
Meeting Date: May 23, 2018
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: R-18-12 – Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for Fiscal Year Beginning July 1, 2018 and Ending June 30, 2019

ACTION: Recommend Approval

SUMMARY:

This legislation is the Water Authority's proposed budget appropriation for Fiscal Year 2019 beginning July 1, 2018. The FY19 budget was developed utilizing the Water Authority's Five-Year Goals, One Year Objectives, Performance Plan and the Guiding Principles in determining the costs needed to effectively and efficiently run the utility operation.

FY 2019 HIGHLIGHTS:

The FY19 Executive Director's Proposed Budget establishes the Water Authority's financial plan and uses the Goals, Objectives and the Performance Plan as guides for the appropriation of funds. The Water Authority, with input from the operating divisions, developed the budget by determining those essential costs necessary to successfully run the utility operation.

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

Operations

The operational cornerstone of *Water 2120* is the San Juan-Chama Drinking Water Project (DWP), which will continue to have a major positive impact on the ground water

resources in the Middle Rio Grande. After ten 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=sYhINqjtDuc>

Building on accomplishments such as these, Water Authority staff and leadership will continue to pursue new operational efficiencies and improvements in FY19. 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 groundwater plant facilities. In addition, we will continue to implement mobile technology to document and complete work assignments in the operation groups.

The Water Authority will continue to operate two potable water supply systems, the surface water and the ground water systems. This dual system operation will continue with the primary source of supply being treated surface water from the DWP. The DWP provided 70% of all water distributed to Water Authority customers in calendar year 2017. 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 on a consistent basis.

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, final clarifier renovations, and major renovations and improvements to the Solids Dewatering Facility (SDF). 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.

In FY19, the DWP will focus on efforts related to solids management by continuing sales of grit basin material to Waste Management for the Rio Rancho Landfill and beginning a pilot testing of iron sludge disposal to aid with significant odor control and provide corrosion benefits. The plant will also begin Phase II of its Ozone system modifications, coarse screening improvements at river intake, and construction of a lime storage silo.

Wastewater Collections continues to implement the CMOM program and the expanded closed-circuit television (CCTV) inspection of 5% of the small diameter system which provides for better maintenance and identification of specific rehab needs.

Water Distribution Field will focus on pressure monitoring, pressure reducing valve preventive maintenance, and eliminating select redundant/inoperable pressure reducing valves monitored with Automated Meter Infrastructure (AMI) technology. Staff will continue with the Los Padillas water line extensions and partner with Compliance and Plant staff to address South Valley water quality issues.

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 and move from indoor to outside rebate programs. Water Resources staff will develop the Environmental Plan and the Groundwater Monitoring Plan. Plans are to launch a Water Conservation newsletter and website which will contain irrigation, gardening and horticultural tips and practices.

Planning & Engineering will complete the Guide to Development, complete the Field Asset GPS Coordinates Program, and prepare a list of recommended modifications to the Expansion Ordinance in coordination with the Guide to Development. Staff will be developing a proposed fee schedule for Utility Development deliverables and begin work on a Construction Inspection Manual.

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, FY19 will complete revisions to the Cross-Connection Control Ordinance. The current version of the ordinance needs refining to remove ambiguity and improve clarity. The program will also be obtaining a new NPDES permit and completing their PPCP wastewater sampling during 2018.

The Water Quality lab will be developing Standard Operating Procedures for analyses of TKN and Fecal as MPN. The program will also be meeting with CIP staff to begin the process of renovation projects at the lab.

Administration, Employee Relations and Development

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

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 be developing a Sick to Well Time Policy and a Wellness Champion/Stretching policy.

A major focus for Human Resources will be the design and implementation of a new Application System. This system will be more user-friendly for both applicants and Water Authority staff and will allow staff to push jobs out to various recruitment websites and provide continuous recruitment capability. Staff will also continue to implement Employee Satisfaction Survey and Employee Connections initiatives.

