends for risk mitigation and cost reduction.

The Safety Team will provide safety inspections and trainings to include compliance-related items and will expand contractor services to include conducting key strategic ergonomic assessments for both field and plant operation areas.

Human Resources wellness staff is looking forward to planning the FY23 Safety Picnic for staff. Staff will continue offering wellness challenges for individuals and departments focusing on nutrition, physical activity and weight loss tips, disease and injury prevention topics to employees. A major focus for FY23 will be to increase mental health awareness in partnership with the Employee Assistance Program.

Human Resources Training staff will focus on developing a strategic plan for the Innovation Program. This program will help identify new ways to seek efficiencies throughout the organization.

The proposed budget also includes nonrecurring funding for an employee safety incentive program. This program will reward employees for cost savings that result from 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 utility's Workers Compensation expense.

### **Budget, Finance and Business Management**

Finance will submit to GFOA the FY23 Approved Budget for the Distinguished Budget Presentation Award, the FY22 Annual Comprehensive Financial Report for the Certificate of Achievement for Excellence in Financial Reporting and the FY22 Popular Annual Financial Report for the Popular Annual Financial Reporting Award. The division believes that all three financial documents meet or exceed the recommended requirements to successfully receive each award and to also be nationally recognized by GFOA for these accomplishments.

Treasury will manage the rising interest rate environment by maintaining a diversified portfolio of bank balances and investments to offset banking fees. Staff will partner with Accounts Payable and ITD to implement the Wells Fargo Payment Manager program to increase the security of payments to vendors and to outsource check printing. In conjunction with Customer Services, staff will develop and document policies and SOPs for customer payment-related transactions and continue providing process improvement strategies.

During FY23, the Purchasing section will work with Centralized Engineering to re-solicit On-Call Engineering Services and Well Rehabilitation contracts, begin to digitize and/or archive procurement records, and standardize record-keeping and ordering documentation for the warehouse, fleet, and facility maintenance, and Fleet staff will finalize the fleet satellite storeroom management procedures.

Budget will continue to provide budget and ERP system training to utility staff and schedule monthly budget update meetings with staff. Staff will monitor, update and lead discussions of the FY23 Water Authority Goals & Objectives and EUM metrics.

Customer Services will continue the process of returning to normal operations by offering payment arrangements and referring customers to assistance programs. A Training Advisory Committee will be updating the Customer Care Training Program and staff will be assisting with the Water & Wastewater Cost of Service study.

ITD will be reorganizing the Quality Assurance and Service Desk operations into the Service Management operation and a new Project Management operation will be established. The Project Management operation will support all teams in managing projects, provide a centralized documentation location, and provide reports and dashboards for IT projects.

ITD Service Management will be implementing enhanced password security functions and to identify, maintain and audit all IT-related assets in Maximo.

IT Security staff will continue to work on reducing risk scores, perform external penetration testing and application testing to identify security risks, and continue moving towards a Zero Trust Framework.

IT SCADA objectives for FY23 include: HMI standardization and implementation, continuation of the Reclamation DCS HMI upgrade, Collections and Stormwater PLC replacement, and to refresh the network for the Reclamation SCADA system and CyberVision.

The Rate Reserve fund will remain at \$9.0 million; the Risk Reserve at \$0.5 million; and the Soil Amendment Facility Reserve increases to \$2.1 million. The Water Authority will continue partnerships with other governmental entities to support non-profit community development projects.

**FISCAL IMPACT:**

This appropriation consists of the Water Authority General Fund which totals \$243,762,000, the Water Authority Debt Service Fund which totals \$92,663,000, and the San Juan Chama Professional Contractors Association Fund which totals \$171,754.

**COMMENTS:**

For FY23, General Fund revenue is estimated to be \$244.7 million with proposed expenses of \$243.8 million. This amount will bring the Working Capital or Fund Balance to \$41.0 million at June 30, 2023, net of the reserve fund balances. The Water Authority's

target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenses as defined by the Water Authority's Rate Ordinance. For FY23, the Rate Reserve fund remains at \$9.0 million; the Risk Reserve is \$0.5 million; and the Soil Amendment Facility Reserve is increased to \$2.1 million.

### **Revenues**

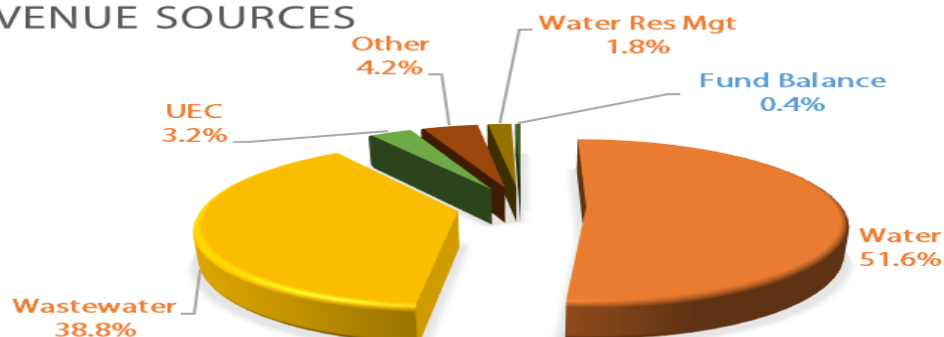
The revenue table is an estimate of revenues projected next year. The following is a revenue comparison of the FY21 Audited Actuals, FY22 Revised and the FY23 Proposed budgets:

