

# PROPOSED FY 2018 BUDGET

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Albuquerque Bernalillo County  
Water Utility Authority

*Proposed  
Operating Budget  
FY18*

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April 19, 2017

To: Klarissa J. Pena, Chair

From: Mark S. Sanchez, Executive Director

Subject: Resolution Appropriating Funds for the Operation of the Water Authority for the Fiscal Year Beginning July 1, 2017 and Ending June 30, 2018

Presented to the Board for review and consideration is the proposed budget for the Albuquerque Bernalillo County Water Utility Authority (Water Authority) for Fiscal Year 2018. This submittal is the Water Authority's financial plan for Fiscal Year 2018. The development of this financial plan has been guided by the Water Authority's Five-year Goals, One-year Objectives, Performance Plan and the Guiding Principles. In the development of this proposed budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources. This proposed budget is based upon the 10-year financial plan. It is balanced, fiscally conservative and sound.

The Water Authority has developed the budget according to the utility's projected estimated revenues. Revenue for FY18 is estimated to be \$229.9 million, representing an increase of \$12.9 million from the budgeted FY17 amount. The projected estimated revenues for FY18 include the amount from the proposed rate revenue increase. This amount will enable the Water Authority to add an additional \$3.0 million to the transfer to the capital fund in FY18 to provide funding for infrastructure and rehabilitation projects.

The proposed operating expenditures for FY18 are \$222.9 million, representing an increase of \$11.3 million from FY17, including interfund transfers. This increase is comprised of \$2.1 million for salaries and benefits, \$2.9 million for operating expenses, and \$6.3 million for interfund transfers to the capital and debt service funds. Personnel expenditures include a 2% step increase in wages and the addition of one position, Wastewater Worker. The most significant expense continues to be debt service payments which will comprise 32% of the total operating expense in Fiscal Year 2018.

For FY18, revenues are expected to be \$7.0 million over proposed expenditures, which includes funding the Rate Reserve fund. 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. For FY18, \$2 million is added to the Rate Reserve fund.

The proposed budget includes a 6.5% increase in the transfers from the General Fund to the Debt Service and Capital funds. This increase is funded by the projected estimated revenues generated by the rate revenue increase proposed for FY18. This reflects the Water Authority's commitment to spend \$250 million to upgrade its sewage treatment plant and an additional \$36 million per year in Capital Improvement 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 \$6.0 million in FY18.

Also submitted in a separate resolution is the Capital Improvement Program (CIP) proposed budget for FY18. The proposed CIP appropriation for FY18 is \$64.6 million. \$52.0 million is appropriated for the level one priority basic capital programs, \$6.0 million for growth-related projects, and \$6.6 million is appropriated for special projects. The \$6.6 million for special projects is comprised of \$2.0 million for Automated Meter Infrastructure (AMI), \$1.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, and \$3.2 million for specific pipeline rehab projects.

This budget proposal represents the Water Authority's coordinative effort to bring to the Board a financial plan that will provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address the Water Authority's priorities for FY18 to improve services and gain operating efficiencies.

## FY 17 ACCOMPLISHMENTS

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As we look forward to FY18, we also reflect on the utility's successes in the preceding year. Chief among these was the completion and adoption of *Water 2120*, the Water Authority's 100-year water resources management strategy. The plan, which evolved from earlier strategies implemented over the past two decades, was supported by numerous organizations, including the Nature Conservancy, the U.S. Fish and Wildlife Service, the Greater Albuquerque Chamber of Commerce, the U.S. Bureau of Reclamation, and the Army Corps of Engineers. It was developed with input from the utility's Technical Customer Advisory Committee as well as from the general public, whose views were solicited at a series of Customer Conversation forums and a Town Hall meeting. The document will guide Water Authority decisions for decades into the future to ensure a sustainable, resilient water resource.

Recognition for the utility's work came from a number of industry peers and professional organizations and included:

- Water Resources Utility of the Future Award;
- The National Association of Clean Water Agencies (NACWA) National Environmental Achievement Award for the utility's school outreach and conservation education program;
- Water Environment Federation (WEF) Public Communication and Outreach Award;
- Partnership for Safe Water – Distribution System Operations Directors Award;
- American Advertising Association Gold Award ("ADDY") for the 2016 popular annual financial report ("Groundwater on the Rebound");
- The Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award
- GFOA Certificate of Achievement for Excellence in Financial Reporting (both Popular and Comprehensive);
- Recognition in the U.S. Water Alliance "Spotlight" for conservation and aquifer preservation efforts

Other achievements in FY17 included: The debut of a new and improved online payment system; completion of a new large solar array to help power the utility's surface water treatment plant; successful rehabilitation of a well that had been taken off-line because of high arsenic levels; and groundbreaking on a major sewer realignment project in Southwest Albuquerque to improve flows and odor control. Meanwhile, an extensive multi-year, \$250 million refurbishment of the Southside Water Reclamation Plant in Albuquerque's South Valley continued apace. The Water Authority was elected to become part of the Executive Board of the Rio Grande Water Fund and was invited to participate in the Water Research Foundation Emerging Opportunities Program.

In calendar year 2016, the Southside Water Reclamation Plant (SWRP) qualified for the NACWA Silver Peak Performance Award and was recognized as a charter member of the AWWA-sponsored Partnership for Clean Water.

The SWRP continued to generate Renewable Energy Certificates using digester gas (containing methane) which is used to power a generator. The SWRP facility generated approximately 20% of its power requirements using digester gas and another 7% using renewable solar power from an on-site solar array.

Water Field Operations developed and submitted a five-year strategic plan which will assist the division in managing its operation and achieving goals/objectives. Water Field staff attended Excavation Safety training and confined space training with Water Authority Safety personnel.

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

## FY17 ACCOMPLISHMENTS

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The Compliance division prepared the National Pollutant Discharge Elimination System (NPDES) permit renewal application and presented it to the Region IV EPA. Staff began work on the revisions to the Cross Connection Ordinance and met with the community to obtain input for the revisions. The Water Quality program implemented electronic forms to document results from sanitary survey pre-inspections. The Water Quality Lab implemented a new Laboratory Information Management System (LIMS). The laboratory was accredited for Total Phosphorous Analysis, received A2LA Accreditation valid to July 31, 2018, and received NMED certification for Microbiological Analysis valid to April 5, 2019.

The Finance Accounting section submitted the FY16 Comprehensive Annual Financial Report (CAFR) to the Government Financial Officers Association (GFOA) for the Certificate of Achievement for Excellence in Financial Report program and the Popular Annual Financial Report (PAFR) program. Purchasing staff coordinated with all Water Authority divisions to establish Emergency Procurement Procedures and performed a comprehensive best practices analysis of the Purchasing Ordinance and alternatives for procurement legal framework. Budget staff submitted the FY17 Approved Budget to GFOA for the Distinguished Budget Presentation Award program.

The Customer Services program implemented the Wells Fargo online payment and Integrated Voice Response (IVR) system which simplified the user interface when making online payments and improved the IVR process for the Water Authority customers. Customer Services Field Operations implemented Phase 4 of the Automated Meter Infrastructure project which moved the utility to a 44% saturation of automated meters in the service area. The Large Meter Team tested 206 large meters, repairing 36 and replacing 57 and repaired 259 hydrant meters.

Information Technology (ITD) implemented Informacast, a VoIP and mobile paging system to provide a mass communication mechanism for Water Authority staff, implemented the Wasp Inventory Auditing and Barcoding System to allow for tracking of fixed assets, and completed an IT Disaster Recovery/Business Continuity Plan.

The upgrade and implementation CMMS system, Maximo, continued through FY17. 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.

The Risk/Safety program began a program of quarterly “all-hands” meetings, monthly safety team meetings and weekly meetings of Risk/Safety staff. The program also published a Personal Safety Policy, an annual training calendar, developed a New Employee program, an Ozone testing program, and worked with Water Authority staff to develop a monthly report to track respirator and ozone exams and annual testing.

Human Resources Wellness staff coordinated the annual Employee Safety picnic, offered various wellness/fitness challenges and programs, and installed blood pressure monitors at all Water Authority locations.

The certification training programs continued to develop employees’ knowledge and skills in various positions, including water and wastewater operations and maintenance, dispatch, and customer service. Sixty-eight employees were promoted throughout the Water Authority, thirteen employees completed their respective career ladders, thirty-seven employees received Train-the-Trainer certification, twenty-two employees completed a 40-hour New Supervisor class and seventeen supervisors completed the 64-hour Rocky Mountain AWWA Supervisory Leadership class.

## FY18 HIGHLIGHTS

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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 into the future with the primary source of supply being treated surface water from the DWP. The DWP provided 66% 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.



## FY18 HIGHLIGHTS

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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.

## FY18 HIGHLIGHTS

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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 as a result 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

## FY18 HIGHLIGHTS

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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) in order 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 1<sup>st</sup> 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.

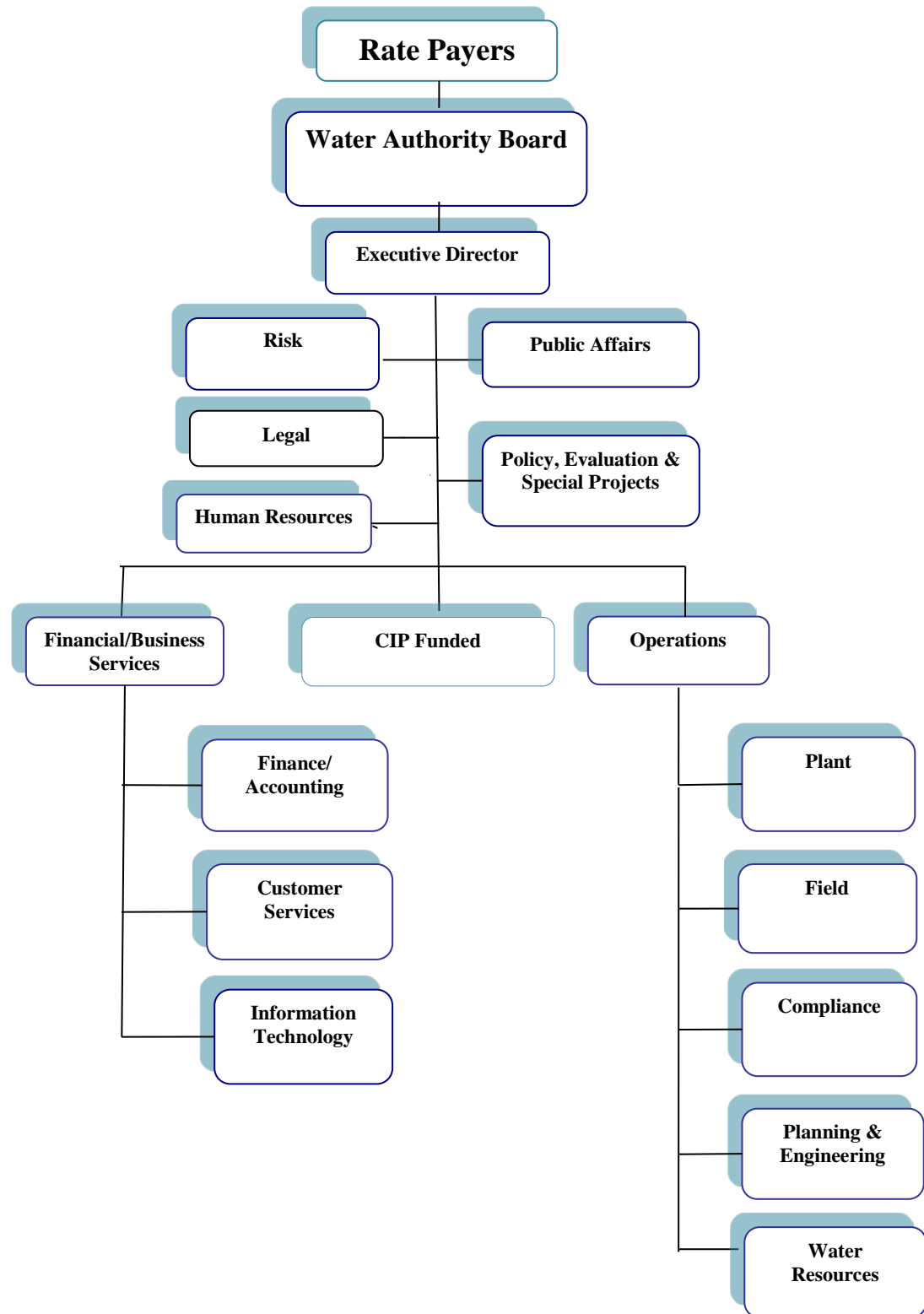
ITD will also continue to support and provide upgrades to SunGard, the financial/HR/payroll system, Cognos reporting, and Kronos, the enterprise timekeeping system.

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.

ORGANIZATION CHART

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## PREFACE

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NMSA 1978 Section 72-1-20, which created the Albuquerque Bernalillo County Water Utility Authority (Water Authority), along with Water Authority Ordinance O-04-6 requires the Executive Director to formulate the operating budget for the Water Authority. The Executive Director shall propose the budget to the Board at the April regularly scheduled meeting each year. The Water Authority Board then will approve or amend and approve the Executive Director's proposed budget, after the Board has received the budget and has deliberated on it, provided public notice and allowed for public input at or before the May regularly scheduled meeting.

Budget instructions are issued in January. A salary forecast is completed for review by staff. Expense data is accumulated at the current level and totals are reviewed to determine if other actions or changes in budget instructions must be made in order to achieve a balanced budget. Budget meetings are held with the Executive Director and Water Authority staff. During this process, divisions may request program expansions, offer plans for reducing costs, or revenue enhancements.

Appropriations are at the fund level, the level at which expenditures may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. Appropriations may be made or modified during the year by a legally adopted resolution. Appropriations revert to fund/working capital balance to the extent they have not been expended or encumbered at fiscal year-end.

Budget data is prepared consistent with the Water Authority's basis of accounting. The Water Authority's Enterprise Funds are on an accrual basis. Revenues are recorded in the accounting period in which earned, and expenses are recorded at the time liabilities are incurred. Transactions are recorded in individual funds. However, depreciation amortization and bad debt expense, although expensed in the accounting system, are not budget items in the Water Authority budget.

The Water Authority's Goals and Objectives focus on improving the Water Authority's operations and improving customer conditions. The goals are based on the American Water Works Association's (AWWA) business model using fifteen successful quality achievement programs. The FY18 Goals and Objectives have been submitted for approval to the Water Authority Board.

The Proposed Budget has 8 major sections. The **Budget Proposal & Financial Consolidations** section is designed as an overview. This section contains the Water Authority's Goals and Objectives, Strategic Planning process, Appropriations, and Proposed Issue Papers. The funds are presented with estimated ending balances for the current year. This section also includes the Financial Plan.

The **Revenue Outlook** section contains detailed information on the projected revenues and the **Economic Outlook** to be addressed in the coming year. This section also looks at the **Albuquerque Economy** as it relates to the budget.

The **Capital Budget** section explains the Water Authority's capital process, which is prepared on an annual basis. Anticipated capital projects and the expected operating impacts are discussed as well.

**Debt Obligations** and the **Appendix** complete the supporting documentation. The **Appendix** contains information that is useful to prepare or understand the budget, including definitions. There is also a brief explanation of the methodology used in the budget preparation.

The **Appropriations Legislation** section is a copy of the legislation that is submitted to the Water Authority Board along with this document. It must be passed as submitted or amended and passed by the Water Authority Board before the budget becomes law.

*BUDGET PROPOSAL  
&  
FINANCIAL CONSOLIDATIONS*

*Proposed  
Operating Budget  
FY18*

## MISSION AND OVERVIEW OF GOAL DEVELOPMENT

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The Albuquerque Bernalillo County Water Utility Authority (Water Authority) identifies resources to provide quality water in sufficient quantity, collect and treat wastewater to acceptable standards, provide professional utility engineering services, and provide utility customer services. The Water Authority operates and maintains water pump stations, reservoirs, wells, water lines, the Southside Water Reclamation Plant, the Soil Amendment Facility, sewage lift stations, odor control facilities, and sanitary sewer lines. The Water Authority also works to secure the region with a safe, adequate, and sustainable water supply.

### **Mission**

The mission of the Albuquerque Bernalillo County Water Utility Authority is to:

**Assure** responsive Customer Service.

**Provide** reliable, high quality, affordable and sustainable water supply, wastewater collection treatment, and reuse systems.

**Support** healthy, environmentally-sustainable, and economically-viable community.

### **Overview of Goal Development**

The Water Authority established Five-Year Goals and One-Year Objectives in 2005 to help guide its budget process and address priority issues. In addition, the Water Authority's Budget Ordinance specifies that the Water Authority shall annually review and adopt one-year objectives related to the five-year goals. The Ordinance also states that the Water Authority's operating budget shall be formulated by the Water Authority's Executive Director and 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 improvement budgets.