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

Budget, Finance and Business Management

Finance will submit to GFOA the FY19 Approved Budget for the Distinguished Budget Presentation Award, the FY18 Comprehensive Annual Financial Report (CAFR) for the Certificate of Achievement for Excellence in Financial Reporting and the FY18 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 FY19, Accounting Services will be leading the Maximo Phase II implementation of Asset on-boarding and disposition, barcoding for the annual capital asset inventory required by State statute, life-cycle costing of assets, and developing policies and procedures for capturing costs for new and existing assets.

Purchasing will fully implement the new Bernalillo County Home Rule Procurement Code. Two areas of major focus for FY19 will be the completion of the Warehouse Ordering and Payment Policies and Procedures and overseeing the Maximo Phase II implementation for Purchasing and Inventory related functions, specifically Maximo/One Solution integration options, inventory management improvements, satellite storerooms, and inventory barcoding.

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 the Living River Fund and Water Assistance Fund donation programs.

Customer Services (CSD) and Northwest Service Area (NWSA) have been successfully integrated into one group that handles call center, treasury, billing, new service applications, field operations and meter maintenance functions. CSD, Field Operations, and NWSA Field Operations & Maintenance sections work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (Work Order & Asset Management) and Customer Care & Billing (CC&B) to create

operating procedures for a paperless, real-time work order system, where field activities are dispatched, updated and closed out on a mobile platform. In addition, Clevest is used to manage line spots and schedule and record the preventative maintenance activities on the meter change outs, box and valve replacement initiatives.

CSD will be implementing a major upgrade to the CC&B system in FY19. 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 FY19.

ITD Quality Assurance staff will continue the buildout of the service desk, implement an Information Security Plan, update IT policies relating to IT security, and coordinate change management and training efforts for the CC&B upgrade.

IT Infrastructure objectives for FY19 include the buildout and migration of the Disaster Recovery site to the Surface Water Plant, migration of all database servers to SimpliVity, completion of a comprehensive security plan, and building redundant infrastructure for card key and video surveillance systems.

An additional \$2 million is reserved in the rate reserve fund. The Water Authority will also provide deferred UEC collections on up to 50 affordable housing units developed by non-profit housing developers.

FISCAL IMPACT:

This appropriation consists of the Water Authority General Fund which totals \$214,009,000 and the Water Authority Debt Service Fund which totals \$85,730,000.

COMMENTS:

For FY19, General Fund revenue is estimated to be \$225.8 million with proposed expenses of \$214.0 million. Revenues are expected to be \$11.8 million over proposed expenses. This amount will bring the Working Capital or Fund Balance to \$16.7 million at June 30, 2019. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenses as defined by the Water Authority's Rate Ordinance.

