
Meeting Date: May 17, 2017
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: R-17-9 – Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for Fiscal Year Beginning July 1, 2017 and Ending June 30, 2018

ACTION: Recommend Approval

SUMMARY:

This legislation is the Water Authority's proposed budget appropriation for Fiscal Year 2018 beginning July 1, 2017. The FY18 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 2018 HIGHLIGHTS:

The FY18 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, which went into effect during FY17. *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.

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 nine 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. A video documenting this success is available for viewing at:

<https://www.youtube.com/watch?v=Z6stQZw2L1M&feature=youtu.be>

Building on accomplishments such as these, Water Authority staff and leadership will continue to pursue new operational efficiencies and improvements in FY18. The Operations groups have completed documentation for shift procedures and standard operating procedures and are implementing and measuring key performance indicators for the water, wastewater and ground water plant facilities. In addition, we will continue to implement mobile technology to document and complete work assignments in the various groups including field operations. Field operations has developed and submitted a five year “strategic plan” to guide its operational goals and objectives.

The Water Authority will continue to operate two potable water supply systems, the surface water and the ground water systems. This dual system operation will continue with the primary source of supply being treated surface water from the DWP. The DWP provided 65% of all water distributed to Water Authority customers in calendar year 2016. The Water Authority’s goal is to have the DWP supply 70-75% of all customer demand. Flow conditions in the Rio Grande may limit the ability to fully realize this goal.

The Water Authority began a major renovation of the Southside Water Reclamation Plant (SWRP) in FY10 called the Reclamation Rehabilitation and Asset Management Plan (RRAMP). The RRAMP is a multi-year program to renew the treatment processes at the plant. Several key improvement projects in this program have been completed, including the Preliminary Treatment Facility (PTF), aeration basin and air piping renovations, and final clarifier renovations. Construction of major renovations and improvements to the Solids Dewatering Facility will begin in FY17 with completion by the end of December 2017. Improvements will also be made to the Anaerobic Digesters, Primary Clarifiers, Secondary Sludge Thickening Facilities, plant-wide electrical systems, and other SWRP facilities.

Plans are to continue to increase the amount of wastewater bio-solids that are composted and sold while not “over-saturating” the regional market for bio-solids compost and sell at least 30% of the total quantity of bio-solids.

Wastewater Collections continues to implement the Capacity Management Operations and Maintenance (CMOM) program. The expanded closed circuit television (CCTV) inspection of 5% of the small diameter system provides for better maintenance and identification of specific rehab needs. Communication with entities potentially impacted by public or private sewage spills continues to be enhanced and documented in the

Overflow Emergency Response Plan (OERP) which is a portion of the CMOM. The fleet of combination cleaning units is being renewed and provided with updated nozzles.

Water Distribution Field will begin implementation of the Maximo version upgrade and integration, training, and sustained use of hand-held electronic data recording devices. In FY18, the division will evaluate maintenance reduction potential by eliminating select redundant/inoperable pressure reducing valves monitored with AMR technology. Water Resources will expand and develop their education series by offering new classes, online videos, and workshops. In conjunction with the expanded education effort, the division will also be redesigning the rebate programs. Water Resources staff will participate in a UNM study on public knowledge and perceptions of reuse, begin developing a Reuse Plan, and permitting and building expansions to the reuse system. As part of the Aquifer Monitoring Plan, staff will establish a monitoring network and report on water levels every five years.

Planning & Engineering will complete the draft Guide to Development, begin development of Water Authority construction standards, and develop a business case of in-house vs. consultant design services to streamline processes and maintain a high standard of quality.

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.

In the NPDES program, FY18 will bring recommendations to incorporate the septage rates into the rate ordinance and evaluate the rates. These rates have not changed in over 5 years. The program will also complete revisions to the Cross-Connection Control Ordinance. The current version of the ordinance needs refining to remove ambiguity and improve clarity.

Reimplementation of the HachWIMS software program is underway for the Water Quality program. Important improvements in data management and reporting capabilities are expected products of the project. Data is now in one central location that any reporting tool, like HachWIMS, can access. HachWIMS will assist in data verification, validation and approval processes that are not currently feasible in other software programs due to licensing issues.

Leadership skills and training will be developed within the division by attending various training programs and subscribing to webinar sessions sponsored by AWWA.

Administration, Employee Relations and Development

The Water Authority has committed to the State Legislature to schedule quarterly outreach meetings in each quadrant of the City. These meetings will provide updates for

legislators and neighborhood associations regarding Water Authority activities and initiatives, and offer opportunities for dialogue and feedback.

Human Resources wellness staff will continue offering wellness challenges for individuals and departments. At least two fitness challenges per quarter will be offered in conjunction with nutrition, physical activity and weight loss tips as well as disease and injury prevention topics to employees. Staff will install outdoor gym equipment at the SWRP, including instructions on using the equipment.