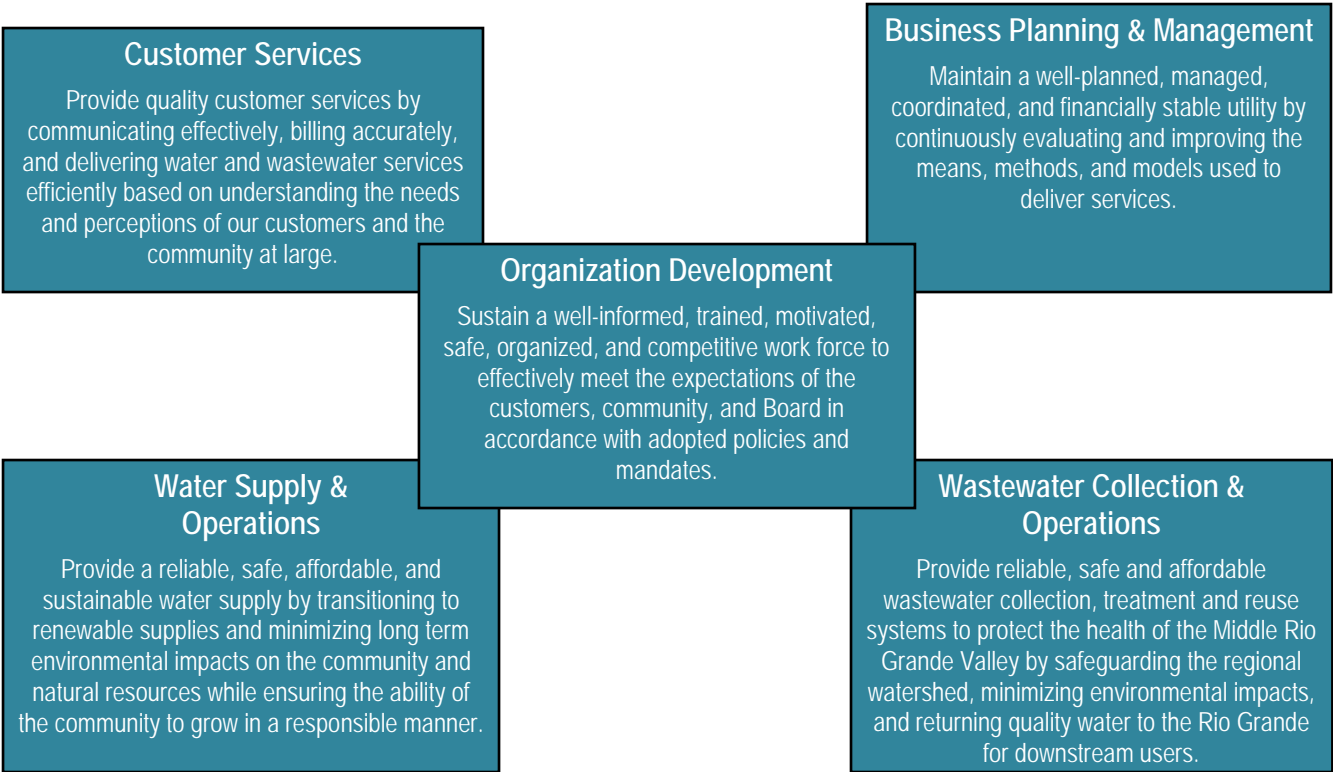
# FIVE-YEAR GOAL DEVELOPMENT

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The Five-Year Goals adopted by the Water Authority are based on the American Water Works Association’s (AWWA) business model using fifteen successful quality achievement programs, including the Malcolm Baldrige National Quality Award Program, the Deming Award, and the International Standards Organization series of quality standards. The model characterizes the work of the typical water and wastewater utility around five business systems: 1) Water Supply and Operations, 2) Wastewater Collections and Operations, 3) Customer Relations, 4) Business Planning and Management, and 5) Organization Development.

The Water Authority has participated in several continuous performance programs through AWWA including Benchmarking, Self-Assessment, and Peer Review. Since 2012, the Water Authority has incorporated the EPA’s Effective Utility Management (EUM) into its strategic planning process which is designed to help utilities to make practical, systematic changes to achieve excellence in performance. The Water Authority has been using the EUM’s Ten Attributes framework to identify areas for improvement.

## Water Authority’s Five-Year Goals & Guiding Goal Statements





## OVERVIEW OF ONE-YEAR OBJECTIVES

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The One-Year Objectives are categorized by the Water Authority's Five-Year Goal areas. The Water Authority has developed guiding goal statements for each goal area which explains the long-term desired result for that goal. The continuous performance programs mentioned above help the Water Authority to identify gaps in service delivery or performance. The Water Authority's performance measures are used to help monitor the Water Authority's performance and to develop performance targets. With the performance measures being used to identify gaps, the One-Year Objectives, which are policy directives from the Water Authority Board, are used to close performance or service delivery gaps and improved performance levels.

In addition to identifying areas of improvement, some of the Objectives are related to completing projects or improving programs. A few of the objectives are carried over from FY17 either because they require more time to complete or are ongoing issues.

## STRATEGIC PLANNING, BUDGETING AND IMPROVEMENT PROCESS

This diagram below shows the Water Authority's strategic planning process. It starts with long-range goals and short-term objectives which are linked to performance measures in the Performance Plan which help guide the budget process. This process is periodically evaluated by utility customers every two years through surveys and through the AWWA Benchmarking program. The benchmarking program allows the utility to benchmark its performance among 25 key performance indicators. In addition, Water Authority employees provide input on operational improvement and service delivery through the Asset Management Steering Committee. The Customer Advisory Committee provides input on the utility's policies, plans, and programs. More recently, the Water Authority has incorporated the EUM program into its strategic planning process which is designed to help utilities to make practical, systematic changes to achieve excellence in performance. The Water Authority has been using the EUM's Ten Attributes to select priorities for improvement, based on each organization's strategic objectives and the needs of the community it serves. All the strategic planning process components help fulfil the Water Authority's MISSION.



## FY18 GOALS AND OBJECTIVES

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The Five-Year Goals and One-Year Objectives are a component of the Strategic Planning, Budgeting and Improvement Process. The Goals and Objectives and performance measures from the Performance Plan help guide the operating and capital budgets in allocating the Water Authority's financial resources. The Performance Plan illustrates how the Five-Year Goals, One-Year Objectives, and performance measures are integrated through the use of the logic model in order to achieve service delivery and performance improvement. The Performance Plan discusses in detail how the Water Authority assesses its performance year to year, and how it compares its performance with that of other utilities. The integration of the performance measures and objectives are used to achieve the long-term desired results of the Water Authority's Five-Year Goals.

The Performance Plan may be viewed on the Authority's website at: [www.abcwua.org/Finances.aspx](http://www.abcwua.org/Finances.aspx)

Below is a summary of the Goals and Objectives for Fiscal Year 2018, as introduced to the Water Authority Board on March 22, 2017.

### **Goal 1: Water Supply and Operations**

*Provide a reliable, safe, affordable, and sustainable water supply by transitioning to renewable supplies and minimizing long term environmental impacts on the community and natural resources while ensuring the ability of the community to grow in a responsible manner.*

- Complete Ground Water Plant Preventive Maintenance to Corrective Maintenance ratio to at least 66% of all completed maintenance labor hours by the end of the 4th Quarter of FY18.
- Complete Surface Water Plant Preventive Maintenance to Corrective Maintenance ratio to at least 55% of all completed maintenance labor hours by the end of the 4th Quarter of FY18.
- Using the Automated Meter Infrastructure system, permanently install pressure sensors at key locations to continuously monitor and record the data in Pressure Zone 4ER by the end of the 1<sup>st</sup> Quarter of FY18; evaluate operation and maintenance costs by eliminating redundant pressure reducing valves by the end of the 4<sup>th</sup> Quarter of FY18.
- Continue distribution water loss program by locating water leaks from surveying 650 miles of small diameter water lines through conventional leak detection methods and 2,200 miles of small diameter water lines through acoustic leak detection by the end of the 4th Quarter of FY18.
- Maintain water use between 127 to 132 gallons per capita per day through the end of the 4<sup>th</sup> Quarter of FY18.
- Begin operation of the Large Scale Aquifer Storage and Recovery Demonstration Project and evaluate the project's progress through the end of the 4<sup>th</sup> Quarter of FY18.
- Establish a monitoring/tracking program for conservation education outreach to service area residents by the end of the 1<sup>st</sup> Quarter of FY18.
- Continue to implement Water 2120 and prepare a new water conservation plan and aquifer monitoring plan and report to the Board by the end of the 3<sup>rd</sup> Quarter of FY18. Prepare and present the environmental plan to the Board by the end of the 4<sup>th</sup> Quarter of FY18.
- Continue implementation of the Water Quality Protection Policy and Action Plan (WPPAP) including administrative, policy and technical support to the Water Quality Advisory Board (WPAB). Continue to monitor ongoing or new ground and surface water contamination sources and provide technical comments to preserve and protect the aquifer and surface water supplies in the Middle Rio Grande. Provide quarterly status reports through the 4<sup>th</sup> Quarter of FY18.
- Submit annual distribution and treatment data to the Partnership for Safe Water program for inclusion in the program's annual report of aggregated system water quality data; continue implementing action plans from the self-assessments through the end of the 4<sup>th</sup> Quarter of FY18.

## FY18 GOALS AND OBJECTIVES

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### **Goal 2: Wastewater Collection and Operations**

*Provide reliable, safe and affordable wastewater collection, treatment and reuse systems to protect the health of the Middle Rio Grande Valley by safeguarding the regional watershed, minimizing environmental impacts, and returning quality water to the Rio Grande for downstream users.*

- Limit overall permit excursions to no more than 5 operating discharge permit violations through the end of the 4<sup>th</sup> Quarter of FY18.
- Beneficially reuse biosolids by diverting 30% of the biosolids to compost through the end of the 4<sup>th</sup> Quarter of FY18.
- Complete Waste Water Plant Preventive Maintenance to Corrective Maintenance ratio to at least 60% of all completed maintenance labor hours by the end of the 4<sup>th</sup> Quarter of FY18.
- Continue implementation of the Reclamation Rehabilitation Asset Management Plan by planning, designing and constructing reclamation facility improvements through the end of the 4<sup>th</sup> Quarter of FY18.
- Install a pH adjustment station on east side of the Rio Grande to provide redundancy to the existing pH adjustment station on the west side, assist in meeting the pH limit for the Southside Reclamation Plant effluent, and maintain odor control at the plant and in the treated portion of the collection system by the end of the 4<sup>th</sup> Quarter of FY18.
- Televis and assess the condition of approximately five percent of the small diameter sanitary sewer system by the end of the 4<sup>th</sup> Quarter of FY18.
- Monitor compliance with the Water Authority's Cross Connection Prevention and Control Ordinance by continuing to inspect, monitor, and take enforcement action for users of backflow prevention devices; report activities and respective compliance rates through weekly, monthly, and quarterly reporting, while referencing past performance through the end of the 4<sup>th</sup> Quarter of FY18. Obtain a compliance rate goal of 75%.
- Monitor compliance with the Water Authority's Sewer Use and Wastewater Control Ordinance by continuing to inspect, monitor, and take enforcement action for permitted industrial users, septage waste haulers, food service establishments, and dental offices; report activities and respective compliance rates through weekly, monthly, and quarterly reporting, while referencing past performance through the end of the 4<sup>th</sup> Quarter of FY17. Compliance rate goal is 87% for each category.
- Implement the Fats, Oils, and Grease (FOG) Policy to reduce impacts on the sewer system by inspecting each Food Service Establishment (FSE) once every three years, working with the Collections section with Sanitary Sewer Overflow (SSOs) investigations, and convene FOG Task Force of other governmental entities to coordinate efforts to reduce FOG discharges. Track and report the number of SSOs due to FOG compared with previous years. In conjunction with Public Affairs Manager, develop a public relations campaign to inform rate-payers of Best Management Practices for FOG. Report campaign progress monthly and quarterly.
- In conjunction with the FOG campaign, include a Toilets Are Not Trashcans campaign focused on protecting the pipes, pumps, plants, and personnel by reducing the materials that are inappropriately flushed or drained into the sewer system through the end of the 4<sup>th</sup> Quarter of FY18.
- Continue work on the Partnership for Clean Water program for the water reclamation treatment to optimize system operations and performance; submit a self-assessment to AWWA by the end of the 4<sup>th</sup> Quarter of FY18.

### **Goal 3: Customer Services**

*Provide quality customer services by communicating effectively, billing accurately, and delivering water and wastewater services efficiently based on understanding the needs and perceptions of our customers and the community at large.*

- Improve customer satisfaction and operational efficiency in achieving the four call-center targets through the 4<sup>th</sup> Quarter of FY18: 1) Average Wait Time of less than 1:30 minutes; 2) Average Contact Time of less than 4 minutes; 3) Abandoned Call Ratio of less than 5; and 4) First Call Resolution of greater than 90%.



## FY18 GOALS AND OBJECTIVES

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- Improve customer satisfaction by achieving a billing accuracy ratio of less than 8 through the 4<sup>th</sup> Quarter of FY18.
- Implement ‘Project Round Up’ assistance program to assist area families facing difficulty paying their utility bills by the end of the 2<sup>nd</sup> Quarter of FY18. For this program, customers’ monthly utility bills are rounded up to the next highest dollar with donations routed to a third party.
- Evaluate all credit card payment transactions and provide recommendations for determining methods for reducing transaction fees by the end of the 3<sup>rd</sup> Quarter of FY18.
- Continue implementation of the Automated Meter Infrastructure (AMI) project by modernizing aging meter infrastructure with smart meters to increase revenue, support conservation efforts, and provide better customer service by the end of the 4<sup>th</sup> Quarter of FY18.
- Complete Customer Conversation meetings to engage customers and obtain input from customers on the Water Authority’s activities through the end of the 4<sup>th</sup> Quarter of FY18.
- Conduct outreach meetings, site tours, and activities to engage and educate legislators and neighborhood coalitions on services, policies and critical infrastructure projects on a quarterly basis.

### **Goal 4: Business Planning and Management**

*Maintain a well-planned, managed, coordinated, and financially stable utility by continuously evaluating and improving the means, methods, and models used to deliver services.*

- Expend \$52 million in water and wastewater capital rehabilitation and replacement programs to replace aging, high risk assets that are past their useful life by the end of the 4<sup>th</sup> Quarter of FY18. \$1 million shall be dedicated and used for identifying steel water pipes in critical or poor condition and rehabilitating or replacing at least 2 miles of small diameter steel water lines by the end of the 4<sup>th</sup> Quarter of FY18.
- Update the Comprehensive Asset Management Plan to determine the condition and criticality of the utility’s assets by the end of the 4<sup>th</sup> Quarter of FY18.
- Develop a vehicle asset management plan to better plan for capital replacement of vehicles by the end of the 4<sup>th</sup> Quarter of FY18.
- Finalize odor control measures at the Southside Water Reclamation Plant and prepare implementation plan and report to the Board by the end of the 1<sup>st</sup> Quarter of FY18.
- Implement landscape and sidewalk improvements along 2<sup>nd</sup> Street at the Southside Water Reclamation plant by the end of the 4<sup>th</sup> Quarter of FY18.
- Coordinate with Bernalillo County for funding to complete design and planning for the Los Padillas water system (South Valley Drinking Water Project Phase 7b). Apply for grant funding for construction of the water distribution system.
- Update the vulnerability assessment on utility facilities and systems and implement the most cost-effective measures to reduce risk for physical security, cyber security, and business activities by the end of the 4<sup>th</sup> Quarter of FY18.
- Complete installation of redundant network paths to all utility locations in order to reduce down time and increase efficiencies across all business units by the end of the 4<sup>th</sup> Quarter of FY18.
- Plan, assess, and upgrade SunGard enterprise financial system and complete the open enrollment module by the end of the 4<sup>th</sup> Quarter of FY18.
- Complete the upgrade to Maximo comprehensive asset management system to effectively and efficiently record and manage the maintenance and operation of the utility’s assets by the end of the 1<sup>st</sup> Quarter of FY18. Begin planning for Phase 2 of procurement and full cost accounting by the end of the 4<sup>th</sup> Quarter of FY18.
- Complete Phases 1 and 2 of upgrading the CC&B billing application by the end of the 4<sup>th</sup> Quarter of FY18.
- Evaluate the utility’s procurement code and implement best practices in updating purchasing policies and procedures by the end of the 4<sup>th</sup> Quarter of FY18.
- Evaluate the methodology of the Water Supply Charge and integrate the new rates into the Rate Ordinance by the end of the 4<sup>th</sup> Quarter of FY18.