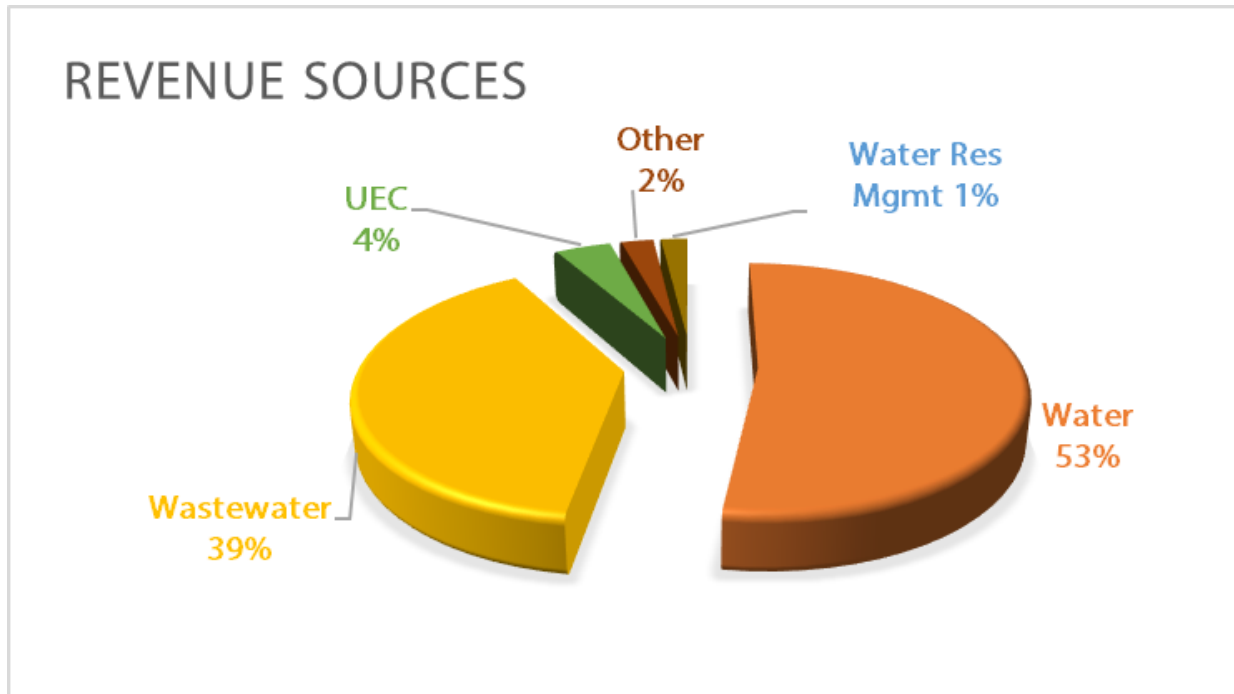
Revenues

The revenue table is an estimate of revenues projected next year. The following is a revenue comparison of the FY17 Audited Actuals, FY18 Revised and the FY19 Proposed budgets:

WATER AUTHORITY GENERAL FUND - 21

ACCOUNT NAME	AUDITED FY17	REVISED BUDGET FY18	PROPOSED BUDGET FY19	DIFFERENCE FY19-FY18
Interest	86	100	540	440
Miscellaneous	1,757	2,077	3,109	1,032
Water	140,089	123,355	123,355	-
Water Resources Management	4,363	4,500	4,500	-
Wastewater	69,101	88,391	92,471	4,080
CIP Employees	793	1,014	-	(1,014)
Solid Waste Admin Fee	1,401	1,480	1,509	29
DMD Admin Fee	349	348	359	11
PNM Pass Thru	(1)	-	-	-
FUND TOTAL	217,938	221,265	225,843	4,578

General Fund revenue for FY19 is estimated to be \$4.6 million above the FY18 revised budget. The increase is mainly due to the projected increase in rate revenue. Revenue in the Debt Service Fund has a \$2.2 million increase, comprised of a \$1.5 million increase in UEC Revenue and a \$0.7 million increase in the transfer from the General Fund for debt service payments.