The Water Authority's certification training programs continue to develop employees' knowledge and skills in various positions, including water and wastewater operations and maintenance, dispatch, and customer service. Major updates to the Utility Technician program were made and will continue into FY18. A committee to update the Wastewater Worker training program will be convened to review and recommend updates to this program in FY18. Each fiscal year, there has been an increase in the number of utility operators obtaining their State of New Mexico Operator certification. In addition to traditional classroom and on-the-job training, employees will be able to access various training subjects online, making training more accessible to employees working non-traditional schedules (i.e. graveyard shift). A new Training Specialist position will be dedicated solely to training the operators at the SWTP. This new position will focus on delivering classroom and on-the-job training from the new developed Utility Tech Surface Water Plant training program.

The proposed budget also includes nonrecurring funding for an employee safety incentive program. This program will reward employees for cost savings because of a decrease in work-related losses. Funding for this program is contingent on the Water Authority generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of the Water Authority's Workers Compensation expense in the last three fiscal years.

Budget, Finance and Business Management

Finance will submit to GFOA the FY18 Approved Budget for the Distinguished Budget Presentation Award, the FY17 Comprehensive Annual Financial Report (CAFR) for the Certificate of Achievement for Excellence in Financial Reporting and the FY17 Popular Annual Financial Report (PAFR) 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.

In FY18, Accounting Services will complete an Accounts Payable Policy and Procedures document, bring risk cost analysis in-house, and to comply with the Debt Post Issuance Compliance Policy, an Arbitrage Compliance Service will be contracted to review the debt issuances.

Purchasing will revise procurement boilerplate documents and processes to adopt best practices and increase efficiency and effectiveness of the Purchasing Office. Processes

to be addressed include: sole source and exempt procurement processes, formal bid and proposal instructions, terms and conditions, and contracts, purchasing violation documentation, and property disposition. The Purchasing Office will also be improving communication mechanisms for status of procurement and availability of materials and services, completing the Warehouse Ordering and Payment Policies and Procedures document, and overseeing the Maximo implementation of purchasing and warehouse related functions.

Budget will continue to provide budget and ERP system training to utility staff and schedule monthly budget update meetings with staff.

Treasury will optimize management of Water Authority funds while implementing the investment strategy, complete asset tracking and develop procedures supporting annual inventories, and work with fiscal agent and other Authority staff to develop a “round up” program for utility bills to fund a low-income payment assistance program.

Customer Services (CSD) and Northwest Service Area (NWSA) have been successfully integrated into one group that handles call center, treasury, billing, new service applications, field operations and meter maintenance functions. CSD, Field Operations, and NWSA Field Operations & Maintenance sections work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (Work Order & Asset Management) and Customer Care & Billing (CC&B) to create operating procedures for a paperless, real-time work order system, where field activities are dispatched, updated and closed out on a mobile platform. In addition, Clevest is used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives.

CSD will be implementing a major upgrade to the CC&B system in FY18. Customer Services Field Operations will continue working on the Automated Meter Infrastructure project which will move provide a 50% saturation of automated meters in the service area by the end of FY18.

The upgrade and implementation of the CMMS system, Maximo, will “go live” during the 1st Quarter of FY18. The overall goals for the Maximo upgrade center around a technical upgrade to bring the system up to the latest revision (7.6), streamlining and implementing more efficient business processes, standardizing the Asset Management System and work order processing, and leveraging mobile features and workflow, including Clevest as a Mobile Workforce Solution, to increase efficiency within the various operational groups across the Water Authority. Additional benefits include workload management tracking, labor tracking, preventative maintenance and conditional monitoring, as well as cleaner data and significantly improved reporting functions, resulting in improved asset management functions and cost savings. Planning for Phase II of the Maximo project, which includes procurement and full cost accounting will begin in December 2017.

ITD will also continue to support and provide upgrades to SunGard, the financial/HR/payroll system, Cognos reporting, and Kronos, the enterprise timekeeping system.

In FY18, ITD will work towards building additional redundancy for IT systems, the enterprise network, and telephony services that are critical to being an efficient utility. ITD will also continue to build out its Service Desk functions including additional workflows for automatic routing and incident reporting provided to application owners for reporting.

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.

FISCAL IMPACT:

This appropriation consists of the Water Authority General Fund which totals \$222,900,000 and the Water Authority Debt Service Fund which totals \$76,993,000.

COMMENTS:

For FY18, General Fund revenue is projected to be \$229.9 million with proposed expenditures of \$222.9 million. Revenues are expected to be \$7.0 million over proposed expenditures. This amount will bring the Working Capital or Fund Balance to \$16.5 million at June 30, 2018. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenditures as defined by the Water Authority's Rate Ordinance.