## FY18 GOALS AND OBJECTIVES

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- Maintain the Compliance Division Regulatory Compliance Permit Matrix and the Regulatory Matrix Status Report to respectively maintain schedules for permit submittals and monitor and report emerging Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) regulations, New Mexico Water Quality Control Commission and Environmental Improvement Board regulations, and local laws ordinances, etc. to identify and assess potential impacts on the Water Authority. Provide quarterly reports through the end of the 4th Quarter of FY18.
- Collect, monitor, and report weekly, monthly and quarterly key laboratory performance metrics to include: WQL results approved and reported for each laboratory section (chemistry, microbiology, metals, and external labs), laboratory productivity (results reported per productive hour), and the percentage of results reported late (turnaround time (TAT)). Maintain performance levels at FY15 levels. Compare to industry benchmarks.
- Continue collection and analyses of the operational data necessary to determine and document the actual cost of service for laboratory services for the analytical methods within the Water Quality Laboratory scope of accreditation. The status of the data collection and analyses efforts will be reported quarterly. Use the collected data to update the laboratory prices.
- Continue to develop the data repository including coordinating with Plant Operations Division to develop reports generated from the Data Repository to provide new access to approved laboratory and field analytical instrument water quality analyses and user statistical analyses tools through the end of the 4<sup>th</sup> Quarter of FY18.
- Continue to develop the Environmental Monitoring Program to improve the reliability of results from field instrumentation and sample collection techniques. Develop a program plan based on designated ISO standard to address accreditation requirements to include standard operating procedures, document control and records management plans, and a process for demonstration of staff capability. Implement program plan by the end of the 2<sup>nd</sup> Quarter of FY18.
- Prepare for the American Association for Laboratory Accreditation (A2LA) annual assessment of the Water Quality Laboratory including completing required internal audits and annual review and revision of Standard Operating Procedures. Monitor and report findings each Quarter of FY18, along with progress made to address and resolve any deficiencies identified in the preceding quarter. Monitor and report weekly, monthly, and quarterly the number of Corrective Action Reports and the necessary time for completion of corrective actions.
- Gather and report on external subcontract laboratory costs that are processed by the Water Quality Lab (WQL). Improve how the WQL manages BR numbers from purchasing and sample ids generated in LabVantage and the corresponding invoices received from the external subcontract laboratories. Utilize the existing Compliance Division 'Database of Compliance' (DOC), and make available the cost of external subcontract laboratory analysis for reporting in COGNOS.
- Develop an incident and change management process for the Compliance Division Information Services using the cloud based Office 365 platform. The process will be used to track change request for information services such as LabVantage and the DOC. This involves creating automated workflows and interfaces between a variety of Office 365 applications including but not limited to Outlook, SharePoint, and OneDrive. Additional processes will be developed to track client inquiries for the WQL, and customer comments/complaints for the other Compliance Division programs.
- Monitor for Pharmaceuticals and Personal Care Products (PPCPs) in the source water, drinking water and wastewater. Compare PPCP concentrations before and after drinking water and wastewater treatment. Report the findings of this voluntary monitoring by the end of the 4<sup>th</sup> Quarter of FY18. Compare the results to historical monitoring performed in 2009-2010.

## FY18 GOALS AND OBJECTIVES

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### **Goal 5: Organizational Development**

*Sustain a well-informed, trained, motivated, safe, organized, and competitive work force to effectively meet the expectations of the customers, community, and Board in accordance with adopted policies and mandates.*

- Conduct an employee engagement and satisfaction survey by the end of the 2nd Quarter of FY18; communicate the survey results to employees by the end of the 4<sup>th</sup> Quarter of FY18.
- Maintain an average utility-wide vacancy rate of no greater than 5% through the end of FY18.
- Complete two employee wellness challenges per fiscal quarter focusing on nutrition, physical activity and weight loss, and disease and injury prevention to employees by the end of the 4<sup>th</sup> Quarter of FY18.
- Continue updating the Knowledge Management Strategy to assure that the right knowledge is systematically collected, stored, organized, and transferred to the appropriate employee in a timely and effective manner by the end of the 4<sup>th</sup> Quarter of FY18.
- Complete the standard operating procedures for the groundwater facilities by the end of the 4th Quarter of FY18.
- Reduce injury hours to 2,675 hours or less to improve productivity and reliability of services provided by employees by the end of the 4<sup>th</sup> Quarter of FY18.

## APPROPRIATIONS BY PROGRAM

The Albuquerque Bernalillo County Water Utility Authority can be examined by program. Comparing the revised budget for FY17 with the proposed FY18 budget shows changes in the Water Authority programs, excluding the interfund transfers.

((\$000's))	AUDITED FY16	ORIGINAL BUDGET FY17	REVISED BUDGET FY17	ESTIMATED ACTUAL FY17	PROPOSED BUDGET FY18	PROP 18/ REV 17 CHG
Administration	1,954	2,511	2,511	2,640	2,792	281
Legal/Risk	4,649	4,595	-	-	-	-
Risk	-	-	4,155	4,695	4,523	368
Legal	-	-	440	431	703	263
Human Resources	1,253	1,409	1,409	1,304	1,508	99
Finance	3,817	4,060	3,944	3,993	4,004	60
Customer Services	8,739	8,934	8,967	8,797	9,112	145
Information Technology	6,059	6,964	7,080	6,934	7,131	51
Wastewater Plant	11,320	11,412	11,361	11,282	11,680	319
San Juan-Chama Water Treatment Plant	3,176	3,387	3,487	3,422	3,639	152
Groundwater Operations	5,791	6,302	6,253	6,060	6,427	174
Wastewater Collection	6,281	6,480	6,480	6,413	6,758	278
Water Field Operations	18,965	19,898	19,898	19,853	20,129	231
Compliance	4,378	5,269	5,269	4,740	5,400	131
Water Resources Management	6,175	-	-	-	-	-
Planning & Engineering	-	2,854	3,124	2,971	3,390	266
Water Resources	-	4,267	3,964	3,787	3,872	(92)
Power & Chemicals	18,789	18,482	18,482	19,779	19,982	1,500
Taxes	8,397	8,768	8,768	8,440	9,292	524
Overhead	2,067	2,123	2,123	1,813	2,403	280
San Juan-Chama	2,226	2,247	2,247	2,260	2,247	-
<b>Total Enterprise Appropriations</b>	<b>114,039</b>	<b>119,962</b>	<b>119,962</b>	<b>119,613</b>	<b>124,992</b>	<b>5,030</b>

### Expenditures

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

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 \$3.0 million. Capital costs decrease by \$70,000. The interfund transfers increase by \$6.30 million which include an increase of \$6.0 million in the transfer to the capital fund and an increase of \$280,000 in the transfer to the debt service fund.

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

An additional \$2.0 million is proposed to increase the rate reserve fund balance. The Water Authority will also provide deferred UEC collections on up to 50 affordable housing units developed by non-profit housing developers.



## FY18 PROPOSED ISSUE PAPERS

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Proposed issue papers were submitted by Water Authority divisions. The list below identifies the issues and divisions affected.

<b>Water Authority Proposed Issue Papers - FY18</b>	
<b>Fund 21 - General Fund</b>	<b>1,390,099</b>
<b>Administration</b>	
Neighborhood Coalition Meetings	30,000
Vulnerability Assessment	100,000
COO's Office-Temporary Staffing	72,000
Risk WC and Other Claims Funding	565,000
Risk - Contract Services and O&M Funding	66,735
<b>Financial Services</b>	
BBER Subscription	6,000
Arbitrage Rebate Compliance Services	10,000
Transfer Systems Analyst II Position to COO's Office	-
<b>Plant</b>	
CCOPS 12-hr Shift Overtime Funding	25,000
SCADA Telvent Maintenance Contract Funding	27,000
<b>Field</b>	
WW Collections - Water/Wastewater Funding	57,192
Lift Stations - Wastewater Worker Position	80,009
<b>Water Resources</b>	
Reassign Leak Detection to Central Engineering	-
<b>General Government</b>	
3rd Party Insurance Funding	266,163
Tuition Reimbursement & Incentive programs	85,000
<b>TOTAL</b>	<b>1,390,099</b>

## CHANGES IN EMPLOYMENT

The proposed budget for FY18 shows an increase of one position, Wastewater Worker. In FY17, the Water Resources Management program was divided into two programs: Planning & Engineering and Water Resources; Legal/Risk was divided into separate programs. For FY18, the Leak Detection section is being moved from Water Resources to Planning & Engineering.

	<b>AUDITED FY16</b>	<b>ORIGINAL BUDGET FY17</b>	<b>REVISED BUDGET FY17</b>	<b>ESTIMATED ACTUAL FY17</b>	<b>PROPOSED BUDGET FY18</b>	<b>PROP 18/ REV 17 CHG</b>
POSITIONS:						
Administration	8	13	13	13	14	1
Legal/Risk	5	7	-	-	-	-
Risk	-	-	6	6	6	
Legal	-	-	1	1	1	
Human Resources	13	13	14	14	14	-
Finance	31.5	31.5	30.5	30.5	30.5	-
Customer Services	92	90	91	91	91	-
Information Technology	25	26	27	27	26	(1)
Wastewater Plant	99	92	92	92	92	-
San Juan-Chama Water Treatment Plant	26	28	30	30	30	-
Groundwater Operations	56	55	54	54	54	-
Wastewater Collection	60	61	61	61	62	1
Water Field Operations	117	124	124	124	124	-
Compliance	46	45.5	44.5	44.5	44.5	-
Water Resources Management	40	-	-	-	-	-
Planning & Engineering	-	23	24	24	26	2
Water Resources	-	16	13	13	11	(2)
General Government	9	7	7	7	7	0
<b>TOTAL FULL TIME POSITIONS</b>	<b>627.5</b>	<b>632.0</b>	<b>632.0</b>	<b>632.0</b>	<b>633.0</b>	<b>1.0</b>

## APPROPRIATIONS BY FUND

Details for Fund 21(General Fund) and Fund 31 (Debt Service Fund) can be found in the tables below.

(\$000's)	AUDITED FY16	ORIGINAL BUDGET FY17	REVISED BUDGET FY17	ESTIMATED ACTUAL FY17	PROPOSED BUDGET FY18	PROP 18/ REV 17 CHG
<b><u>GENERAL FUND - 21</u></b>						
Administration	1,954	2,511	2,511	2,640	2,792	281
Legal/Risk	4,649	4,595	-	-	-	-
Risk	-	-	4,155	4,695	4,523	368
Legal	-	-	440	431	703	263
Human Resources	1,253	1,409	1,409	1,304	1,508	99
Finance	3,817	4,060	3,944	3,993	4,004	60
Customer Services	8,739	8,934	8,967	8,797	9,112	145
Information Technology	6,059	6,964	7,080	6,934	7,131	51
Wastewater Plant	11,320	11,412	11,361	11,282	11,680	319
San Juan-Chama Water Treatment Plant	3,176	3,387	3,487	3,422	3,639	152
Groundwater Operations	5,791	6,302	6,253	6,060	6,427	174
Wastewater Collection	6,281	6,480	6,480	6,413	6,758	278
Water Field Operations	18,965	19,898	19,898	19,853	20,129	231
Compliance	4,378	5,269	5,269	4,740	5,400	131
Water Resources Management	6,175	-	-	-	-	-
Planning & Engineering	-	2,854	3,124	2,971	3,390	266
Water Resources	-	4,267	3,964	3,787	3,872	(92)
Power & Chemicals	18,789	18,482	18,482	19,779	19,982	1,500
Taxes	8,397	8,768	8,768	8,440	9,292	524
Overhead	2,067	2,123	2,123	1,813	2,403	280
San Juan-Chama	2,226	2,247	2,247	2,260	2,247	-
Trfr from General Fund 21 to Rehab Fund 28	15,000	21,000	21,000	21,000	27,000	6,000
Trfr from General Fund 21 to Debt Service Fund 31	72,842	70,628	70,628	70,628	70,908	280
<b>Subtotal General Fund - 21</b>	<b>201,881</b>	<b>211,590</b>	<b>211,590</b>	<b>211,241</b>	<b>222,900</b>	<b>11,310</b>
<b><u>DEBT SERVICE FUND - 31</u></b>						
Debt Service	71,906	76,264	76,264	71,166	70,993	(5,271)
Transfer to Growth Fund 29	5,000	4,474	4,474	5,000	6,000	1,526
<b>Subtotal Debt Service Fund - 31</b>	<b>76,906</b>	<b>80,738</b>	<b>80,738</b>	<b>76,166</b>	<b>76,993</b>	<b>(3,745)</b>
<b>TOTAL</b>	<b>278,787</b>	<b>292,328</b>	<b>292,328</b>	<b>287,407</b>	<b>299,893</b>	<b>7,565</b>
<b>TOTAL WATER AUTHORITY APPROPRIATIONS</b>	<b>278,787</b>	<b>292,328</b>	<b>292,328</b>	<b>287,407</b>	<b>299,893</b>	<b>7,565</b>
Interfund Adjustment	(72,842)	(70,628)	(70,628)	(70,628)	(70,908)	(280)
<b>NET WATER AUTHORITY APPROPRIATIONS</b>	<b>205,945</b>	<b>221,700</b>	<b>221,700</b>	<b>216,779</b>	<b>228,985</b>	<b>7,285</b>

## APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY16	ORIGINAL BUDGET FY17	REVISED BUDGET FY17	ESTIMATED ACTUAL FY17	PROPOSED BUDGET FY18	PROP 18/ REV 17 CHG
<b><u>GENERAL FUND - 21</u></b>						
<b>100 WATER AUTHORITY:</b>						
005 Executive Director	1,429	1,483	1,483	1,508	1,439	(44)
006 COO's Office	525	1,028	1,028	1,131	1,353	325
<b>PROGRAM APPROPRIATION</b>	<b>1,954</b>	<b>2,511</b>	<b>2,511</b>	<b>2,640</b>	<b>2,792</b>	<b>281</b>
<b>105 RISK:</b>						
010 Legal/Risk	4,649	4,595	-	-	-	-
010 Risk	-	-	4,155	4,695	4,523	368
<b>PROGRAM APPROPRIATION</b>	<b>4,649</b>	<b>4,595</b>	<b>4,155</b>	<b>4,695</b>	<b>4,523</b>	<b>368</b>
<b>106 LEGAL:</b>						
011 Legal	-	-	440	431	703	263
<b>PROGRAM APPROPRIATION</b>	<b>-</b>	<b>-</b>	<b>440</b>	<b>431</b>	<b>703</b>	<b>263</b>
<b>110 HUMAN RESOURCES:</b>						
015 Human Resources	1,253	1,409	1,409	1,304	1,508	99
<b>PROGRAM APPROPRIATION</b>	<b>1,253</b>	<b>1,409</b>	<b>1,409</b>	<b>1,304</b>	<b>1,508</b>	<b>99</b>
<b>120 FINANCE:</b>						
020 Finance	3,817	4,060	3,944	3,993	4,004	60
<b>PROGRAM APPROPRIATION</b>	<b>3,817</b>	<b>4,060</b>	<b>3,944</b>	<b>3,993</b>	<b>4,004</b>	<b>60</b>
<b>130 CUSTOMER SERVICES:</b>						
025 Customer Services & Billing	4,516	4,654	4,687	4,447	4,729	42
030 CS Meter Reading	1,963	-	-	2	-	-
031 Customer Service Field	2,260	4,280	4,280	4,347	4,383	103
<b>PROGRAM APPROPRIATION</b>	<b>8,739</b>	<b>8,934</b>	<b>8,967</b>	<b>8,797</b>	<b>9,112</b>	<b>145</b>
<b>140 INFORMATION TECHNOLOGY:</b>						
035 Information Technology	6,059	6,964	7,080	6,934	7,131	51
<b>PROGRAM APPROPRIATION</b>	<b>6,059</b>	<b>6,964</b>	<b>7,080</b>	<b>6,934</b>	<b>7,131</b>	<b>51</b>
<b>150 WASTEWATER PLANT:</b>						
040 WW Plant Administration	217	293	293	266	294	1
045 WW Cogen	552	961	1,012	1,000	1,045	33
050 WW Mechanical	4,476	4,272	4,221	4,067	4,381	160
055 WW Plant Operations	4,189	4,149	4,098	4,261	4,245	147
060 WW MDC	45	63	63	64	63	-
065 WW SAF	1,805	1,529	1,529	1,579	1,565	36
070 WW Warehouse	8	19	19	10	11	(8)
115 South Reuse	29	126	126	35	76	(50)
<b>PROGRAM APPROPRIATION</b>	<b>11,320</b>	<b>11,412</b>	<b>11,361</b>	<b>11,282</b>	<b>11,680</b>	<b>319</b>
<b>160 SJC WATER TREATMENT PLANT:</b>						
075 San Juan-Chama Water Treatment Plant	3,116	3,317	3,417	3,353	3,569	152
100 College Arsenic Treatment	59	70	70	68	70	-
<b>PROGRAM APPROPRIATION</b>	<b>3,176</b>	<b>3,387</b>	<b>3,487</b>	<b>3,422</b>	<b>3,639</b>	<b>152</b>

## APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY16	ORIGINAL BUDGET FY17	REVISED BUDGET FY17	ESTIMATED ACTUAL FY17	PROPOSED BUDGET FY18	PROP 18/ REV 17 CHG
<b>170 GROUNDWATER SYSTEM:</b>						
085 WA Wells, PS, Boosters, Reservoirs	3,343	3,640	3,648	3,458	3,733	85
090 GW Treatment	1,291	1,315	1,315	1,319	1,351	36
095 WA Control System Operators	733	802	753	769	735	(18)
096 SCADA	393	516	516	504	587	71
105 WA MDC	26	8	-	-	-	-
110 North Reuse	5	21	21	10	21	0
<b>PROGRAM APPROPRIATION</b>	<b>5,791</b>	<b>6,302</b>	<b>6,253</b>	<b>6,060</b>	<b>6,427</b>	<b>174</b>
<b>180 WASTEWATER COLLECTIONS:</b>						
120 WW Gravity	4,503	4,677	4,677	4,575	4,803	126
125 WW Lift Station Operations	1,778	1,803	1,803	1,838	1,955	152
<b>PROGRAM APPROPRIATION</b>	<b>6,281</b>	<b>6,480</b>	<b>6,480</b>	<b>6,413</b>	<b>6,758</b>	<b>278</b>
<b>190 WATER FIELD OPERATIONS:</b>						
126 Fleet Maintenance	3,602	3,866	3,906	3,540	3,896	(10)
130 WA Customer Requests	521	633	643	604	599	(44)
135 WA Distribution Lines	13,298	13,681	13,631	14,101	13,832	201
140 WA Meter NS/REP	(78)	-	-	-	-	-
145 WA Field Administration	1,623	1,718	1,718	1,607	1,802	84
<b>PROGRAM APPROPRIATION</b>	<b>18,965</b>	<b>19,898</b>	<b>19,898</b>	<b>19,853</b>	<b>20,129</b>	<b>231</b>
<b>200 COMPLIANCE:</b>						
150 Laboratory	2,041	2,304	2,304	1,979	2,353	49
155 NPDES	1,277	1,651	1,651	1,508	1,669	18
160 Water Quality	1,060	1,314	1,314	1,254	1,378	64
<b>PROGRAM APPROPRIATION</b>	<b>4,378</b>	<b>5,269</b>	<b>5,269</b>	<b>4,740</b>	<b>5,400</b>	<b>131</b>
<b>210 WATER RESOURCES MGMT:</b>						
165 Central Engineering	1,688	-	-	-	-	-
170 One Stop Shop Enterprise	254	-	-	-	-	-
175 Maps & Records	429	-	-	-	-	-
180 Water Resources Planning	892	-	-	-	-	-
185 Water Conservation	2,840	-	-	-	-	-
190 Groundwater Protection	72	-	-	-	-	-
195 Arsenic Removal	0	-	-	-	-	-
<b>PROGRAM APPROPRIATION</b>	<b>6,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>211 PLANNING &amp; ENGINEERING:</b>						
165 Central Engineering	-	1,835	2,105	2,005	2,345	240
170 One Stop Shop Enterprise	-	429	429	424	435	6
175 Maps & Records	-	542	542	527	562	20
195 Arsenic Removal	-	48	48	16	48	-
<b>PROGRAM APPROPRIATION</b>	<b>-</b>	<b>2,854</b>	<b>3,124</b>	<b>2,971</b>	<b>3,390</b>	<b>266</b>
<b>212 WATER RESOURCES:</b>						
180 Water Resources Planning	-	1,027	757	677	1,891	1,134
185 Water Conservation	-	2,909	2,876	2,953	1,747	(1,129)
190 Groundwater Protection	-	331	331	157	234	(97)
<b>PROGRAM APPROPRIATION</b>	<b>-</b>	<b>4,267</b>	<b>3,964</b>	<b>3,787</b>	<b>3,872</b>	<b>(92)</b>

## APPROPRIATIONS BY FUND - DETAIL

(\$000's)	AUDITED FY16	ORIGINAL BUDGET FY17	REVISED BUDGET FY17	ESTIMATED ACTUAL FY17	PROPOSED BUDGET FY18	PROP 18/ REV 17 CHG
<b>220 GENERAL GOVERNMENT:</b>						
200 Power	11,091	11,541	11,541	11,376	11,541	-
206 SJCWTP Chemicals	4,879	3,896	3,896	4,738	4,496	600
207 GW Chemicals	129	262	262	135	262	-
208 WW Treatment Chemicals	719	875	875	678	875	-
209 Collections Chemicals	1,972	1,908	1,908	2,851	2,808	900
<b>PROGRAM APPROPRIATION</b>	<b>18,789</b>	<b>18,482</b>	<b>18,482</b>	<b>19,779</b>	<b>19,982</b>	<b>1,500</b>
200 Taxes	8,397	8,768	8,768	8,440	9,292	524
<b>PROGRAM APPROPRIATION</b>	<b>8,397</b>	<b>8,768</b>	<b>8,768</b>	<b>8,440</b>	<b>9,292</b>	<b>524</b>
200 Overhead	894	802	802	710	988	186
205 Early Retirement	238	400	400	188	400	-
210 CIP Funded Employees	935	921	921	915	1,015	94
<b>PROGRAM APPROPRIATION</b>	<b>2,067</b>	<b>2,123</b>	<b>2,123</b>	<b>1,813</b>	<b>2,403</b>	<b>280</b>
<b>230 SAN JUAN-CHAMA:</b>						
215 San Juan-Chama	2,226	2,247	2,247	2,260	2,247	-
<b>PROGRAM APPROPRIATION</b>	<b>2,226</b>	<b>2,247</b>	<b>2,247</b>	<b>2,260</b>	<b>2,247</b>	<b>-</b>
<b>TRANSFER FROM FUND 21 TO 28</b>						
200 General Government	15,000	21,000	21,000	21,000	27,000	6,000
<b>PROGRAM APPROPRIATION</b>	<b>15,000</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>27,000</b>	<b>6,000</b>
<b>TRANSFER FROM FUND 21 TO 31</b>						
200 General Government	72,842	70,628	70,628	70,628	70,908	280
<b>PROGRAM APPROPRIATION</b>	<b>72,842</b>	<b>70,628</b>	<b>70,628</b>	<b>70,628</b>	<b>70,908</b>	<b>280</b>
<b>DEBT SERVICE FUND - 31</b>						
<b>250 DEBT SERVICE</b>						
230 DS - NM Loans	11,225	13,178	13,178	13,178	6,855	(6,323)
240 DS - Revenue Bonds	60,681	63,086	63,086	63,086	64,138	1,052
<b>PROGRAM APPROPRIATION</b>	<b>71,906</b>	<b>76,264</b>	<b>76,264</b>	<b>76,264</b>	<b>70,993</b>	<b>(5,271)</b>
<b>260 UEC TRANSFER</b>						
245 DS - UEC Transfer	5,000	4,474	4,474	4,474	6,000	1,526
<b>PROGRAM APPROPRIATION</b>	<b>5,000</b>	<b>4,474</b>	<b>4,474</b>	<b>4,474</b>	<b>6,000</b>	<b>1,526</b>



# FINANCIAL PLAN

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The following table is the financial plan for Fund 21 (General Fund). The plan displays financial projections from FY17 thru FY26. This plan takes into account the Water Authority’s Capital needs, Debt Service needs, revenue sources and expenditures. The Financial Plan helps the Water Authority plan for future potential expenditure levels in both operating and capital and compare them to the estimated revenue resources for each projected Fiscal Year. The plan shows the effects of the budget on the Water Authority’s Future Working Capital and provides a tool to project future budget needs for the Utility. Based upon this financial plan, the Water Authority forecasts the rate revenue adjustment of 5% that is proposed to the Board for FY18.

# FINANCIAL PLAN

## Operating Fund

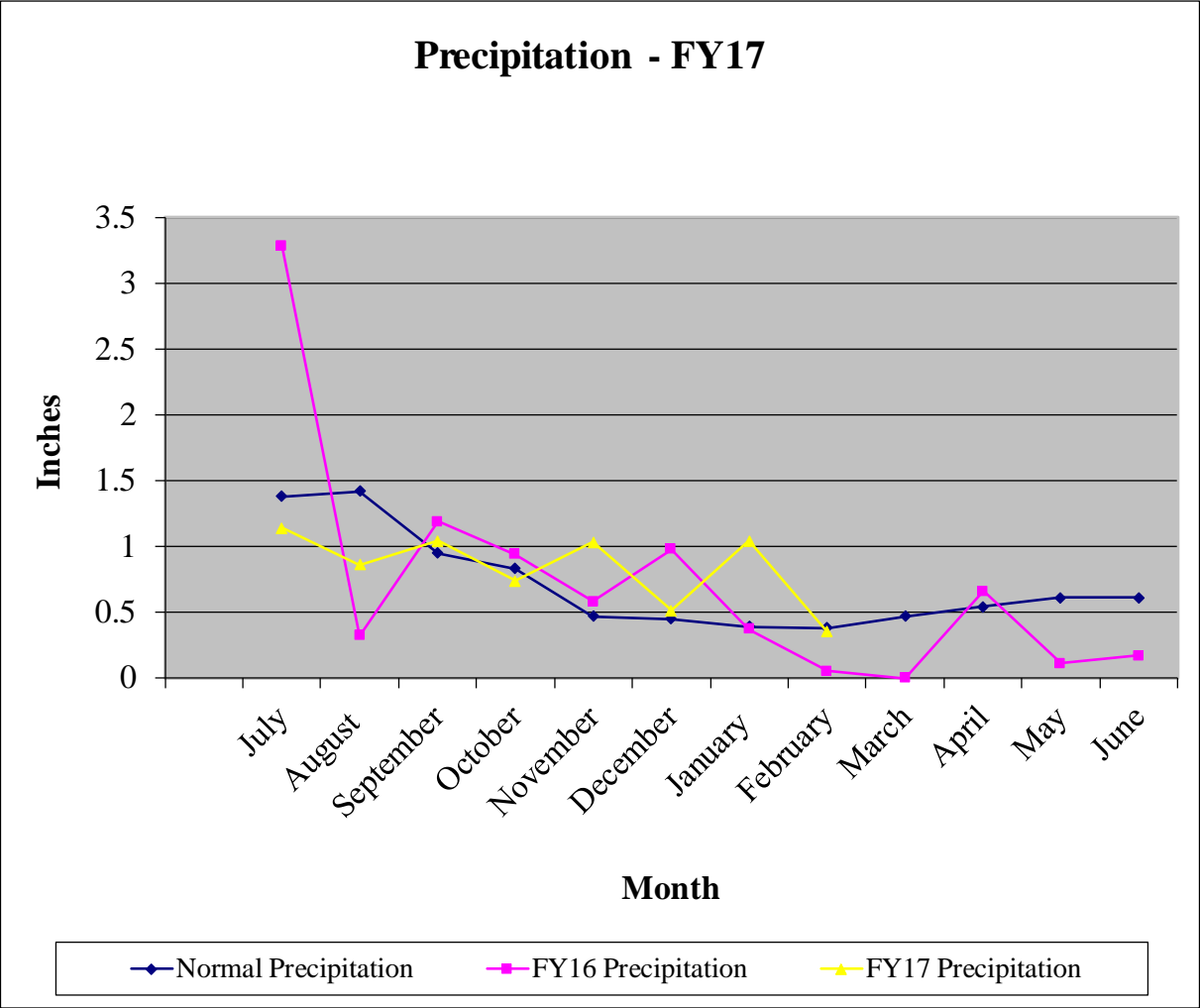
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Capital Funds</b>										
Needs: Basic (Min 50% cash Trans)	37000	37000	37000	37000	37000	37000	37000	37000	37000	37000
Increase for Rehab/Asset Mgt F	6000	9000	12000	15000	18000	21000	24000	27000	30000	30000
Water Reclamation	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Advanced Rehab	10000	3000								
Steel Line	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
AMI	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
CC&B	0	2000	0	0	0					
<b>Resources:</b>										
Beginning Bal.	28988	11588	45688	15788	42888	12988	38088	8188	35288	7388
Trf. from Operating	21000	27000	27000	31000	33000	37000	39000	45000	47000	47000
Trf. from Debt Service	4000	6000	4000	4000	4000	4000	4000	4000	4000	4000
Bond Proceeds	10000	61000		56000	0	54000		54000		54000
Bond Proceeds Yucca/Central										
Adjustments	2500									
First Year is 6mos. (y/n)	n	n	n	n	n	n	n	n	n	n
<b>Subtotal</b>	66488	105588	76688	106788	79888	107988	81088	111188	86288	112388
Interest on Above	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100
<b>Total</b>	67588	106688	77788	107888	80988	109088	82188	112288	87388	113488
<b>Balance June 30</b>	11588	45688	15788	42888	12988	38088	8188	35288	7388	33488
<b>Debt Service Fund</b>										
<b>Resources:</b>										
Interest Income	100	100	100	100	100	100	100	100	100	100
UECs	8000	8000	8000	8000	8000	8000	8000	8000	9000	9000
Transfer from 621	70615	70908	75131	79547	75559	80751	72350	75352	73298	72274
Adjustments/Misc										
Bg. Fund Balance	7173	7188	7188	6188	4188	4188	4188	2188	2188	2188
<b>Total</b>	85888	86196	90419	93835	87847	93039	84638	85640	84586	83562
<b>Expenditures:</b>										
Agent Fees	15	15	15	15	15	15	15	15	15	15
Trf to Capital	4000	8000	4000	4000	4000	4000	4000	4000	4000	4000
Debt Service	75168	70993	80216	79932	73944	73836	67435	62937	61883	56359
Advanced Rehab	1035									
FY/26 Bond Proceeds										5500
FY/24 Bond Proceeds								5500	5500	5500
FY/20 Bond Proceeds				5700	5700	5500	5500	5500	5500	5500
FY/22 Bond Proceeds						5500	5500	5500	5500	5500
<b>Total</b>	80218	79008	84231	89647	83659	88851	82450	83452	82398	82374
<b>Fund Balance</b>	7188	7188	6188	4188	4188	4188	2188	2188	2188	1188
<b>Operating Fund</b>										
<b>Resources</b>										
<b>Total</b>	224286	241795	247522	257031	257087	267170	266994	277933	279365	279703
<b>Expenditures</b>										
<b>Total</b>	212390	225295	231667	242298	240564	252051	248329	259713	262084	263527
<b>Resources over Comm.</b>	11896	16500	15855	14733	16523	15120	18664	18219	17282	16176
<b>Rate Increases</b>	0.00%	5.00%	0.00%	4.50%	0.00%	3.50%	0.00%	3.00%	0.00%	0.00%
<b>Accum. Inc. from 2004</b>	21.0%	26.0%	26.0%	30.5%	30.5%	34.0%	34.0%	37.0%	37.0%	37.0%
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026

## *REVENUE OUTLOOK*

*Proposed  
Operating Budget  
FY18*

# PRECIPITATION HISTORY

A history of the precipitation for FY16 and FY17 as compared to the average moisture that the service area has received since the beginning of the fiscal year is seen in the chart below.



## REVENUE OUTLOOK

The Water Authority's revenue projections are summarized in the two tables included in this section. Table 1, General Fund 21, presents the operating budgeted revenue for FY18 as compared to budget FY17. Table 2, Debt Service Fund 31, also provides for the same comparison as Table 1. For FY16, the actual audited results are reported, and for FY17, budgeted revenues and estimated actual are reported as well.

Total Water Authority operating fund revenues for FY17 are anticipated to be \$218.5 million. The system has seen minimal growth in the service area.

Budgeted total Water Authority Operating Revenues for FY18 are \$229.9 million representing increase of \$12.9 million over the revised budgeted FY17 amount, due to increases in rate revenue.

The revenue increase for FY18 in the Debt Service Fund is projected to be \$.280 million. In FY17, the Water Authority issued new bonds which included refinancing the 2009 bond issue and redeemed, in full, all current outstanding Super Subordinate loans with the New Mexico Finance Authority.

### GENERAL FUND 21

(\$000's)	AUDITED FY16	ORIGINAL BUDGET FY17	REVISED BUDGET FY17	ESTIMATED ACTUAL FY17	PROPOSED BUDGET FY18	PROP 18/ REV 17 CHG
<b>RESOURCES:</b>						
Rate Revenue						
Water Service	103,597	87,677	87,677	87,677	90,578	2,901
Water Facilities Rehab	31,805	30,902	30,902	32,402	32,402	1,500
Wastewater Service	41,103	54,124	54,124	54,124	62,829	8,705
Wastewater Facilities Rehab	26,975	25,562	25,562	25,562	25,562	-
Contr/Aid/Hookups	434	375	375	375	375	-
Water Resources Management	4,222	4,500	4,500	4,500	4,500	-
<b>Total Rate Revenue</b>	<b>208,136</b>	<b>203,140</b>	<b>203,140</b>	<b>204,640</b>	<b>216,246</b>	<b>13,106</b>
Other Revenue						
Solid Waste Admin Fee	1,339	1,401	1,401	1,401	1,480	79
DMD Admin Fee	-	349	349	349	348	(1)
Interest on Investments	155	100	100	100	100	-
PNM Pass Thru	326	-	-	-	-	-
Miscellaneous Revenue	3,052	2,970	2,970	2,970	2,077	(893)
<b>Total Other Revenue</b>	<b>4,873</b>	<b>4,820</b>	<b>4,820</b>	<b>4,820</b>	<b>4,005</b>	<b>(815)</b>
Franchise Fee Revenue						
Franchise Fee - City	7,337	7,380	7,380	7,380	7,857	477
Franchise Fee - Valley	652	649	649	649	691	42
Franchise Fee - Rio Rancho	1	1	1	1	1	-
Franchise Fee - Los Ranchos	81	81	81	81	86	5
<b>Total Franchise Fee Revenue</b>	<b>8,072</b>	<b>8,111</b>	<b>8,111</b>	<b>8,111</b>	<b>8,635</b>	<b>524</b>
Transfers from Other Funds						
CIP Funded Employees	792	921	921	921	1,014	93
<b>Total Transfers</b>	<b>792</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>1,014</b>	<b>93</b>
Total Current Resources	221,872	216,992	216,992	218,492	229,900	12,908
Beginning Working Capital Balance	(8,722)	6,356	6,356	6,356	11,758	5,402
<b>TOTAL RESOURCES</b>	<b>213,151</b>	<b>223,348</b>	<b>223,348</b>	<b>224,848</b>	<b>241,658</b>	<b>18,310</b>

Note: The beginning working capital balance does not include GASB 45 or the rate reserve.