* Consolidated for Reporting Purposes

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

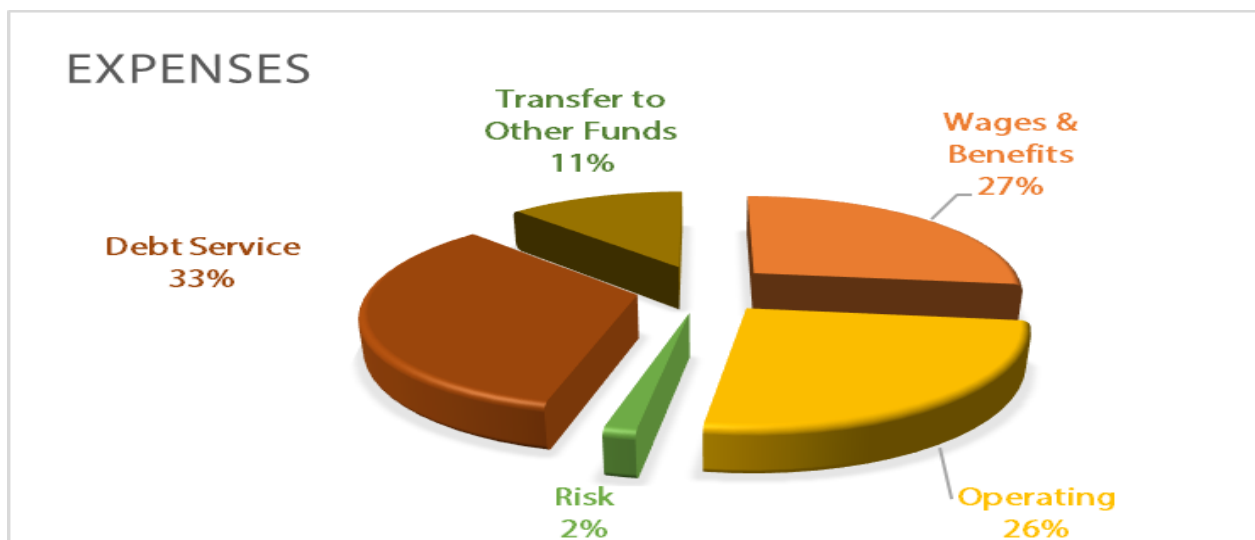
Expenses

The following is the appropriation comparison of the FY17 Audited Actuals, FY18 Revised and the FY19 Proposed budgets:

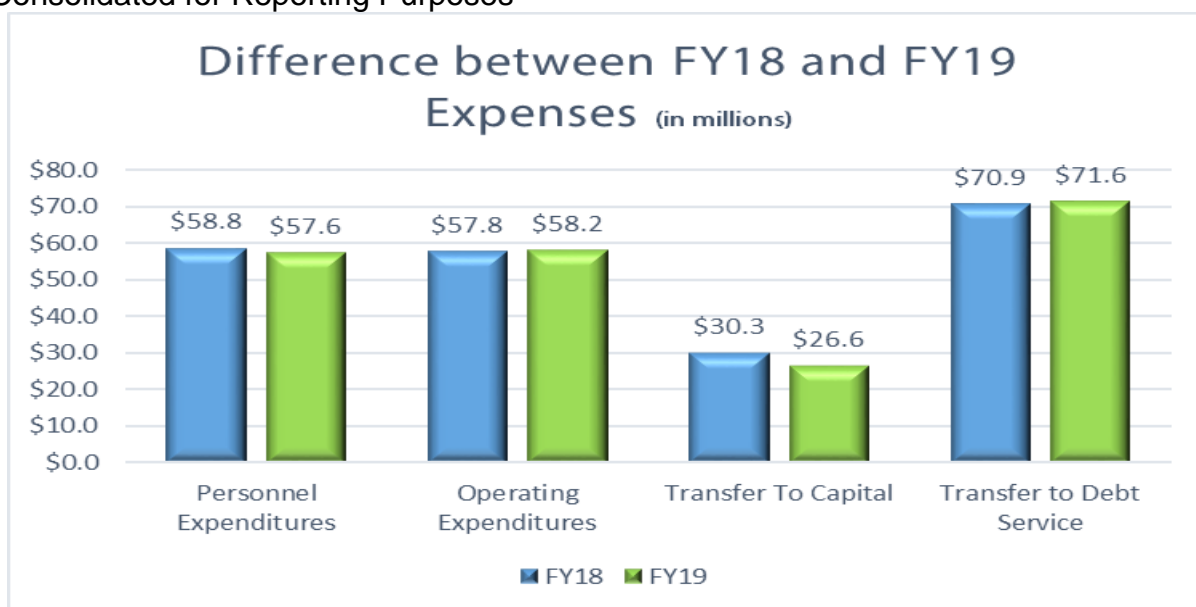
WATER AUTHORITY GENERAL FUND - 21

PROGRAM	AUDITED FY17	REVISED BUDGET FY18	PROPOSED BUDGET FY19	DIFFERENCE FY19-FY18
Administration	2,726	2,792	2,684	(108)
Risk	4,239	4,523	4,534	11
Legal	459	703	760	57
Human Resources	1,313	1,552	1,588	36
Finance	3,894	4,004	4,184	180
Customer Services	8,587	9,112	9,050	(62)
Information Technology	7,072	7,131	7,096	(35)
Wastewater Plant	10,747	11,680	11,426	(254)
San Juan-Chama Water Treat Plant	3,415	3,639	3,971	332
Groundwater Operations	5,985	6,427	6,629	202
Wastewater Collection	6,540	6,758	6,701	(57)
Water Field Operations	19,134	20,085	19,595	(490)
Compliance	4,513	5,400	5,261	(139)
Planning & Engineering	2,871	3,342	3,899	557
Water Resources	3,587	3,920	3,861	(59)
Power & Chemicals	19,940	20,232	20,236	4
Taxes	338	657	656	(1)
Overhead	1,737	2,403	1,410	(993)
San Juan-Chama	2,378	2,247	2,247	-
Tfr Gen Fund to Rehab Fund	21,000	30,250	26,589	(3,661)
Tfr Gen Fund to Debt Serv Fund	70,628	70,908	71,631	723
FUND TOTAL	201,104	217,765	214,009	(3,756)