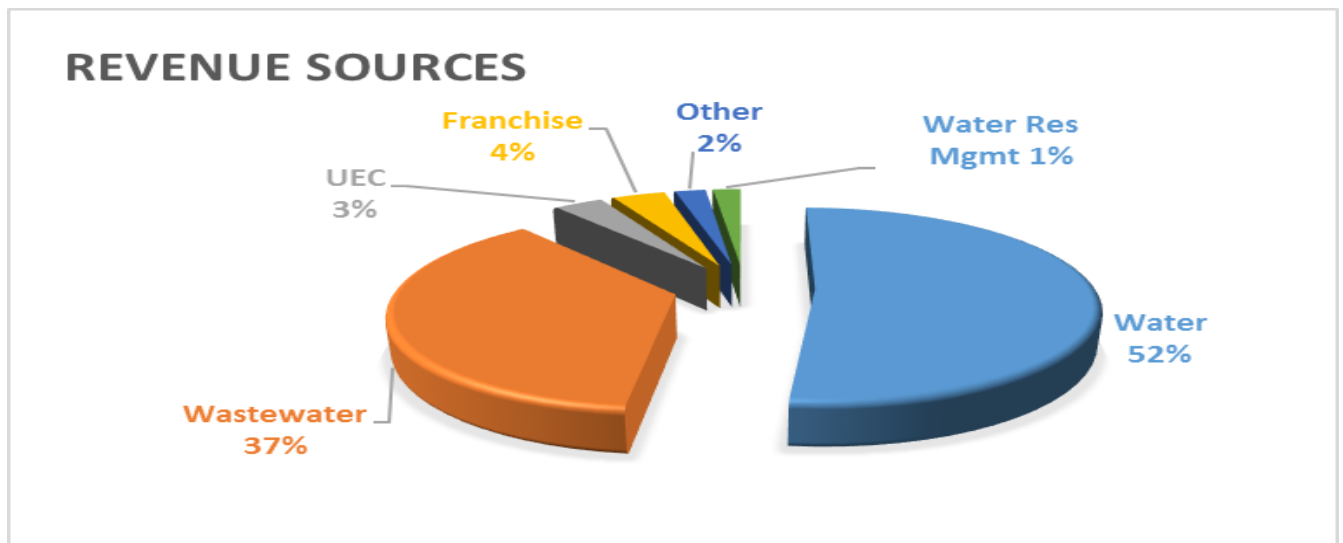
Revenues

The revenue table is an estimate of revenues projected next year. The following is a revenue comparison of the FY16 Audited, FY17 Approved and the FY18 Proposed budgets:

WATER AUTHORITY GENERAL FUND - 21

ACCOUNT NAME	AUDITED FY16	BUDGET FY17	BUDGET FY18	DIFFERENCE FY18-FY17
Interest	155	100	100	-
Miscellaneous	3,052	2,970	2,077	(893)
Water	135,836	118,954	123,355	4,401
Water Resources Management	4,222	4,500	4,500	-
Wastewater	68,077	79,686	88,391	8,705
CIP Employees	792	921	1,014	93
Solid Waste Admin Fee	1,339	1,401	1,480	79
DMD Admin Fee	-	349	348	(1)
PNM Pass Thru	326	-	-	-
Franchise Fees	8,072	8,111	8,635	524
FUND TOTAL	221,872	216,992	229,900	12,908

Operating Fund revenue for FY18 is estimated to be \$12.9 million above the FY17 approved budget. The increase is due to the projected increase in rate revenue. Revenue in the Debt Service Fund has a \$.280 million increase.