## REVENUE OUTLOOK

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### DEBT SERVICE FUND 31

	<b>AUDITED</b>	<b>ORIGINAL</b>	<b>REVISED</b>	<b>ESTIMATED</b>	<b>PROPOSED</b>	<b>PROP 18/</b>
<b>(\$000's)</b>	<b>FY16</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>BUDGET</b>	<b>REV 17</b>
		<b>FY17</b>	<b>FY17</b>	<b>FY17</b>	<b>FY18</b>	<b>CHG</b>
RESOURCES:						
Miscellaneous Revenues:						
Expansion Charges (UEC)	9,257	8,000	8,000	8,000	8,000	0
Total Miscellaneous Revenues	9,257	8,000	8,000	8,000	8,000	0
Transfer from Other Funds:						
Rehab - 28	-	-	-	-	-	-
General - 21	72,842	70,628	70,628	70,628	70,908	280
Total Transfers	72,842	70,628	70,628	70,628	70,908	280
Total Current Resources	82,099	78,628	78,628	78,628	78,908	280
Beginning Fund Balance	48,798	54,576	54,576	54,576	52,466	(2,110)
TOTAL RESOURCES	130,897	133,204	133,204	133,204	131,374	(1,830)



The following is based on the January 2017 forecasts from IHS Global Insight (IHS). Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios.

### **NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK**

The national economy influences the Albuquerque and New Mexico economy in a variety of ways. Interest rates affect purchasing and construction. Federal government spending affects the local economy through spending and employment at the federal agencies, the national labs and military bases. Inflation affects prices of local purchases and wages and salaries of employees.

#### **Baseline Scenario**

The baseline forecast reflects a probability of 65%, the real GDP is stronger than its previous forecast with the differences sharpest for 2018. GDP is expected to grow by 2.3% in 2017 and 2.6% in 2018.

The key assumptions include:

- Federal funds rate of 1.50% by the end of 2017, 2.25% by end-2018 and 3.00% by end-2019. Higher rates will result in a 3.2% appreciation of the trade-weighted dollar by end-2017.
- GDP growth among major-currency trading partners averaging 1.7% annually from 2017 through 2027. GDP growth among other trade partners will average 3.5% over the same period.
- Oil prices to average \$53.20/barrel in 2017, 23% higher than the 2016 average; \$55.65/barrel in 2018, increasing an average of \$7/barrel over the final five years of the forecast.

Inflation measured by the Consumer Price Index for All Urban Consumers SAAR, has generally been subdued. Inflation will stay tame but above 2.0% in the near term; after coming in nearly flat in 2015 and only increasing 1.3% in 2016. Global Insight projects that prices will rise 2.5% in 2017, 2.1% in 2018 and then around 2.6% annually through 2022. Personal income growth came in at 4.4% in 2015, growth slowed significantly to 3.5 in 2016. Weak growth is due to slow growth of investment income and continued softness of wage and salary growth. Income growth should bounce back to 4.6% in 2017 and accelerate to 5.2% in 2018 and 2019.

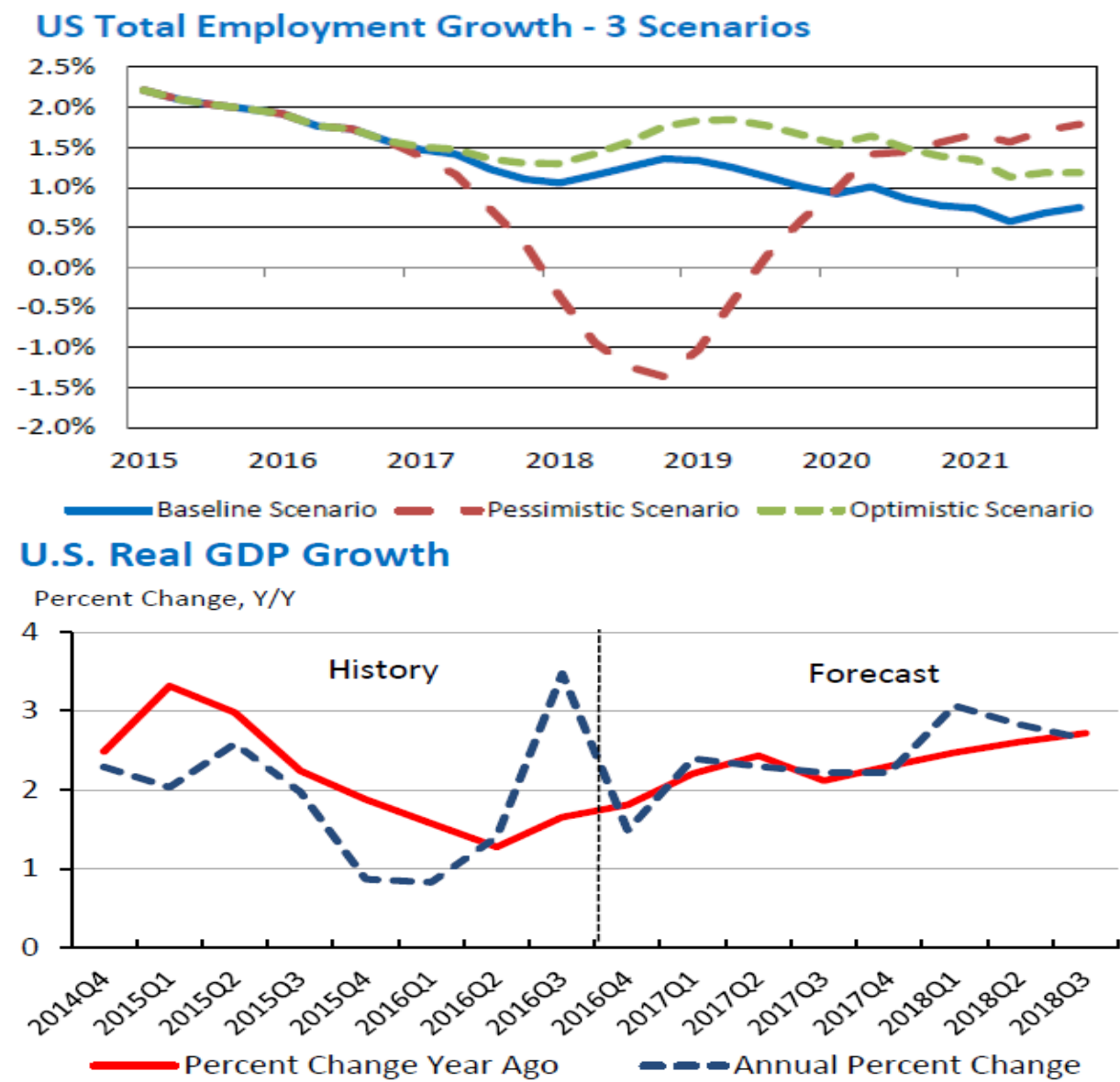
#### **Pessimistic Scenario**

The pessimistic scenario is assigned a probability of 20%. In this scenario, GDP expands 1.3% in 2017, before contracting 1.1% in 2018, resulting from strained trade relations. Consumer spending gains momentum 2.3% in 2017, before slowing to 0.5% growth in 2018 as economy stumbles. Consumer confidence plunges 25 points from third-quarter 2017 to a low in second-quarter 2018, which is below baseline. Brent crude oil shoots up past \$70 in mid-2017 as OPEC cuts oil production and cautious US produces increase production slightly. Modest demand-side growth sends headline inflation to a peak of 3.7 % in third-quarter 2017.

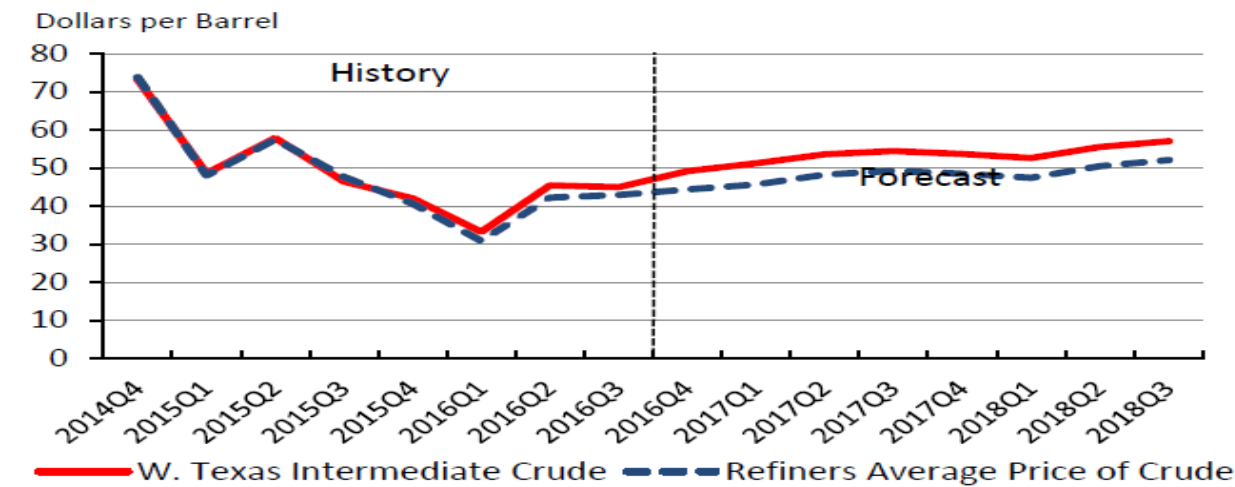
#### **Optimistic Scenario**

The optimistic scenario is assigned a probability of 15%. In this scenario, GDP growth of 2.8% in 2017 and then 3.4% in 2018. This is attributed to a potential boost in supply and demand side of the economy that the new presidential administration could create. Consumer spending climbs 3.2% in 2017 and 3.6% in 2018 thanks to higher incomes and lower inflation. Consumer confidence outperforms baseline for almost the entire forecast interval. And inflation (CPI) shows core prices rise, peaking at 3.0% in first-quarter 2019 and then falling steadily until 2022.

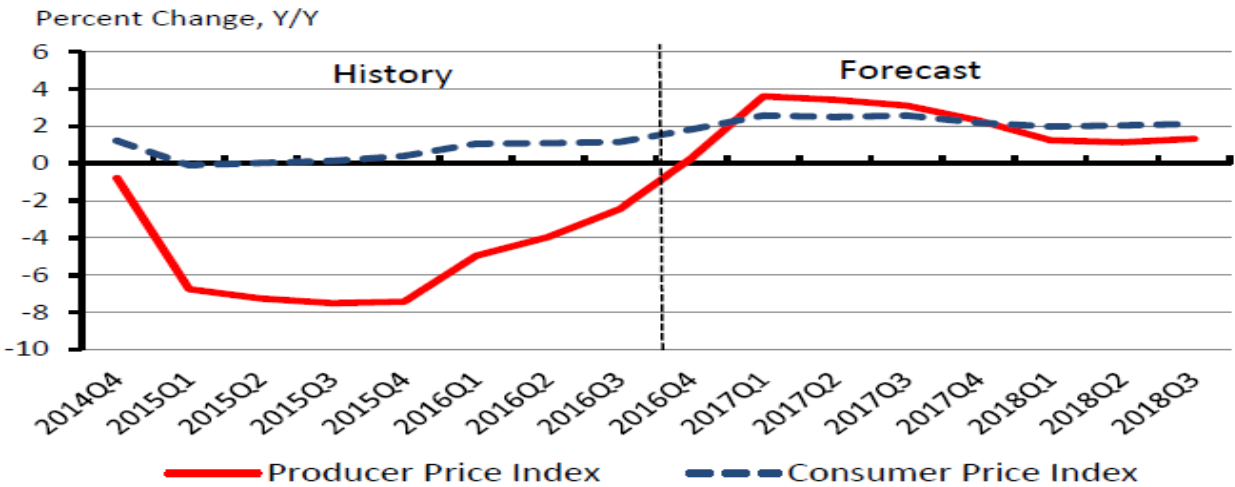
The following charts provide information on some of the key measures in the forecast.



Oil Prices



Inflation



## ALBUQUERQUE ECONOMIC OUTLOOK

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The outlook for the Albuquerque economy is developed by the Bureau of Business and Economic Research (BBER) at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts of the state and local economy. The BBER FOR-UNM forecasting model for January 2017 provides the forecast of the Albuquerque economy that is presented in the following section.

### Albuquerque MSA Employment

According to the most recent data from the Current Employment Statistics (CES), the Albuquerque MSA economy forecast points to slowing growth for the remainder of the year. In the third and fourth quarters of 2016, growth in the Metropolitan Statistical Area (MSA) slowed by 1.2%.

Moving forward to 2017, the total employment in the Albuquerque MSA is forecasted to advance 1.1%. The private sector is forecasted to add 1.8% for the year and the government sector, on the other hand, is expected to lose -0.5% in the year. Large contributors of growth include the healthcare and social assistance sector jobs with a 2.9% increase. BBER has slowed the growth in this sector due to the uncertainty related to the scale back of the Affordable Care Act.

The construction sector is forecasted to add 2.1% in 2017 for that sector's fifth consecutive year of job creation. In 2017 employment in this sector is only expected to average about 21,000 persons, which is below the 2006 peak of 32,000 persons. Construction was a sector that was hit harder than the rest, but it is slowly inching upwards.

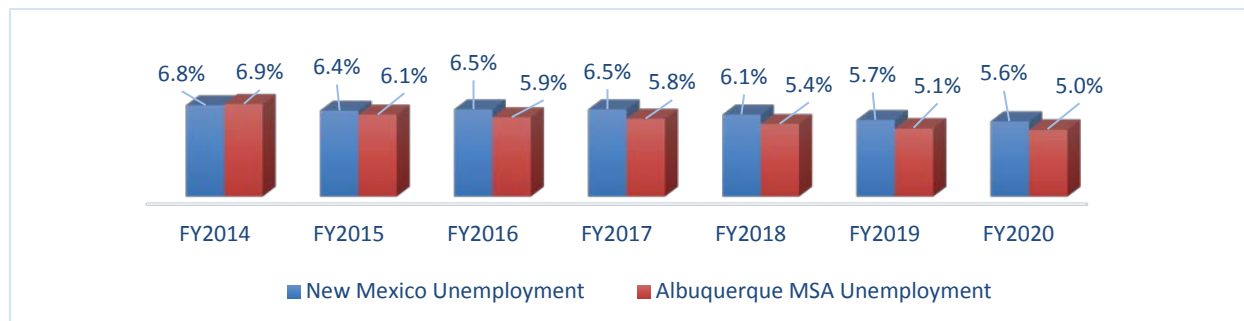
Accommodation and food services has been one of the consistent sectors since the start of the current recovery. This sector should expand for the seventh consecutive year by 1.8%. Administrative and waste services is projected to strengthen in 2017 due to call-center activity in the MSA.