#### **WATER AUTHORITY GENERAL FUND - 21**

ACCOUNT NAME	AUDITED FY21	REVISED BUDGET FY22	PROPOSED BUDGET FY23	FY23-FY22
Interest	214	500	500	-
Miscellaneous	2,486	7,909	7,909	-
Water	142,379	123,355	130,504	7,149
Water Resources Management	4,372	4,500	4,500	-
Wastewater	76,327	92,471	98,094	5,623
Solid Waste Admin Fee	1,673	1,761	1,705	(56)
DMD Admin Fee	350	373	487	114
PNM Pass Thru	-	-	-	-
Fund Balance	-	8,461	1,000	(7,461)
<b>FUND TOTAL</b>	<b>227,800</b>	<b>239,330</b>	<b>244,699</b>	<b>5,369</b>

General Fund revenue for FY23 is estimated to be \$5.4 million above the FY22 revised budget due mainly to a rate revenue adjustment. Revenue in the Debt Service Fund has a \$0.2 million increase, due to the increase in the transfer from the General Fund for debt service payments.

#### **REVENUE SOURCES**



\* Consolidated for Reporting Purposes

\* \* Other includes Interest, Miscellaneous, SW Admin Fee, DMD Admin Fee

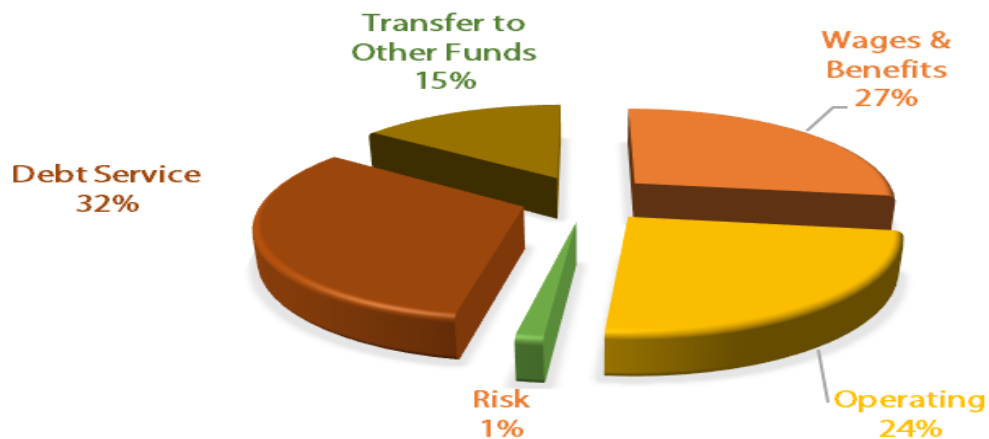
### **Expenses**

The following is the appropriation comparison of the FY21 Audited Actuals, FY22 Revised and the FY23 Proposed budgets:

# **WATER AUTHORITY GENERAL FUND - 21**

<b>PROGRAM</b>	<b>AUDITED FY21</b>	<b>REVISED BUDGET FY22</b>	<b>PROPOSED BUDGET FY23</b>	<b>DIFFERENCE FY23-FY22</b>
Administration	1,823	1,797	1,839	42
Risk	5,048	5,643	5,668	25
Legal	945	799	816	17
Human Resources	1,740	1,778	1,856	78
Finance	7,525	8,045	9,569	1,524
Customer Services	4,827	5,226	5,265	39
Information Technology	9,089	8,728	9,775	1,047
Wastewater Plant	11,908	11,869	11,747	(122)
San Juan-Chama Water Treat Plant	4,162	4,570	4,790	220
Groundwater Operations	6,407	6,825	7,169	344
Wastewater Collection	7,124	7,571	7,835	264
Water Field Operations	17,980	20,726	21,100	374
Compliance	4,688	5,682	5,920	238
Central Engineering	2,953	3,178	3,432	254
Asset Management	557	601	763	162
Planning & Utility Development	551	700	824	124
Water Resources	3,177	4,609	4,652	43
Power & Chemicals	21,949	21,487	21,051	(436)
Taxes	857	656	656	-
Overhead	1,367	1,660	1,670	10
San Juan-Chama	2,522	2,747	2,747	-
Tfr Gen Fund to Rehab Fund	36,418	36,618	36,618	-
Tfr Gen Fund to Debt Serv Fund	81,815	77,815	78,000	185
<b>FUND TOTAL</b>	<b>235,433</b>	<b>239,330</b>	<b>243,762</b>	<b>4,432</b>