* Consolidated for Reporting Purposes

** Other includes Interest, CIP Employees, SW Admin Fee, DMD Admin Fee

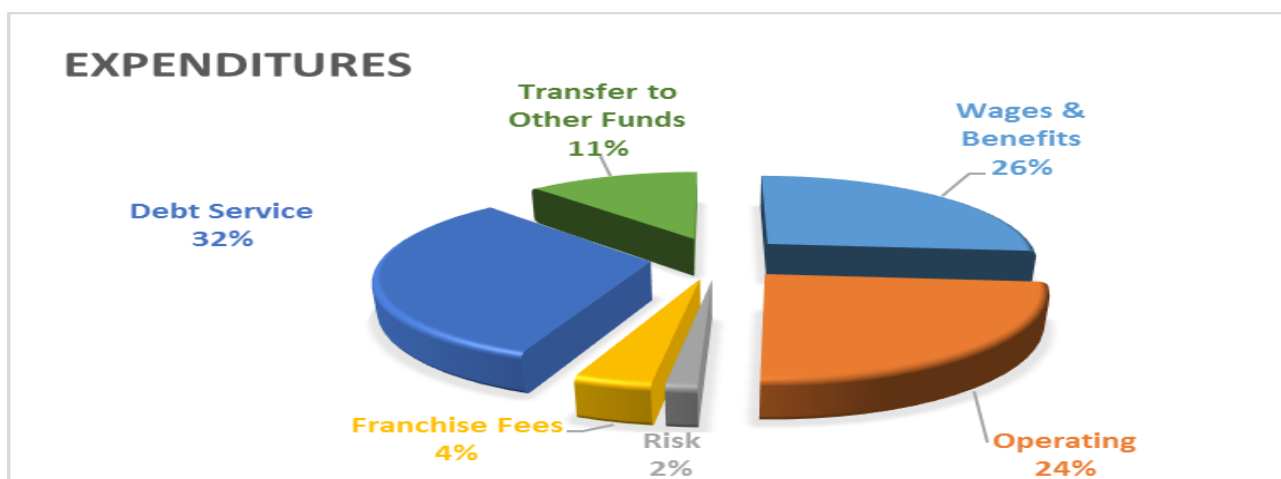
Expenditures

The following is the appropriation comparison of the FY16 Audited Actuals, FY17 Approved and the FY18 Proposed budgets:

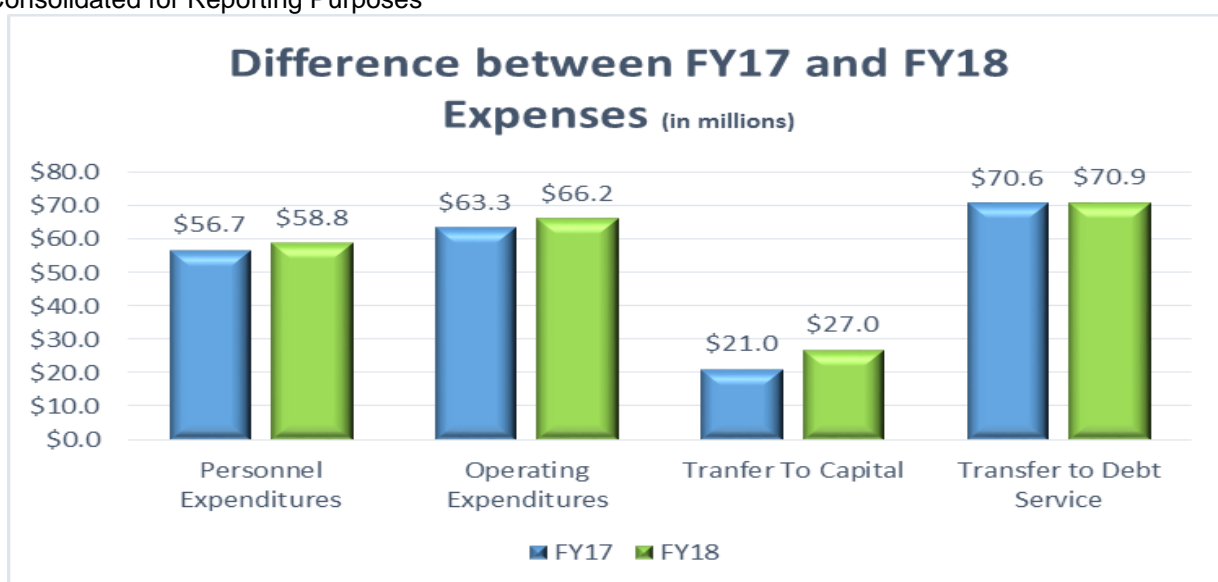
WATER AUTHORITY GENERAL FUND - 21

PROGRAM	AUDITED FY16	BUDGET FY17	BUDGET FY18	DIFFERENCE FY18-FY17
Administration	1,954	2,511	2,792	281
Legal/Risk	4,649	-	-	-
Risk	-	4,155	4,523	368
Legal	-	440	703	263
Human Resources	1,253	1,409	1,508	99
Finance	3,817	3,944	4,004	60
Customer Services	8,739	8,967	9,112	145
Information Technology	6,059	7,080	7,131	51
Wastewater Plant	11,320	11,361	11,680	319
San Juan-Chama Water Treat Plant	3,176	3,487	3,639	152
Groundwater Operations	5,791	6,253	6,427	174
Wastewater Collection	6,281	6,480	6,758	278
Water Field Operations	18,965	19,898	20,129	231
Compliance	4,378	5,269	5,400	131
Water Resources Management	6,175	-	-	-
Planning & Engineering	-	3,124	3,390	266
Water Resources	-	3,964	3,872	(92)
Power & Chemicals	18,789	18,482	19,982	1,500
Taxes	8,397	8,768	9,292	524
Overhead	2,067	2,123	2,403	280
San Juan-Chama	2,226	2,247	2,247	-
Tfr Gen Fund to Rehab Fund	15,000	21,000	27,000	6,000
Tfr Gen Fund to Debt Serv Fund	72,842	70,628	70,908	280
FUND TOTAL	201,881	211,590	222,900	11,310

The FY18 proposed operating expenditures contain a net increase of \$11.3 million from the FY17 Approved Budget. This includes an increase of \$2.1 million in wages and benefits, an increase in general operating expenses of \$2.9 million and an increase in interfund transfers of \$6.3 million for the transfers to capital and debt service.



