
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.

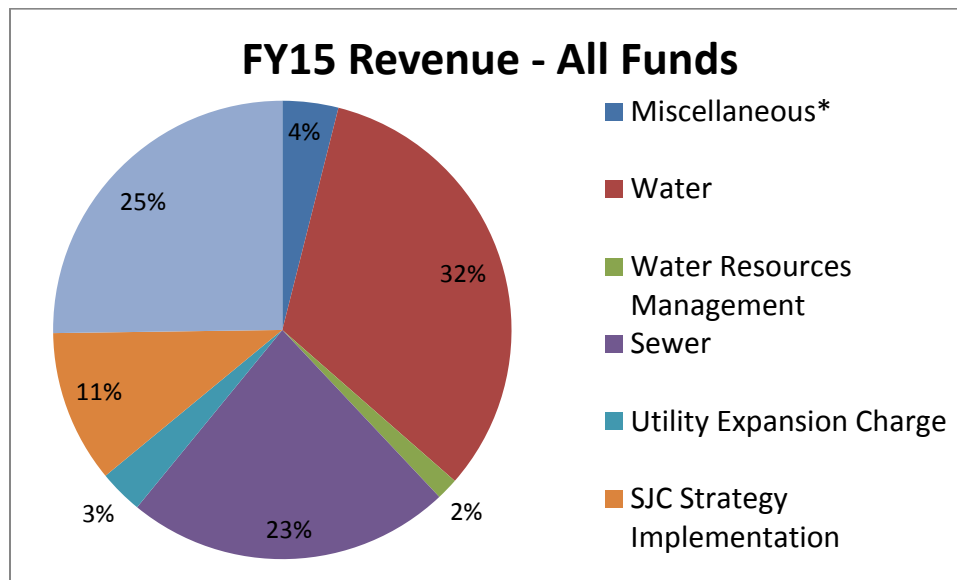
Revenues

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
FUND TOTAL	189,957,000	199,474,000	203,959,000	4,485,000

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 Transfer, Franchise Fee

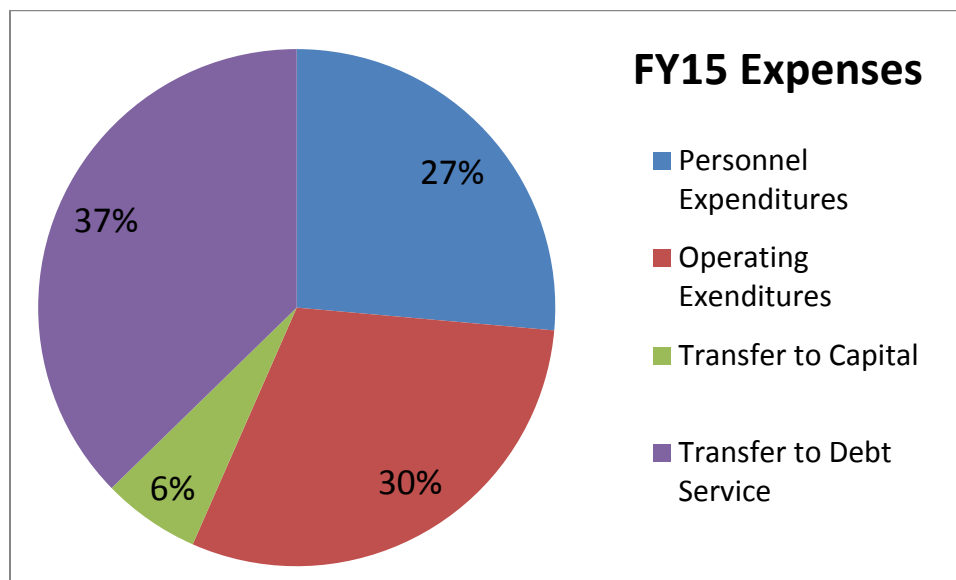
Expenditures

The following is the appropriation comparison of the FY/13 Unaudited Actuals, FY/14 Approved and the FY/15 Proposed budgets:

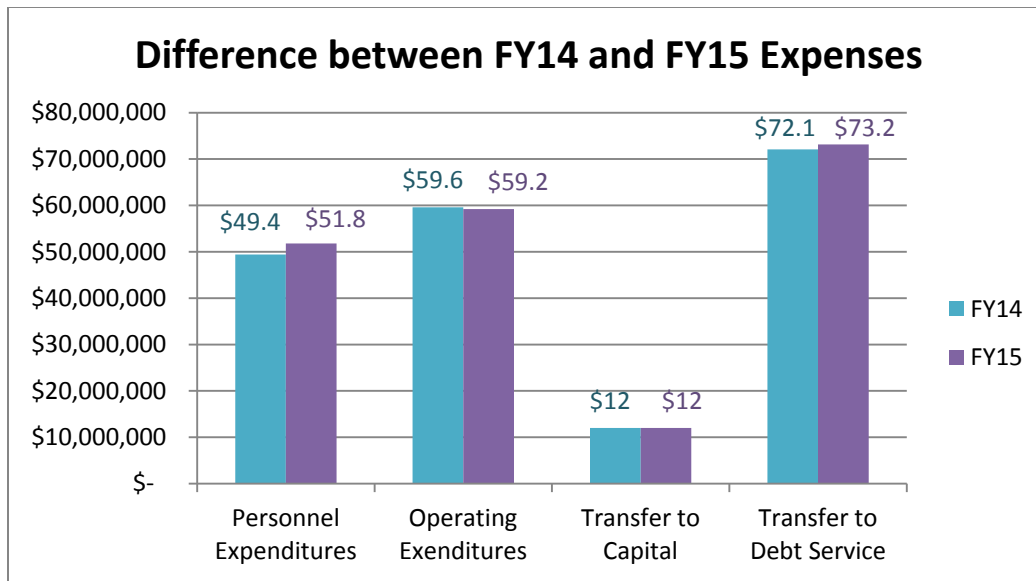
		FY 2013	FY 2014	FY 2015	Difference
A	ACCOUNT DESCRIPTION	ACTUALS	APPROP	REQUEST	FY15-FY14
51	500101 REGULAR WAGES	31,582,291	31,646,741	32,375,643	728,902
	500110 LONGEVITY	477,211	471,350	343,452	(127,898)
	500201 PART TIME	21,966	516,416	480,989	(35,427)
	500301 OVERTIME	2,633,881	1,476,797	1,526,797	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	-	-	-
51	PERSONNEL EXPENDITURES Total	49,173,259	49,430,126	51,802,643	2,372,516
52	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
52 OPERATING EXPENDITURES Total	60,153,420	59,588,855	59,209,501	(379,354)
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	-	-	-	-
53 CAPITAL CHARGES Total	720,070	674,019	640,326	(33,693)
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
57 INTERNAL SERVICE CHARGES Total	74,365,611	84,094,000	85,160,530	1,066,530
Grand Total	184,412,360	193,787,000	196,813,000	3,025,999

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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