The FY19 proposed General Fund expenses contain a net decrease of \$3.8 million from the FY18 Revised Budget. Total personnel costs have decreased by \$1.2 million as compared to FY18 based on retirements and efficiencies; general operating expenses increased \$0.4 million; and interfund transfers decrease \$3.0 million because of the FY18 one-time \$3.0 million additional transfer from the General Fund to CIP.



* Consolidated for Reporting Purposes



Personnel expenses include a 2% step increase in wages and a 15% increase in health benefit costs. Total personnel costs have decreased by \$1.2 million as compared to FY18. There is no change in full-time equivalent positions. Total general operating costs increase \$0.4 million. The interfund transfers decrease by \$3.0 million.

The Working Capital balance at June 30, 2019 is estimated to be \$16.7 million. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenses as defined by the Water Authority's Rate Ordinance.

The Water Authority's goals and objectives focus on improving the Utility's operations and improving customer conditions. The Budget Ordinance requires the Water Authority's operating budget be consistent with the goals and objectives, and that they be major factors in determining funding for Water Authority programs and improvements in both the operating and capital Implementation budgets. Many of the objectives also

reflect policy direction. With the establishment of goals and objectives that have policy as well as budgetary implications, the Water Authority must actively manage the daily operations of the Utility.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-18-12

1 **RESOLUTION**

2 **APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO**
3 **COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY**
4 **1, 2018 AND ENDING JUNE 30, 2019**

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

8 WHEREAS, the Board, by Ordinance, has established a budget process for the
9 Water Authority; and

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

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

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

16 WHEREAS, appropriations for the operation of the Water Authority must be
17 approved by the Board.

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

19 Section 1. That the following amounts are hereby appropriated to the following
20 funds for operating The Albuquerque Bernalillo County Water Utility Authority during
21 Fiscal Year 2019:

22 <u>GENERAL FUND – 21</u>	214,009,000
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23 This appropriation is allocated to the following programs:

24 Administration	2,684,000
25 Risk	4,534,000
26 Legal	760,000
27 Human Resources	1,588,000
28 Finance	4,184,000

1	Customer Services	9,050,000
2	Information Technology	7,096,000
3	Wastewater Plant	11,426,000
4	San Juan-Chama Water Treatment Plant	3,971,000
5	Groundwater Operations	6,629,000
6	Wastewater Collections	6,701,000
7	Water Field Operations	19,595,000
8	Compliance	5,261,000
9	Planning & Engineering	3,899,000
10	Water Resources	3,861,000
11	Power & Chemicals	20,236,000
12	Taxes	656,000
13	Authority Overhead	1,410,000
14	San Juan-Chama	2,247,000
15	Transfers to Other Funds:	
16	Rehab Fund (28)	26,589,000
17	Debt Service Fund (31)	71,631,000
18	<u>DEBT SERVICE FUND – 31</u>	85,730,000
19	This appropriation is allocated to the following programs:	
20	Debt Service	80,730,000
21	Transfer to Other Funds:	
22	Growth Fund (29)	5,000,000
23	Section 2. The Executive Director is authorized to develop and establish a	
24	nonrecurring safety/performance incentive program. This program will provide	
25	employees with an incentive based on cost reductions or performance enhancements	
26	resulting in operating efficiencies and/or a reduction in work related losses. Funding for	
27	this program is contingent on savings in the same or a greater amount.	
28	Section 3. The Water Authority shall continue its partnership with non-profit	
29	affordable housing developers under contract with local government whereby the first-	
30	time homebuyer will not be required to pay the Utility Expansion Charge until the	
31	property is sold. No more than 50 units per year will be authorized under this program.	
32	The Water Authority will secure its position with a second mortgage.	
33	Section 4. The Rate Reserve Fund is augmented by the amount of \$2,000,000.	