* Consolidated for Reporting Purposes



Personnel expenditures include a 2% step increase in wages. Total personnel costs have increased by \$2.1 million as compared to FY17. One new position was added in FY18, Wastewater Worker. Total general operating costs increase \$2.9 million. The interfund transfers increase by \$6.3 million.

The Working Capital balance at June 30, 2018 is estimated to be \$16.5 million. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenditures as defined by the Water Authority's Rate Ordinance.

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-17-9

1 **RESOLUTION**
2 **APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO**
3 **COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY**
4 **1, 2017 AND ENDING JUNE 30, 2018**

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 2018:

22 <u>GENERAL FUND – 21</u>	222,900,000
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23 This appropriation is allocated to the following programs:

24 Administration	2,792,000
25 Risk	4,523,000
26 Legal	703,000
27 Human Resources	1,508,000
28 Finance	4,004,000

1	Customer Services	9,112,000
2	Information Technology	7,131,000
3	Wastewater Plant	11,680,000
4	San Juan-Chama Water Treatment Plant	3,639,000
5	Groundwater Operations	6,427,000
6	Wastewater Collections	6,758,000
7	Water Field Operations	20,129,000
8	Compliance	5,400,000
9	Planning & Engineering	3,390,000
10	Water Resources	3,872,000
11	Power & Chemicals	19,982,000
12	Taxes	9,292,000
13	Authority Overhead	2,403,000
14	San Juan-Chama	2,247,000
15	Transfers to Other Funds:	
16	Rehab Fund (28)	27,000,000
17	Debt Service Fund (31)	70,908,000
18	<u>DEBT SERVICE FUND – 31</u>	76,993,000
19	This appropriation is allocated to the following programs:	
20	Debt Service	70,993,000
21	Transfer to Other Funds:	
22	Growth Fund (29)	6,000,000
23	Section 2. The Executive Director is authorized to develop and establish a	
24	nonrecurring safety/performance incentive program. This program will provide	
25	employees with an incentive based on cost reductions or performance enhancements	
26	resulting in operating efficiencies and/or a reduction in work related losses. Funding for	
27	this program is contingent on savings in the same or a greater amount.	
28	Section 3. The Water Authority shall continue its partnership with non-profit	
29	affordable housing developers under contract with local government whereby the first	
30	time homebuyer will not be required to pay the Utility Expansion Charge until the	
31	property is sold. No more than 50 units per year will be authorized under this program.	
32	The Water Authority will secure its position with a second mortgage.	
33	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.

FY18 Proposed Budget

Operating & Capital Improvement Plan (CIP) Budgets



Albuquerque Bernalillo County
Water Utility Authority

FY18 Budget Assumptions

- Rate Revenue Adjustment
- Nominal Growth in Service Area
- Assumed FY16 Consumption Levels at 129 GCPD
- Capital Spending Increases by \$6.0 million
- Rate Reserve Increased by \$2.0 million
 - Rate Reserve dedicated for the purpose of offsetting declines in rate revenue
- Fund Balance at 1/12th of Operating Expenses