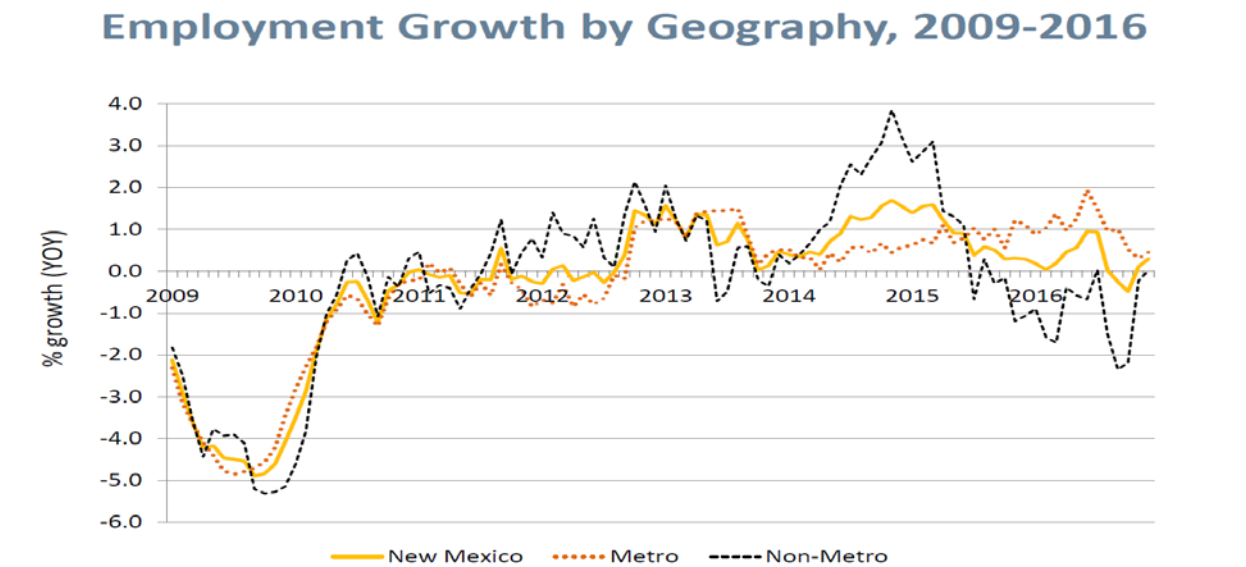
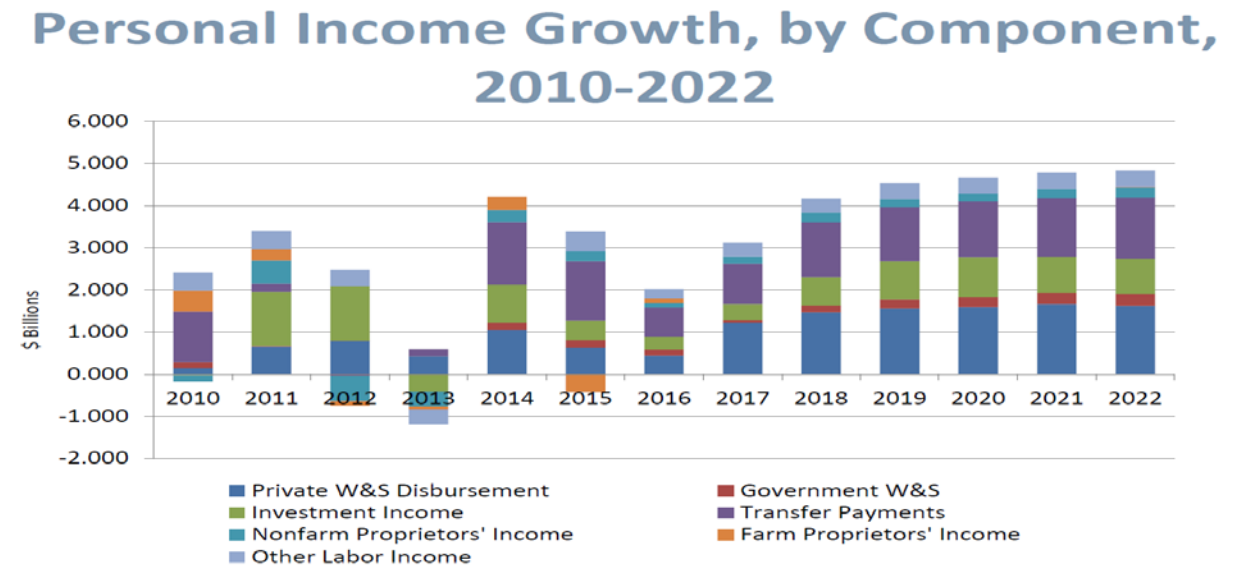
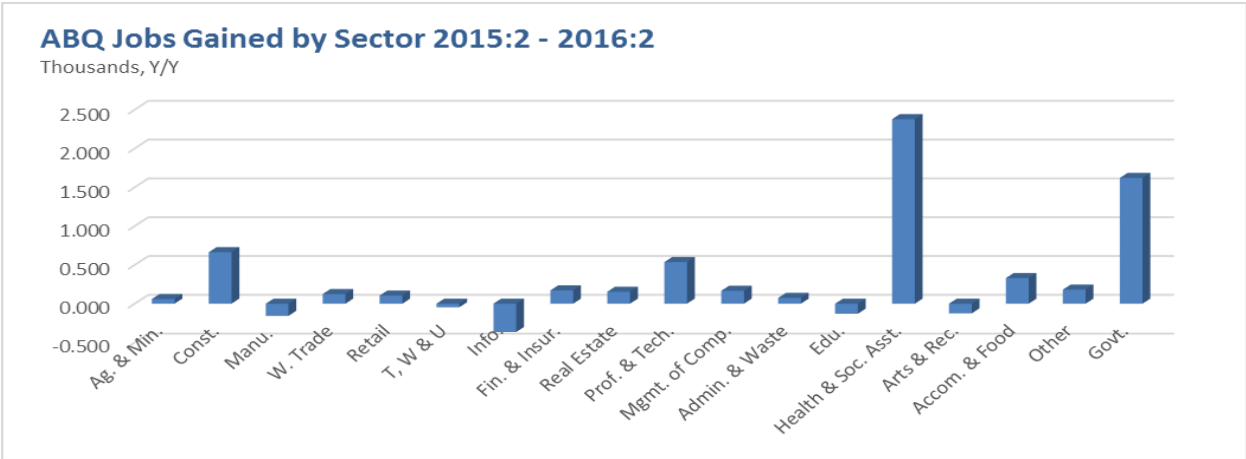
Retail trade is projected to add jobs by 0.5%, which continuous its growth streak. Like accommodation and food services, this sector has performed well during the recovery, however, retail trade is still projected to be well below its pre-recessionary employment level.

In the public sector, two of the three levels of government are expected to shed jobs. The largest hit will be in local government with a drop of -0.7%. These loses are due to cuts at the state-level, which also plan to drop in 2017 (-0.4%). Meanwhile, federal government will move sideways (0.1%), however that may change due to the new presidential administration's call to freeze federal hiring.

In the longer term, through 2022 the Albuquerque MSA economy is forecasted to add 25,392 jobs for 1.4% average annual growth (AAG). Most of the growth over the period will be concentrated in the private sector (1.6%), however, the government sector will also contribute (0.3%).

### Unemployment Rate History and Forecasted





### Housing & Construction

Construction permits show the trends in construction and the types of construction. Construction is categorized as new construction or additions, alterations, and repairs. New construction is further separated as residential and commercial.

Total housing permits in the City of Albuquerque are expected to slowly increase throughout the forecast with the largest gains in 2018 and 2021. Total housing permits in 2017 are forecasted to grow by 126 (14.2%) permits over a year earlier to 1,015 permits, more than three-quarters of all permits to be issued are of the single-family variety (772 permits) and the remainder in multi-family. Thereafter, total permits are expected to number 1,287 in 2018, 1,539 in 2019, 1,697 in 2020, 1,948 in 2021 and 1,975 in 2022. In general, multi-family permits should make up 300 per year, with the balance being made up of single-family. Although permits are expected to reach their highest level since before the recession in 2022, this level will only equate to 40% of the previous peak reached in 2003 (5,716 total permits in that year).

### Housing Permits - NM & Albuquerque Breakdown (Thousands)

	2015	2016	2017	2018	2019	2020
NM Total Housing Units	4.095	3.624	3.624	4.533	4.958	5.422
% Change Year Ago	-9.5	-11.5	0.4	24.6	9.4	9.3
NM Single-Family Housing Units	3.664	3.542	3.164	3.694	4.038	4.432
% Change Year Ago	6.4	-3.3	-10.7	16.7	9.3	9.7
NM Multi-Family Housing Units	0.431	0.082	0.473	0.839	0.920	0.990
% Change Year Ago	-60.1	-81.0	476.6	77.4	9.7	7.6
City of Albuquerque Total Housing Units	0.992	0.889	1.015	1.287	1.539	1.697
% Change Year Ago	-15.9	-10.4	14.2	26.8	19.6	10.3
City of Albuquerque Single-Family Housing Units	0.986	0.868	0.772	1.008	1.240	1.373
% Change Year Ago	12.9	-12.0	-11.1	30.6	23.0	10.7
City of Albuquerque Multi-Family Housing Units	0.006	0.021	0.243	0.279	0.299	0.325
% Change Year Ago	-98.0	243.7	1078.8	14.8	7.2	8.4

Following a near collapse in 2009 and 2010 and continued contraction through 2012, the construction sector posted three years of slow growth. The sector lost momentum in the second half of 2015 and posted weak gains in 2016. In 2017, gains in residential building in metro areas are likely to be largely offset by a slowdown in activity in oil-producing areas. For the long term, prospects in the construction sector will be partly determined by the scale of new infrastructure projects.

### Construction Employment (Thousands)

	2015	2016	2017	2018	2019	2020
New Mexico Construction Employment	43.496	43.808	44.427	45.582	46.917	48.171
% Change Year Ago	1.7	0.7	1.4	2.6	2.9	2.7
Albuquerque MSA Construction Employment	19.881	20.486	20.924	21.556	22.228	22.922
% Change Year Ago	1.7	0.7	1.4	2.6	2.9	2.7



## *CAPITAL BUDGET*

*Proposed  
Operating Budget  
FY18*

## CAPITAL BUDGET

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### *What are Capital Improvements?*

Capital Improvements include the purchase, construction, replacement, addition or major repair of public facilities, infrastructure, and equipment. The selection and evaluation of capital projects involves analysis of Water Authority requirements, speculation on growth, the ability to make estimates, and the consideration of historical perspectives. A “Capital Project” has a monetary value of at least \$5,000, has a useful life of more than two years, and results in the creation or revitalization of a fixed asset. A capital project is usually relatively large compared to other “capital outlay” items in the annual operating budget.

### *How are Capital Improvements Funded?*

The Water 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/wastewater rate structure. Special Projects are done outside of the Basic Program but are funded from the same revenue stream that funds the Basic Program.

The current Rate Ordinance states that, on average, 50 percent of the cost of capital projects which constitute the normal (Basic) capital program of the water and sewer system shall be paid with cash rather than from borrowed funds. The balance of capital funding is obtained through revenue bond or loan financing.

The rate structure is designed to provide sufficient revenue to meet the cash requirement and to meet the debt service obligations incurred to finance the remainder of the Basic Program.

System growth projects are funded through Utility Expansion Charge (UEC) revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to Water Authority capital projects. UEC revenue is considered cash for purposes of meeting the cash test.

The Water Authority has increased in recent years its utilization of state and federal grants to fund some Capital Improvement Projects in part or in whole.



### What is the Capital Improvement Plan (CIP)?

The CIP is a multiyear plan used to identify and coordinate capital needs in a way that maximizes the return to the ratepayers. Advance planning of all Water Authority projects helps the Board, staff, and public make choices based on rational decision-making, rather than reacting to events as they occur. The CIP represents improvements that are viewed as urgent and can be funded from available revenue and/or reserve sources. The system of CIP management is important because: (1) the consequences of investments and capital improvements extend far into the future; (2) decisions to invest are often irreversible; (3) such decisions significantly influence a community's ability to grow and prosper.

### The CIP Process

The development and update of the CIP is an ongoing activity. It is part of the overall budgeting process since current year capital improvements are implemented through adoption of the annual budget. Specific activities in the process are:

- **Establishing Timetables, Goals, and Objectives:**  
At the onset of the budgeting process, the CIP update begins with formal budget planning decisions between management and department heads. Timetables are set that extend through development and final adoption of the budget. Water Authority goals and objectives are reviewed to ensure that they are being met through the budget cycle.
- **Taking Inventory and Developing Proposals:**  
Staff gathers information about the Water Authority's capital facilities and equipment in order to assess the condition of each. Staff carefully considers construction, repair, replacement, and additions. From there, a list of proposed projects and equipment is developed.
- **Conducting Financial Analysis:** Finance staff conducts financial analysis of historic and projected revenues and expenses in order to estimate the Water Authority's cash flow and long term financial condition. Capital financing alternatives are identified and recommendations are prepared to match the type of funding most appropriate for specific capital improvements.

### The CIP Ten-Year (Decade) Plan

The blueprint for the Water 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 Water 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 Water 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. Fiscal Year 2018 is the first year of the two-year planning element included in the FY18 – FY27 Decade Plan introduced to the Board in April 2017.

### FY18 Water Authority Capital Improvement Program Budget

The FY18 capital program appropriation totals \$64.6 million. \$52.0 million is appropriated for the level one priority basic capital programs, \$5.5 million for growth related projects, and \$6.6 million is appropriated for special projects, and \$0.5 million from the Water Supply Charge revenue.

The \$6.6 million for special projects is comprised of \$2.0 million for Automated Meter Infrastructure (AMI), \$1.0 million for steel water line replacement, \$350,000 for various renewable energy projects, and \$3.3 million

## CAPITAL BUDGET

for EPA required waterline projects. There are no appropriations in the proposed FY18 CIP budget for projects that will be funded with revenues from FY19 or later.

Demonstrated in the table below is a detailed listing of all the Level 1 priority renewal projects, special projects, and growth related projects.

Project Description	FY16 Actual (000's)	FY17 Budget (000's)	FY18 Budget (000's)
<b>Basic Program Appropriations:</b>			
Sanitary Sewer Pipeline Renewal	\$ 3,856	\$ 13,600	\$ 4,750
Drinking Water Pipeline Renewal	2,824	8,630	8,550
Southside Water Reclamation Plant Renewal	31,745	26,520	18,025
Soil Amendment Facility (SAF) Renewal	182	50	100
Lift Station and Vacuum Station Renewal	1,171	2,375	4,150
Odor Control Facilities Renewal	-	60	750
Drinking Water Plant Groundwater System Renewal	1,748	2,400	6,045
Drinking Water Plant Treatment Systems Renewal	3,687	1,800	1,470
Reuse Line and Plant Rehab	215	70	70
Compliance	97	195	595
Shared Renewal	1,485	400	1,495
Franchise Agreement Compliance	922	2,000	2,000
Vehicles and Heavy Equipment	-	900	4,000
<b>Level 1 Priority Renewal Projects Total</b>	<b>\$ 47,932</b>	<b>\$ 59,000</b>	<b>\$ 52,000</b>
<b>Special Projects:</b>			
Steel Waterline Rehab	\$ 816	\$ 1,000	\$ 1,000
Automated Meter Infrastructure (AMI)	1,664	2,000	2,000
Renewable Energy Projects	110	350	350
San Juan-Chama Drinking Water Project	90	-	-
San Juan-Chama Mitigation	147	-	-
SunGard ERP Project	34	-	-
Water Trust Board No. 206	1,121	-	-
Issuance Costs	2,273	-	-
NMED Grand SAP 14 1600 STB	408	-	-
Magnesium Hydro Project	270	-	-
Yucca and Central Odor Control	-	-	-
Miscellaneous	-	-	3,250
<b>Special Projects Total</b>	<b>\$ 6,933</b>	<b>\$ 3,350</b>	<b>\$ 6,600</b>
<b>Combined Level 1 Priority Renewal and Special Projects</b>	<b>54,865</b>	<b>62,350</b>	<b>58,600</b>
<b>Growth Projects:</b>			
Drinking Water Plant Facilities Growth	\$ 258	\$ -	\$ -
Land Acquisition	22	-	-
Water Rights and Storage	15	-	-
Development Agreements	741	1,250	1,250
Management Information Systems/Geographical Information Systems (MIS/GIS)	2,305	2,000	4,000
Master Plans	17	500	-
Miscellaneous Growth	229	250	250
<b>Level 1 Priority Growth Projects Total</b>	<b>\$ 3,587</b>	<b>\$ 4,000</b>	<b>\$ 5,500</b>
Dedicated Water Resource Enhancement	3,124	474	500
<b>Grand Total</b>	<b>\$ 61,576</b>	<b>\$ 66,824</b>	<b>\$ 64,600</b>

### *FY18 Capital Program Highlights*

One of the major projects in the basic rehabilitation program is the Solids Dewatering Facility (SDF). During FY15, an evaluation was completed to determine if it would be more cost effective in terms of life-cycle costs to rehab the existing SDF or construct a brand new facility. The results of this evaluation determined that a rehab alternative is the most efficient and cost effective method in moving forward with this project. Design for this project and advertising occurred during FY16 with construction to begin in FY17. In FY18 funding will be used to complete the improvements to the SDF. The improvements will provide a safer work environment, better and more reliable solids dewatering performance, and reduce maintenance costs.

There are over 2,000 miles of small diameter (4-inch to 10-inch) water lines that serve as the distribution network for the Water Authority's water system. These lines are used to provide domestic metered water service, fire protection, and irrigation uses for our customers. Currently there are over 500-miles of pipe that is deficient either in wall integrity or size that poses potential threats to the Water Authority. As the older steel or cast iron lines become deficient, Water Authority staff will often respond to numerous leaks. These leaks if gone unnoticed do have the potential, under certain circumstances, will become sinkholes which destroy entire roadways and create an incredible liability.

Replacing whole segments aged pipe will reduce ongoing operation and maintenance costs. If aging pipeline is not replaced, the impact of emergency response will increase for these repairs and multiple leaks will occur in the same segment of pipe. This program will provide funding for evaluation, planning, design, construction, and related activity necessary for the rehabilitation or replacement of water lines that have deteriorated and are past the useful life.

The operation of the aeration basin blowers represents approximately 50% of the electrical energy demand at the Southside Water Reclamation Plant (SWRP). Most of the current multi-stage centrifugal blowers have been in-service for several decades and are of an outdated design. New blower technology using higher speeds result in significant operational cost savings in energy and maintenance. Funding will provide for a consultant to assist in the design for replacing the existing four multi-stage blowers at the North Blower Building with eight high efficiency blowers. The compressed air capacity will increase from 29,000 to 36,000 cubic feet per minute (cfm).

The digesters remove volatile solids in the sludge produced by the plant's liquid treatment operations prior to sludge dewatering and land disposal. The digestion process converts volatile solids into a methane gas by-product that is burned by the plant's co-generation system to produce electric power for the plant operations and produce hot water for digester heating and space heating of all the buildings. Funding will be used to continue the renewal and increase the capacity of the digesters. This will include conversion of two of the secondary digesters to primary digesters to provide more digester capacity. Once this additional capacity is available, the different digesters will be able to go off-line at any time for repairs and allow structural and coating renewal of its interiors without disruption of the system. Mixers will also be upgraded to more efficient units to save energy costs. The sludge heating system rehab will also allow for more consistent temperature control.

The Information Technology/GIS funding allocations will be utilized to complete the Asset Management system upgrade, which includes Phase I tasks associated with the project and enhancing utilization of mobility to support Asset Management initiatives. The Phase II Asset Management activities will include barcoding fixed assets, implementing the transportation module, and enhancing procurement functions within Maximo to further support the Asset Management goals and objectives related to Asset Management life-cycle accounting practices.

## CAPITAL BUDGET

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The Customer Care & Billing (CC&B) software will begin with a technical and functional upgrade. This project will be a multi-year upgrade. Other projects include transitioning infrastructure and server environment to a Hyper-Converged environment, resulting in cost savings, performance enhancement, and promotes “green” initiatives to downsize the footprint of traditional IT related equipment. Efforts to continue to add redundancy to the Network and Telephony system will result in more effective and efficient services.