1 Section 5. If working capital balance exceeds 1/12 of operating expenses, and
2 debt service payments and debt service coverage are met, the remaining working
3 capital balance shall be reserved for capital projects.

4 Section 6. The Executive Director is authorized to carry out all appropriations
5 contained in this budget in accordance with established policies and procedures.



Albuquerque Bernalillo County
Water Utility Authority

FY19 Proposed Budget

Operating & Capital Improvement Plan (CIP) Budgets

FY19 Budget Assumptions

- No Rate Revenue Adjustment
- No New FTE's
- Nominal Growth in Service Area
- FY17 Consumption Levels at 128 Gallons Per Capita
- Capital Spending Increase by \$3.0 million
- Rate Reserve Increase by \$2.0 million
 - Rate Reserve dedicated for the purpose of offsetting declines in rate revenue
- Fund Balance at 1/12th of Operating Expenses



FY19 Selected Priorities

- Continue Community Outreach and Communication
- Complete Phase 2 of Maximo Asset Management System
 - Fleet Management module
 - Full Life-cycle Accounting of Assets
 - Preventive and Condition Monitoring
- Complete Clarifier Odor Control Mitigation
- Begin construction of the Consolidated Customer Service & Field Operations Facility
- Complete Source Water Protection Plan Update and report on findings from Pharmaceuticals and Personal Care Products (PPCPs)
- Identify funding for Phase 7C Los Padillas Waterline Project
- Begin implementation of Vulnerability Assessment recommendations and complete cyber security evaluation
- Planned 5 Megawatt Solar Facilities



FY19 Selected Priorities

Continue Implementation of Water 2120 Plan

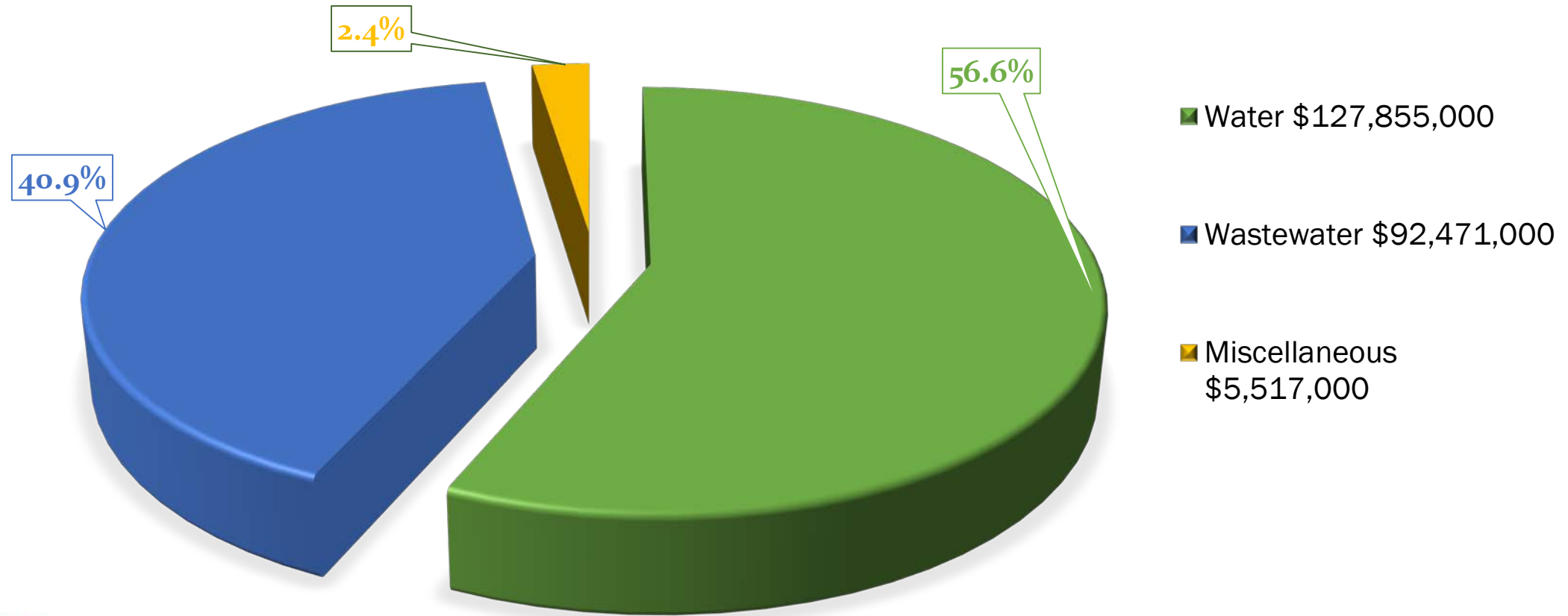
- Complete Environmental Plan
- Prepare draft of the Groundwater Management Plan
- Begin development of the Reuse Plan
- Create new Water 2120 Capital Fund