FY18 Selected Priorities

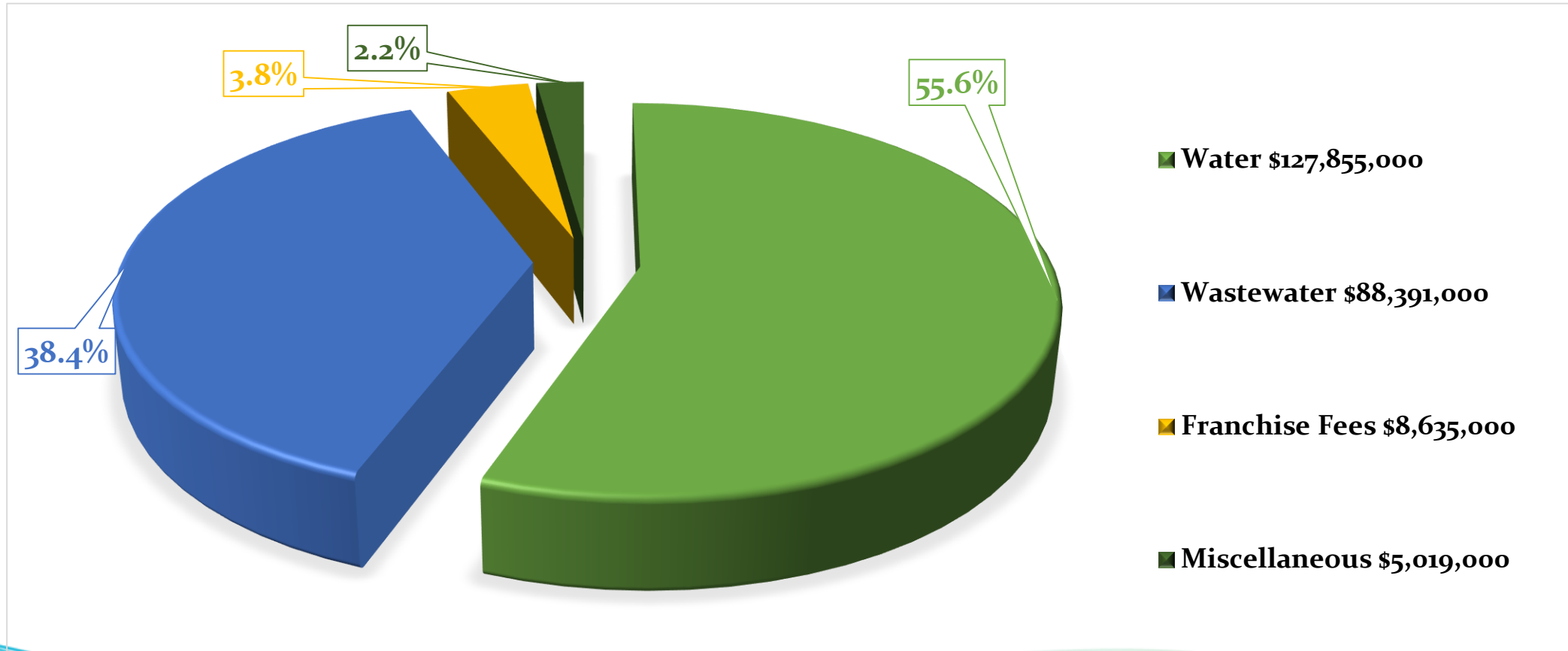
- Enhance Community Outreach and Communication
- Begin the Implementation of Water 2120 Plan
- Increase Groundwater Reserve by injecting purified surface water at SWJC Water Treatment Plant (Large Scale Aquifer Storage & Recovery)
- Continue Increased Infrastructure Investment Plan
- Round Up Program for Emergency Needs