The remainder of the Basic rehabilitation program is primarily focused on line contingency work and normal repair and maintenance work in the groundwater plant system with minimal planned projects.



## *DEBT OBLIGATIONS*

*Proposed  
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## DEBT OBLIGATIONS

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The joint water and sewer system (the “Water/Sewer System”) was owned by the City of Albuquerque, New Mexico (the “City”) and operated by its Public Works Department until December 17, 2003. Revenue bond debt relating to the Water/Sewer System continues to be outstanding. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque Bernalillo County Water Utility Authority (Water Authority) and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System would be transferred to the Water Authority. The legislation also provided that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of the Water Authority and that the Water Authority shall not impair the rights of holders of outstanding debts of the Water/Sewer System. The legislation also required that the New Mexico Public Regulation Commission audit the Water/Sewer System prior to the transfer of money, assets and debts of the Water/Sewer System; the audit was completed December 2003. The policy-making functions of the Water/Sewer System have been transferred to the Water Authority. The Water Authority and the City entered into a Memorandum of Understanding (MOU) dated January 21, 2004, as amended April 7, 2004, under which the City continues to operate the Water/Sewer System until June 30, 2007. In 2005, the New Mexico Legislature amended Section 7-1-10, NMSA 1978, to provide the Water Authority the statutory powers provided to all public water and wastewater utilities in the state and to recognize the Water Authority as a political subdivision of the state. On March 21, 2007 the Water Authority and City entered into a new MOU, effective July 1, 2007. At that time, the Utility employees transitioned from the City and became employees of the Water Authority.

The outstanding Water Authority parity obligations are currently rated “Aa2” by Moody’s, “AA+” by S&P and “AA” by Fitch.

The total outstanding obligation indebtedness of the Water Authority as of April 1, 2017 is \$644.150 million shown in the table on the next page.

## DEBT OBLIGATIONS

### SCHEDULE OF BONDS & OTHER DEBT OBLIGATIONS

April 1, 2017

RATINGS: Aa2/AA+/AA

	<u>FINAL</u> <u>MATURITY</u>	<u>ORIGINAL</u> <u>AMT ISSUED</u>	<u>AMOUNT</u> <u>RETIRED</u>	<u>AMOUNT</u> <u>OUTSTANDING</u>	<u>INTEREST</u> <u>RATES</u>
<b>SENIOR DEBT OBLIGATIONS</b>					
Bonds Series 2009A-1	7/1/2019	135,990,000	111,920,000	24,070,000	3.00-5.50%
Bonds Series 2013A	7/1/2038	62,950,000	9,080,000	53,870,000	3.00-5.00%
Bonds Series 2013B	7/1/2024	55,265,000	17,060,000	38,205,000	3.00-5.00%
Bonds Series 2014A	7/1/2026	97,270,000	1,090,000	96,180,000	3.00-5.00%
Bonds Series 2015	7/1/2033	211,940,000	-	211,940,000	3.00-5.00%
Bonds Series 2017	7/1/2034	87,970,000	-	87,970,000	3.375-5.00%
NMFA Loan No. 03	5/1/2017	77,005,000	71,465,000	5,540,000	3.00-5.00%
NMFA Loan No. 07 2316-ADW	7/1/2031	1,000,000	231,662	768,338	3.00-5.00%
NMFA Loan No. 15	6/1/2036	<u>53,400,000</u>	<u>13,990,000</u>	<u>39,410,000</u>	3.00-5.00%
<b>SUBTOTAL - SENIOR DEBT OBLIGATIONS</b>		<b>\$ 782,790,000</b>	<b>\$ 224,836,662</b>	<b>\$ 557,953,338</b>	
<b>SUBORDINATE &amp; SUPER SUBORDINATE DEBT OBLIGATIONS</b>					
Bonds Series 2014B	7/1/2025	\$ 87,005,000	\$ 9,360,000	\$ 77,645,000	3.00-5.00%
NMFA Loan No. 04 1727-AD	5/1/2030	10,426,232	2,543,736	7,882,496	1.00-5.00%
NMFA Loan 3544-WTB	6/1/2036	<u>669,550</u>	<u>-</u>	<u>669,550</u>	0.25%
<b>SUBTOTAL - SUBORDINATE &amp; SUPER SUBORDINATE DEBT OBLIGATIONS</b>		<b>\$ 98,100,782</b>	<b>\$ 11,903,736</b>	<b>\$ 86,197,046</b>	
<b>TOTAL DEBT OBLIGATIONS</b>		<b><u>\$ 880,890,782</u></b>	<b><u>\$ 236,740,398</u></b>	<b><u>\$ 644,150,384</u></b>	

## *APPENDIX*

*Proposed  
Operating Budget  
FY18*

## FY18 BUDGET METHODOLOGY AND ASSUMPTIONS

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### *Numerical Rounding*

Budgets were developed using whole numbers. When program strategies were summarized, each was rounded to the nearest one thousand. Rounding makes for ease of reading when reviewing the document.

### *Salaries*

- The wage and salary base was established for each filled or authorized-to-be-filled position.
- This base is increased or decreased for all wage adjustments for FY18 so as to incorporate current contractual increases.
- Employee benefits are calculated on wage and salary costs at the following rates: FICA - 7.65% regular, RHCA-2.0%, PERA remains at 20.16% for blue and white collar and management/professional, this amount does include the additional 1.5% required by the PERA Legislation, and 7.00% for temporary employees and some seasonal employees. Other employee benefits (health, dental, group life, unemployment compensation) – 25.86%.
- A vacancy savings rate of 0.5% for the Water Authority is calculated into employee salaries.

### *Operating Expenses*

Division managers were required to provide detailed information supporting FY18 budget requests for supplies, repairs and maintenance, and contract services. Other FY18 operating expenses were equal to FY17 appropriated amounts. One-time appropriations for FY17 were deleted.

- Inflationary adjustments were not granted as automatic across-the-board adjustments.
- For FY18, utilities (gas, electricity, and water/wastewater) were budgeted based on historical expenditures and anticipated needs.
- Power, chemicals and fuel will not exceed the CPI index and the cost of operating two water distribution systems will not exceed the consultant estimate.
- Beyond those stated above, line item increases needing special justifications include extraordinary price increases, increases in workload, or a special need not previously funded.
- Workers' Compensation and other insurance, tort and risk expenses are treated as expenses in the Risk department for FY18. These amounts are identified based on the historical experience and exposure factors relative to the Water Authority.
- Vehicle maintenance charges are estimated for FY18 according to the class of vehicle and historical cost of maintaining that class. These charges are designed to recover the costs of normal maintenance including a preventive maintenance program which schedules vehicles for periodic checks and needed repairs as determined by those checks.
- Fuel costs have been appropriated for FY18 per the US Energy Information Administration forecast of oil prices. The forecast for gasoline prices is \$2.40/gallon and for diesel is \$2.79/gallon.

### *Capital Expenditures*

New and replacement property items are included in the appropriate program appropriations within each of the funds.

## ACRONYMS

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**A2LA** – American Association for Laboratory Accreditation

**ABCWUA** – Albuquerque Bernalillo County Water Utility Authority

**AFH** – Affordable Housing

**AFL-CIO** – American Federation of Labor and Congress of Industrial Organizations

**AFSCME** - American Federation of State, County and Municipal Employees

**AMI** – Automated Meter Infrastructure

**AMP** – Asset Management Plan

**AMR** – Automated Meter Reader

**APS** – Albuquerque Public Schools

**ASOMS** – Albuquerque Sewer Operations Management Strategy

**ASR** – Aquifer Storage and Recovery

**AWWA** – American Water Works Association

**BBER** – University of New Mexico, Bureau of Business and Economic Research

**CAC** – Customer Advisory Committee

**CAFR** – Comprehensive Annual Financial Report

**CC&B** – Customer Care and Billing

**CCTV** – Closed Circuit Television

**CDC** - Centers for Disease Control

**CIP** - Capital Implementation or Improvements Program

**CIS** – Customer Information System

**CMDWWCA** – Carnuel Mutual Domestic Water and Waste Water Consumer Association

**CMMS** – Computerized Maintenance Management System

**CMOM** – Capacity Management Operations & Maintenance Program

**COLA** - Cost-of-Living Adjustment

**CPI-U** - Consumer Price Index for all Urban Consumers

**CSD** – Customer Services program

**CWA** – Clean Water Act

**D & C** – Design and Construct

**DAF** – Dissolved Air Floatation

**DOE** - Department of Energy

**DOL** - Department of Labor

**DS** - Debt Service

**DWL** – Drinking Water Loan

**DWP** – San Juan–Chama Drinking Water Project

**EID** – Environmental Improvement Division

**EPA** – Environmental Protection Agency

**ERP** – Enterprise Resource Planning

**EUM** – Effective Utility Management

**FOG** – Fats, Oils, & Grease

**FRB** – Federal Reserve Bank

**FTE** - Full-time Equivalent Position

**FY** - Fiscal Year

**GASB** - General Accounting Standards Board

**GDP** - Gross Domestic Product

**GFOA** - Government Finance Officers Association

**GI** – Global Insight economic forecasting, formerly Data Resources Wharton Econometric Forecasting Associates International

**GIS** – Geographic Information System

**GPCD** – Gallons per capita per day

**GPPAP** - Groundwater Protection Policy and Action Plan

## ACRONYMS

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<b>GPS</b> – Global Positioning System	<b>O/M</b> – Operations and Maintenance
<b>GRT</b> – Gross Receipts Tax	<b>OERP</b> – Overflow Emergency Response Plan
<b>HMO</b> – Health Maintenance Organization	<b>OSHA</b> – Occupational Safety and Health Administration
<b>HR</b> – Human Resources	<b>P&amp;I</b> – Principal and Interest
<b>IDOH</b> - Indirect Overhead	<b>PAFR</b> – Popular Annual Financial Report
<b>IPC</b> – Indicators Progress Commission	<b>PERA</b> - Public Employees Retirement Association
<b>ITD</b> – Information Technology Program	<b>PNM</b> – Public Service Company of New Mexico
<b>IVR</b> – Interactive Voice Response	<b>PTF</b> – Preliminary Treatment Facility
<b>IWA</b> – International Water Audit	<b>REC</b> – Renewable Energy Credit
<b>KAFB</b> – Kirtland Air Force Base	<b>RFP</b> - Request for Proposal(s)
<b>LIMS</b> – Laboratory Information Management System	<b>RRAMP</b> – Reclamation Rehabilitation and Asset Management Plan
<b>LT2</b> – Long Term Enhanced Surface Water Treatment Rule 2	<b>SAD</b> - Special Assessment District
<b>MDC</b> – Metropolitan Detention Center	<b>SAF</b> – Soil Amendment Facility
<b>MGD</b> – Million Gallons per Day	<b>SCADA</b> – Supervisory Control and Data Acquisition
<b>MIS</b> – Management Information System	<b>SDF</b> – Solids Dewatering Facility
<b>MOU</b> – Memorandum of Understanding	<b>SDWA</b> – State Drinking Water Act
<b>MRGCOG</b> – Middle Rio Grande Council of Governments	<b>SJC</b> – San Juan-Chama
<b>MSA</b> – Metropolitan Statistical Area	<b>SJCWTP</b> - San Juan–Chama Water Treatment Plant
<b>NBER</b> – National Bureau of Economic Research	<b>SNL</b> – Sandia National Laboratory
<b>NM</b> – New Mexico	<b>SOP</b> – Standard Operating Procedures
<b>NMDOT</b> – New Mexico Department of Transportation	<b>SRF</b> – State Revolving Loan Fund
<b>NMED</b> – New Mexico Environment Department	<b>SSO's</b> – Sanitary Sewer Overflows
<b>NMFA</b> – New Mexico Finance Authority	<b>SWR</b> - Sewer
<b>NMUI</b> – New Mexico Utilities Group Inc.	<b>SWRP</b> - Southside Water Reclamation Plant
<b>NPDES</b> – National Pollution Discharge Elimination System	<b>TAT</b> – Turnaround Time
<b>NWSA</b> – Northwest Service Area	<b>TRFR</b> – Transfer
	<b>UCMR3</b> –Unregulated Contaminant Monitoring Rule 3

## ACRONYMS

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**UEC** – Utility Expansion Charge

**UNM** – University of New Mexico

**UV** – Ultra-Violet

**WPAB** – Water Quality Advisory Board

**WPPAP** – Water Quality Protection Policy & Action  
Plan

**WQL** – Water Quality Laboratory

**WRAC** – Water Resources Advisory Committee

**WTP** – Water Treatment Plant

**YR** - Year



## GLOSSARY

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**ACCRUED EXPENSES:** Expenses incurred but not due until a later date

**ADJUSTMENTS FOR POLICY DIRECTION CHANGES:** Approved adjustment to the maintenance-of-effort budget both positive and negative which are considered major policy issues

**AMERICAN WATER WORKS ASSOCIATION:** An international nonprofit scientific and educational society dedicated to the improvement of water quality and supply and is the authoritative resource for knowledge, information, and advocacy to improve the quality and supply of water in North America

**ANNUALIZED COSTS:** Costs to provide full year funding for services initiated and partially funded in the prior year

**APPROPRIATION:** Legal authorization granted by the Water Authority Board to make expenditures and to incur obligations for specific purposes within specified time and amount limits

**APPROPRIATIONS RESOLUTION:** Legal means to enact an appropriation request, e.g., annual operating budget

**AUDIT:** Official examination of financial transactions and records to determine results of operations and establish the Water Authority's financial condition

**BASE BUDGET:** Portion of an annual budget providing for financing of existing personnel, replacement of existing equipment, and other continuing expenses without regard for price changes

**BONDED INDEBTEDNESS/BONDED DEBT:** That portion of indebtedness represented by outstanding general obligation or revenue bonds

**CAPITAL BUDGET:** Plan of approved capital outlays and the means of financing them

**CAPITAL EXPENDITURES:** Expenditures to acquire or construct capital assets

**DEBT SERVICE FUND:** Fund for the accumulation of resources to pay principal, interest, and fiscal agent fees on long-term debt

**DEPARTMENT:** A set of related functions that are managed below the Program Strategy level, and are the smallest unit of budgetary accountability and control

**ENCUMBRANCES:** Commitments of appropriated monies for goods and services to be delivered in the future

**ENTERPRISE FUND:** Fund established to account for services financed and operated similar to private businesses and with costs recovered entirely through user charges

**FINANCIAL PLAN:** See Operating Budget

**FISCAL YEAR:** For the Water Authority, a period from July 1 to June 30 where the financial plan (budget) begins the period and an audit ends the period

**FRANCHISE FEE:** A fee based upon gross revenue that results from an authorization granted to rent and use the rights-of-way and public places to construct, operate and maintain Water Authority facilities in the City of Albuquerque, Bernalillo County, Rio Rancho and the Village of Los Ranchos

**FUND:** Fiscal and accounting entity with self-balancing set of books to accommodate all assets and liabilities while conforming to designated parameters

## GLOSSARY

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**FUND BALANCE:** Fund equity of governmental funds

**GOALS:** General ends toward which the Water Authority directs its efforts in terms of meeting desired community conditions. The Executive Director and Water Authority Board with input from the community, establish Goals for the Water Authority

**INDIRECT OVERHEAD:** Cost of central services allocated back to a department through a cost allocation plan

**INTERFUND TRANSFER:** Legally authorized transfers from one fund to another fund

**INTERGOVERNMENTAL REVENUES:** Revenues from other governments in the form of grants, entitlements, shared revenues, etc.