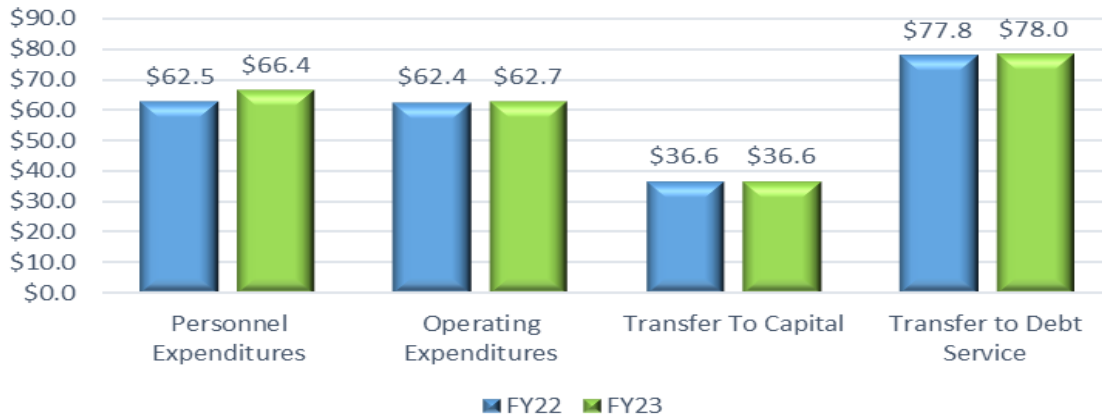
## **EXPENSES**



\* Consolidated for Reporting Purposes



## Difference between FY22 and FY23 Expense Budgets (in millions)



Personnel expenses include a 5.0% increase in wages, a 7.9% increase in health benefit costs and a 0.5% increase in PERA pension costs. Total personnel costs have increased by \$3.9 million as compared to FY22. Total general operating costs increase \$0.3 million. The interfund transfers increase by \$0.2 million.

The Working Capital balance at June 30, 2023 is projected to be \$41.0 million, net of the reserve fund balances. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenses as defined by the Water Authority's Rate Ordinance. The Rate Reserve fund balance is \$9.0 million; the Risk Reserve is \$0.5 million; and the Soil Amendment Facility Reserve increases to \$2.1 million.

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-22-13

1 **RESOLUTION**

2 **APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO**  
3 **COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY**  
4 **1, 2022 AND ENDING JUNE 30, 2023**

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 and performance  
9 plan process for the Water Authority; and

10 WHEREAS, the Budget Ordinance requires the Executive Director to submit a  
11 performance plan for the fiscal year commencing on July 1 of the year in which the  
12 budget proposal is submitted, and the performance plan shall be connected to the five-  
13 year goals and contain performance measures that help guide the operating and capital  
14 budgets in allocating the Water Authority's financial resources; and

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

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

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

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

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

24 Section 1. That the following amounts are hereby appropriated to the following  
25 funds for operating The Albuquerque Bernalillo County Water Utility Authority during  
26 Fiscal Year 2023:

27 GENERAL FUND – 21 243,762,000

28 This appropriation is allocated to the following programs:

1	Administration	1,839,000
2	Risk	5,668,000
3	Legal	816,000
4	Human Resources	1,856,000
5	Finance	9,569,000
6	Customer Services	5,265,000
7	Information Technology	9,775,000
8	Wastewater Plant	11,747,000
9	San Juan-Chama Water Treatment Plant	4,790,000
10	Groundwater Operations	7,169,000
11	Wastewater Collections	7,835,000
12	Water Field Operations	21,100,000
13	Compliance	5,920,000
14	Central Engineering	3,432,000
15	Asset Management	763,000
16	Planning & Utility Development	824,000
17	Water Resources	4,652,000
18	Power & Chemicals	21,051,000
19	Taxes	656,000
20	Authority Overhead	1,670,000
21	San Juan-Chama	2,747,000
22	Transfers to Other Funds:	
23	Rehab Fund (28)	36,618,000
24	Debt Service Fund (31)	78,000,000
25	<u>DEBT SERVICE FUND – 31</u>	92,663,000
26	This appropriation is allocated to the following programs:	
27	Debt Service	88,663,000
28	Transfer to Other Funds:	
29	Growth Fund (29)	4,000,000
30	<u>SAN JUAN CHAMA PROFESSIONAL CONTRACTORS</u>	
31	<u>ASSOCIATION FUND – 41</u>	171,754
32	This appropriation is allocated to the following programs:	
33	General Government	171,754

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

6           Section 3. The Executive Director is authorized to continue the Water Authority's  
7 partnerships with other governmental entities to support non-profit community  
8 development projects. Qualified projects may be approved to defer payment of all or a  
9 portion of applicable Utility Expansion Charges until the property is sold. The Water  
10 Authority will secure its position with a second mortgage on the subject property.

11           Section 4. If working capital balance exceeds 1/12 of operating expenses, and  
12 debt service payments and debt service coverage are met, the remaining working  
13 capital balance shall be reserved for capital projects.

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