Albuquerque Bernalillo County
Water Utility Authority

FY18 General Fund Projected Revenues

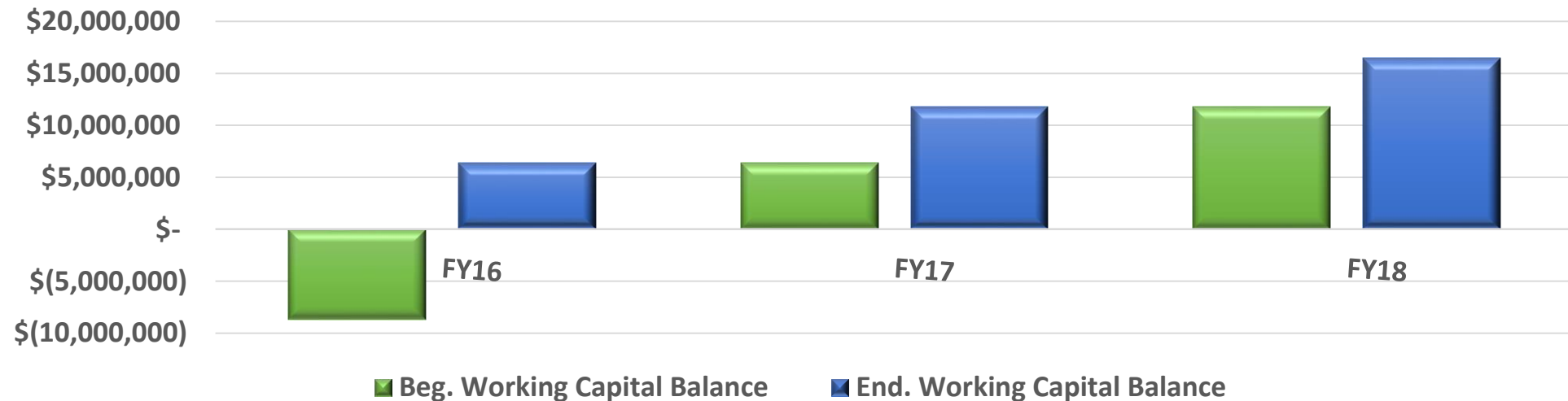
\$229,900,000



Albuquerque Bernalillo County
Water Utility Authority

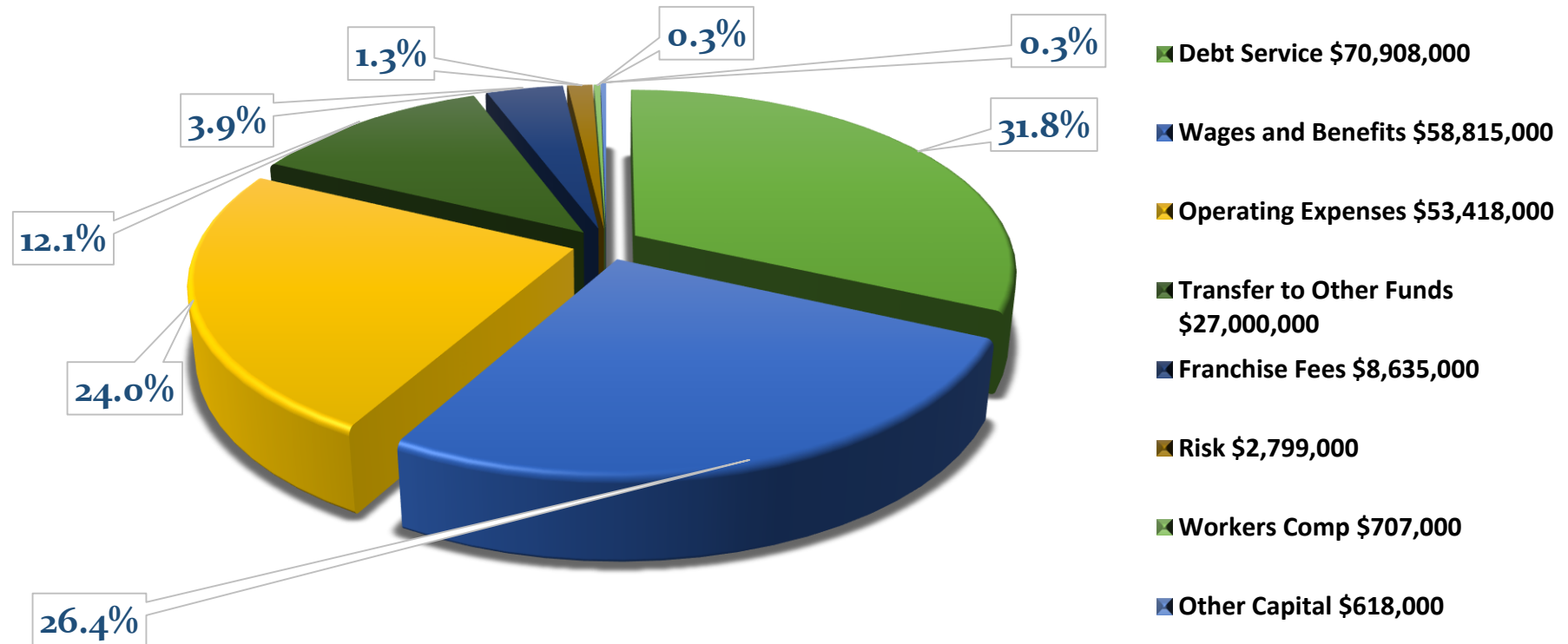
FY18 Working Capital Projected Balance

- FY18 – Additional Capital Improvement Plan Transfer \$3.0 million
- Working Capital projected to meet 1/12th Reserve Requirement