**ISSUE PAPERS:** Forms used in the budget process to track and request budget changes

**MAINTENANCE OF EFFORT:** Base budget plus allowances for cost-of-living wage adjustments and inflationary price increases, or within a limited time frame

**MAXIMO:** Maximo Enterprise's asset and service management software capabilities maximize the lifetime value of complex assets and closely align them with the Water Authority's overall business strategy

**NORTHWEST SERVICE AREA:** Water and waste water service to approximately 17,000 accounts on Albuquerque's West Side. The 34-square-mile service area includes Paradise Hills and the Ventana Ranch subdivision

**NON-RECURRING EXPENDITURES:** Expenditure occurring only once, or within a limited time frame, usually associated with capital purchases and pilot projects

**NON-RECURRING REVENUES:** Revenues generated only once

**OPERATING EXPENDITURES:** Term that applies to all outlays other than capital outlays

**OPERATING BUDGET:** Financial plan for future operations based on estimated revenues and expenditures for a specific period

**OPERATING REVENUES:** Proprietary (enterprise service) fund revenues directly related to the fund's primary service activities and derived from user charges for services

**PROGRAM STRATEGY:** The unit of appropriations and expenditure that ties related service activities together to address a desired community condition(s) that pertains to one of the Water Authority's Goals

**QUALSERVE:** A voluntary, continuous improvement program offered jointly by the American Water Works Association and the Water Environment Federation to help water/wastewater utilities improve their performance and increase customer satisfaction on a continuing basis. The program evaluates all facets of the utility business including organization development, business operations, customer relations, and core water/wastewater operations. QualServe comprises of three components: Benchmarking, Self-Assessment, and Peer Review

**RECURRING EXPENDITURES:** Expenditures generally arising from the continued operations of the Water Authority in a manner and at a level of service that prevailed in the last budget, or new and/or increased services expected to be provided throughout the foreseeable future

**RECURRING REVENUES:** Revenues generated each and every year

## GLOSSARY

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**RESERVE:** Portion of fund balance earmarked to indicate its unavailability or to indicate portion of fund equity as legally segregated for a specific future use

**REVENUES:** Amounts received from taxes and other sources during the fiscal year

**REVENUE BONDS:** Bonds whose principal and interest are payable exclusively from earnings of the Water Authority, and are thereby not backed by the full faith and credit of the issuer

**STATE ENGINEER PERMIT 4830:** The permit allows the Water Authority to divert 97,000 acre-feet annually from the Rio Grande consisting of an equal amount of Water Authority San Juan-Chama water and native Rio Grande water. The native Rio Grande water is required to be simultaneously released from the Southside Water Reclamation Plant. The State Engineer's permit is the foundation of the Drinking Water Project from a water rights perspective

**UNACCOUNTED FOR WATER:** The difference between the quantity of water supplied to the Water Authority's network and the metered quantity of water used by the customers. UFW has two components: (a) physical losses due to leakage from pipes, and (b) administrative losses due to illegal connections and under registration of water meters

**UTILITY EXPANSION CHARGES:** assessed by the Water Authority to compensate for additional costs associated with the type and location of new development

**WORKING CAPITAL BALANCE:** Remaining current assets in a fund if all current liabilities are paid with current assets

## NUMERIC LIST OF FUND NAMES BY CATEGORY

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### ENTERPRISE FUNDS:

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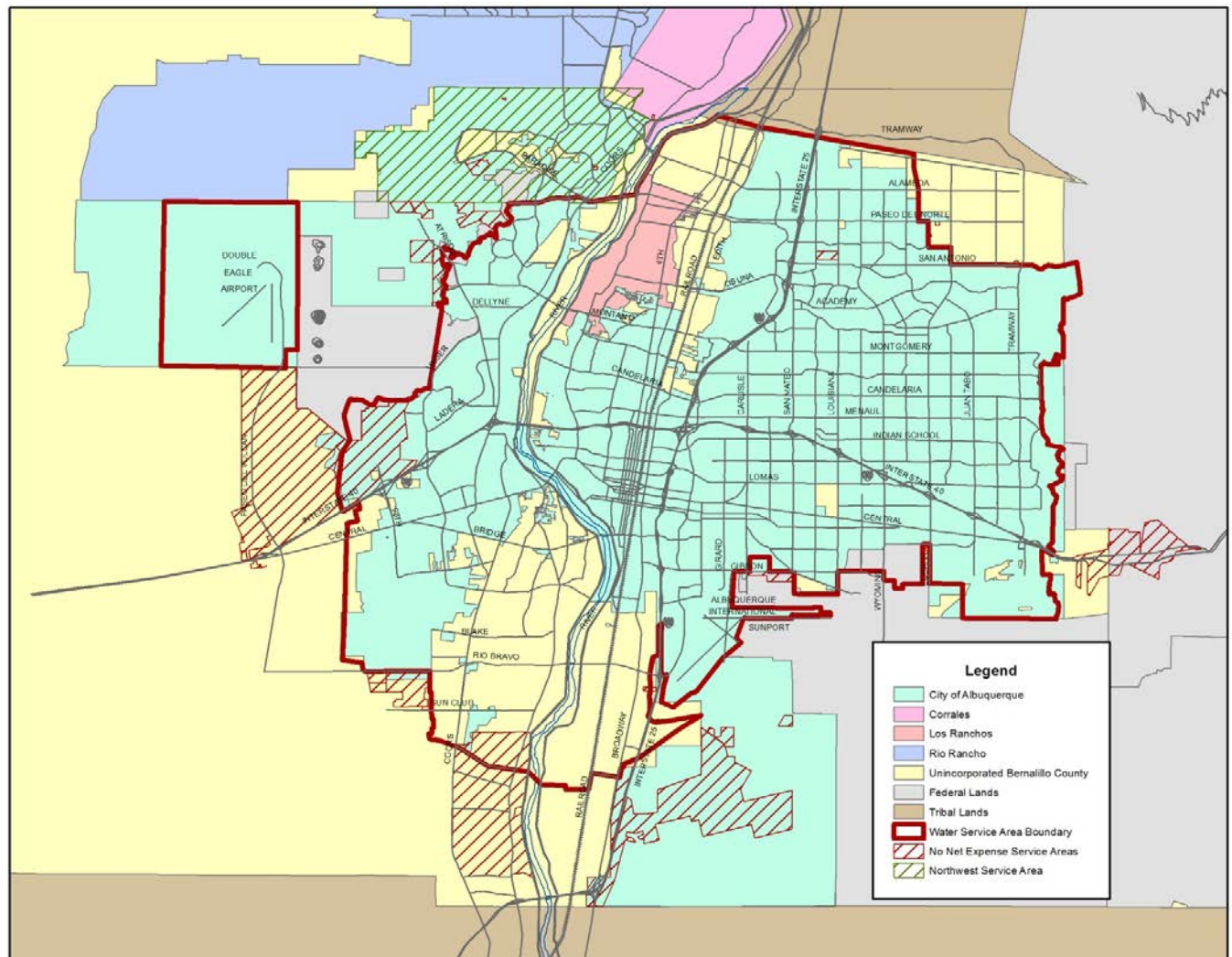
- 21 General
- 31 Debt Service

### CIP FUNDS:

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- 28 Rehab
- 29 Growth

## WATER SERVICE AREA MAP



### Major Assets:

- San Juan-Chama Surface 92 MGD Surface Water Treatment Plant
- Adjustable diversion dam, intake structure and raw water pump station on the Rio Grande
- 60 ground water supply wells (184 MGD)
- 62 water supply reservoirs providing both mixed surface and groundwater including non-potable reservoirs
- 46 pump stations including non-potable facilities
- 3,130 miles of water supply pipeline
- 4 arsenic removal treatment facilities (15 MGD)

## WATER SERVICE AREA MAP

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The Water System provides water services to approximately 670,779 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the Water System. As of January 1, 2017, service is provided to approximately 208,140 customer accounts, including 186,301 residential and 21,839 multi-family, commercial, institutional and industrial accounts. Approximately 50% of the water sales are for residential uses.

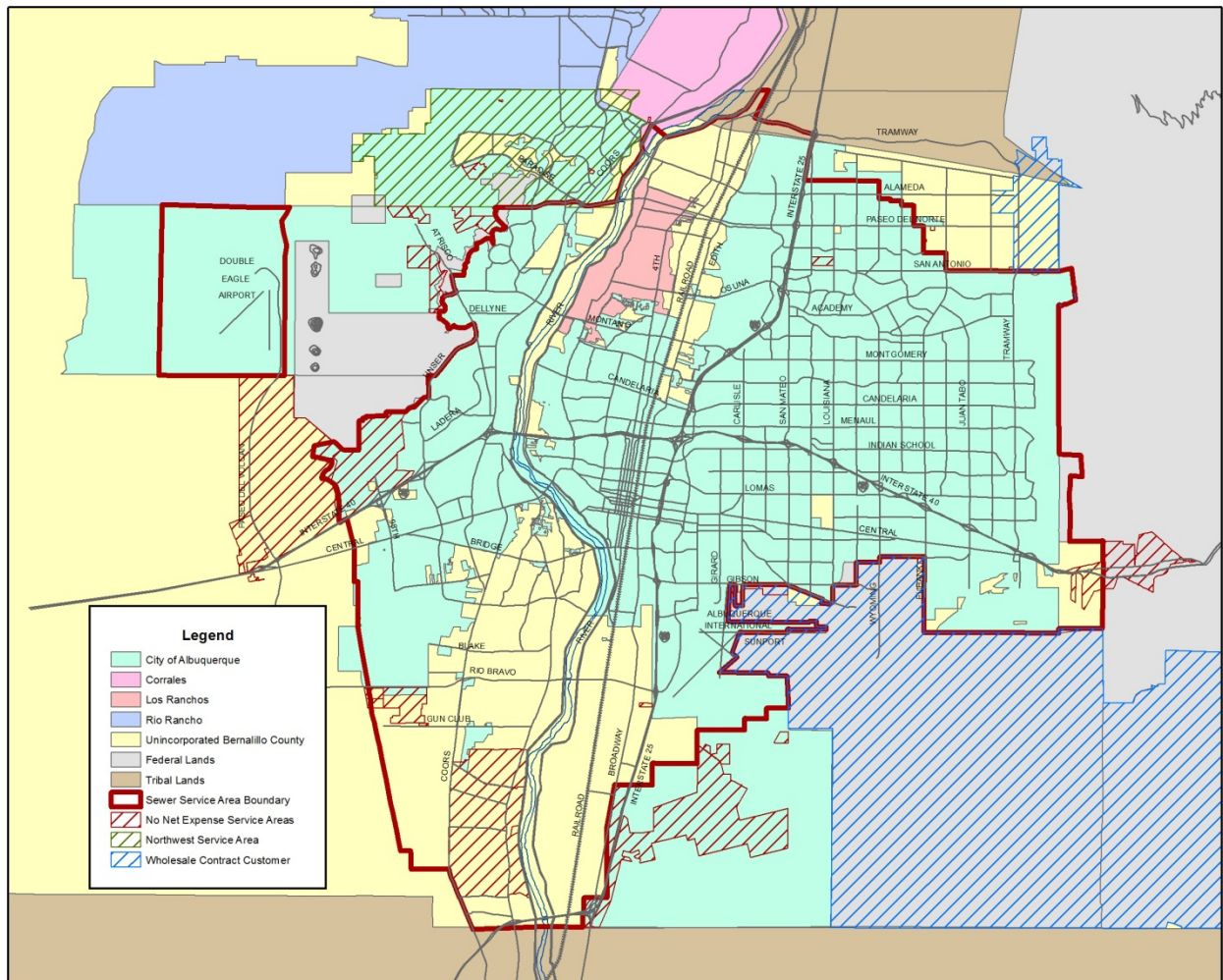
Groundwater from the middle Rio Grande basin aquifer and surface water from the San Juan-Chama Drinking Water Project are the primary sources of supply used for the Water System. In calendar year 2016, the Authority's water resources use consisted of 32.73% from groundwater and 65.57% from San Juan-Chama surface water and 1.7% from reuse of treated effluent for irrigation. The groundwater supply is produced from 60 wells grouped in 17 well fields located throughout the metropolitan area and the San Juan-Chama surface water is diverted from the Rio Grande. Total well production capacity is approximately 294 million gallons per day ("MGD"). Eliminating high arsenic wells (those greater than 10 parts per billion arsenic) results in available production capacity of 184 MGD. Maximum historical peak day demand is 214 MGD. Peak day demand for 2016 was 144 MGD. A chlorination station associated with each well field satisfies the total required water treatment needs for the water produced in each well field.

Water storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 pounds per square inch (psi) for consumers. Sixty-two (62) reservoirs are located throughout the service area, with a total reservoir storage capacity of 245 million gallons. If demand requires, reservoir water can also be transferred to a higher zone or across zones through an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 129 boosters, with a total capacity of 775 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by 3,130 miles of pipelines and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of the Authority's service area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the Water System for control from a central control facility.

Any extension of service outside the Service Area would incur "no net expense" to the Water Authority's customers in that that revenue generated from any expansion or improvement of the System shall be sufficient to support the costs of the water and/or wastewater facilities being expanded or improved. In addition, the new developments outside the water service area are required to pay a water supply charge for acquisition of future water supplies. In 2007, the Water Authority adopted a set of guiding principles for utility development and planning. Some of the major policies include: balancing water use with renewable supply, not subsidizing development outside the service by current Water Authority customers, linking land use with infrastructure, ensuring that system expansion is concurrent with infrastructure service levels, protecting valued environmental and cultural resources of the region, and utilizing asset management principles for evaluating and considering rehabilitating, replacing or acquiring new assets.



## WASTEWATER SERVICE AREA MAP



### Major Assets:

- Southside Water Reclamation Plant
- 45 Lift Stations
- 2,400 miles of collection pipeline

The Wastewater System consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant. The wastewater treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent disinfection using ultraviolet light prior to discharge to the Rio Grande.

Treatment plant capacity is based upon 76 MGD hydraulic capacity. Existing flows at the plant have averaged 52 MGD over the past five years. The Authority has an operational industrial pretreatment program approved by the United States Environmental Protection Agency (“EPA”). The EPA recognized that the Authority’s pollution prevention efforts have been largely responsible for the Authority maintaining compliance with strict standards contained in National Pollution Discharge Elimination System (“NPDES”) Permit #NM0022250. The Authority’s wastewater effluent discharge consistently meets all NPDES permit requirements. The current NPDES permit expires in October 2017. Application for renewing this Permit will be submitted to the EPA during the first quarter of calendar year 2017.

Since January 2003, the treatment plant has had a 6.6 mega-watt cogeneration facility to provide most of its power needs. The cogeneration facilities are complemented by a one mega-watt solar energy plant that began service in December 2012. These on-site power generating facilities normally supply 100% of the treatment plant’s present electrical needs, along with providing heating of various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. The Southside Water Reclamation Plant currently generates electricity from the bio-gas produced in the digesters. This is no cost gas that qualifies the electricity generated for Renewable Energy Certificates (“REC”). These certificates have a value to other electrical energy producers and the Authority continues to research how to sell its RECs to increase revenue. For example, the Authority issued an RFB for the unused REC’s which were purchased by El Paso Electric.

Total beneficial reuse of sludge is accomplished by three methods: surface disposal (62% of sludge produced); land application on 5,000 acres of public-private range land (0% of sludge produced); and production of compost (38% of sludge produced). The Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated land application site is used when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). The Authority’s Compliance Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing. The Authority reduces expenses by analyzing all of the bacteriological samples at the Authority’s internal water quality lab.



## *LEGISLATION*

*Proposed  
Operating Budget  
FY18*

**BILL NO.** \_\_\_\_\_

Administration	2,792,000
Risk	4,523,000
Legal	703,000
Human Resources	1,508,000
Finance	4,004,000
Customer Services	9,112,000

1	Information Technology	7,131,000
2	Wastewater Plant	11,680,000
3	San Juan-Chama Water Treatment Plant	3,639,000
4	Groundwater Operations	6,427,000
5	Wastewater Collections	6,758,000
6	Water Field Operations	20,129,000
7	Compliance	5,400,000
8	Planning & Engineering	3,390,000
9	Water Resources	3,872,000
10	Power & Chemicals	19,982,000
11	Taxes	9,292,000
12	Authority Overhead	2,403,000
13	San Juan-Chama	2,247,000
14	Transfers to Other Funds:	
15	Rehab Fund (28)	27,000,000
16	Debt Service Fund (31)	70,908,000
17	<u>DEBT SERVICE FUND – 31</u>	76,993,000
18	This appropriation is allocated to the following programs:	
19	Debt Service	70,993,000
20	Transfer to Other Funds:	
21	Growth Fund (29)	6,000,000

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.

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

1 **ALBUQUERQUE BERNALILLO COUNTY**  
2 **WATER UTILITY AUTHORITY**

BILL NO. \_\_\_\_\_

### 3 RESOLUTION

4 APPROPRIATING FUNDS FOR THE CAPITAL IMPLEMENTATION PROGRAM FOR  
5 THE ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY FOR THE  
6 FISCAL YEAR BEGINNING JULY 1, 2017 AND ENDING JUNE 30, 2018

7 WHEREAS, the Albuquerque Bernalillo County Water Utility Authority (Water  
8 Authority) as a political subdivision of the State of New Mexico is required to budget and  
9 account for all money received or spent in accordance with New Mexico laws; and

0 WHEREAS, the Board, by Ordinance, has established a budget process for the  
1 Authority; and

2 WHEREAS, the Budget Ordinance, requires the Executive Director to formulate  
3 an annual Capital Implementation Program budget for the Water Authority; and

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

6 WHEREAS, the Board has received the Capital Implementation Program Budget  
7 formulated by the Executive Director and has deliberated on it and provided public notice  
8 and input; and

9 WHEREAS, appropriations for the Capital Implementation Program of the Water  
10 Authority must be approved by the Board; and

WHEREAS, the appropriation of these Capital Implementation Program funds to projects with their respective purposes are timely and necessary for Water Authority to serve its customers.

BE IT RESOLVED BY THE WATER AUTHORITY:

Section 1. That the appropriations for the projects as stated below are hereby made.

27 Basic Program Appropriations:

8	Sanitary Sewer Pipeline Renewal	4,750,000
9	Drinking Water Pipeline Renewal	8,550,000
0	Southside Water Reclamation Plant Renewal	18,025,000

1	Soil Amendment Facility (SAF) Renewal	100,000
2	Lift Station and Vacuum Station Renewal	4,150,000
3	Odor Control Facilities Renewal	750,000
4	Drinking Water Plant Groundwater System Renewal	6,045,000
5	Drinking Water Plant Treatment Systems Renewal	1,470,000
6	Reuse Line and Plant Rehab	70,000
7	Compliance	595,000
8	Shared Renewal	1,495,000
9	Franchise Agreement Compliance	2,000,000
10	Vehicles and Heavy Equipment	4,000,000
11	<u>Special Projects:</u>	
12	Steel Waterline Rehab	1,000,000
13	Automated Meter Infrastructure (AMI)	2,000,000
14	Renewable Energy Projects	350,000
15	EPA Compliance Pipeline Projects	3,250,000
16	<u>Growth:</u>	
17	Development Agreements	1,250,000
18	MIS/GIS	4,000,000
19	Miscellaneous	250,000
20	<u>Other:</u>	
21	Water Resource Enhancement (Water Supply Charge)	500,000
22		
23		