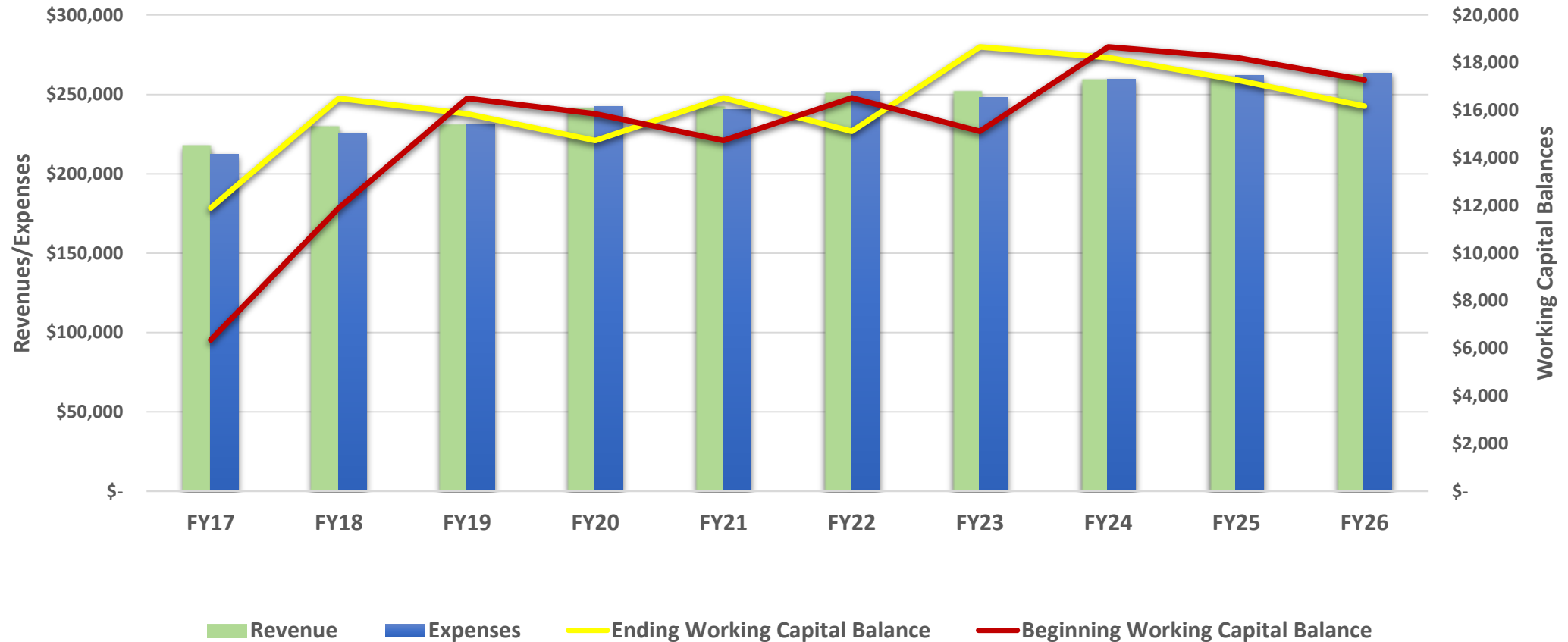


FY18 Budgeted Expenses

\$222,900,000



Finance Plan Summary



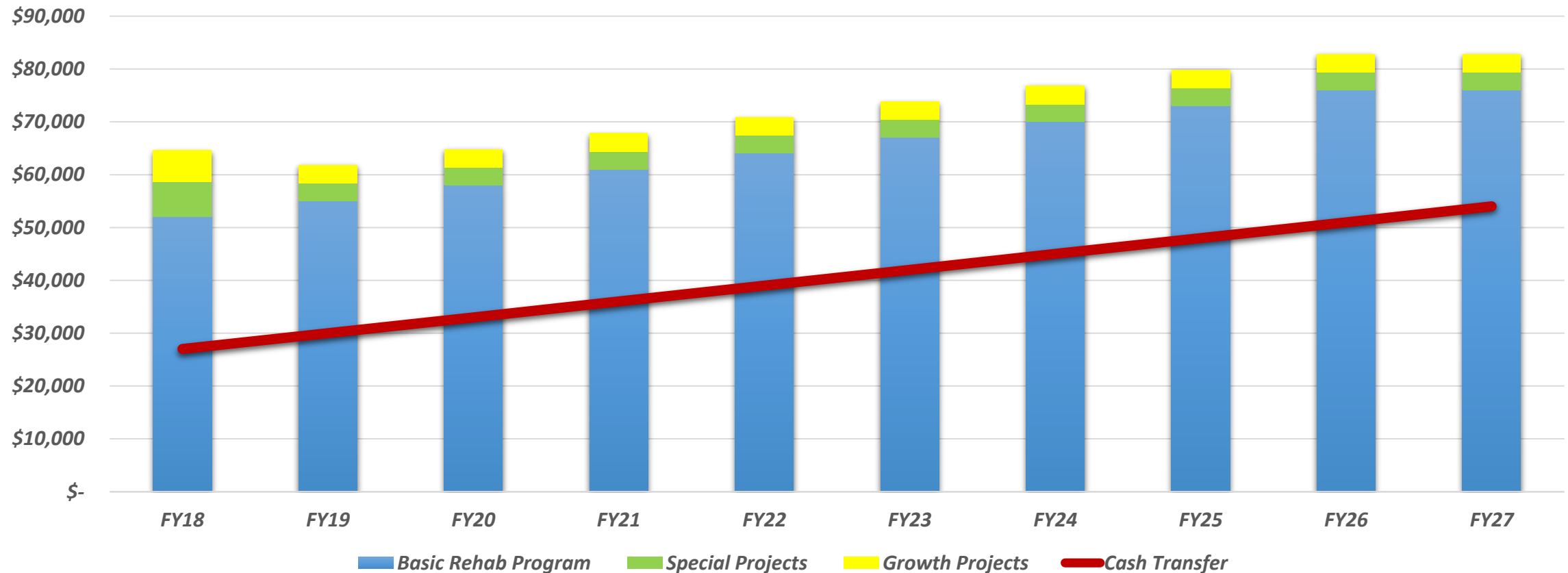
Albuquerque Bernalillo County
Water Utility Authority

FY18 Capital Improvement Plan(CIP) Appropriations

- \$64.1 Million Appropriation Includes:
 - \$52 Million Basic Rehab Program
 - Major Initiatives Include:
 - \$6.0 Million for Completion of Solids Dewatering Facility
 - \$4.0 Million for Vehicle and Heavy Equipment Replacement
 - \$3.0 Million for EPA Compliance Reuse Pipeline Project
 - \$2.0 Million Automated Meter Infrastructure (AMI) – 50% build-out target
 - \$1.0 Million for Steel Line Replacement
 - \$350,000 for Renewable Energy Projects



CIP Spending – Decade Plan



Each \$1.0 million in Capital Spending creates 15 Jobs
Source: US Water Alliance