Albuquerque Bernalillo County
Water Utility Authority

FY19 General Fund Projected Revenues

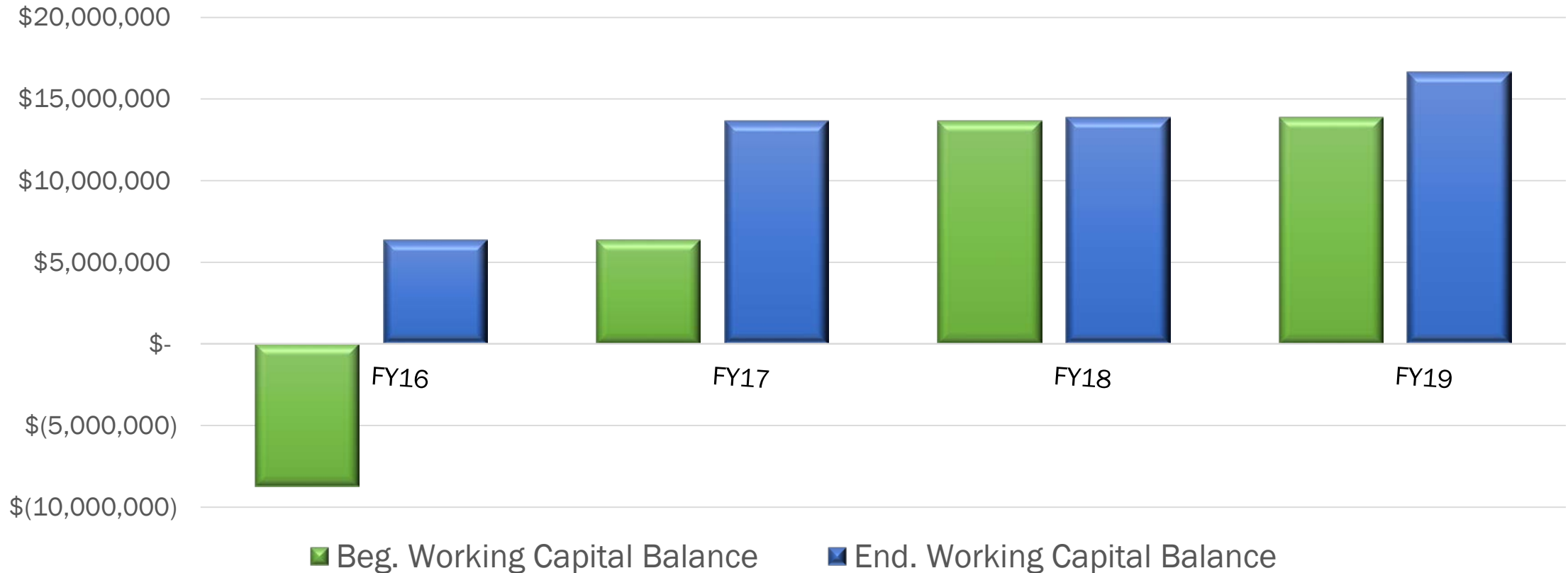
\$225,843,000



Albuquerque Bernalillo County
Water Utility Authority

FY19 Working Capital Projected Balance

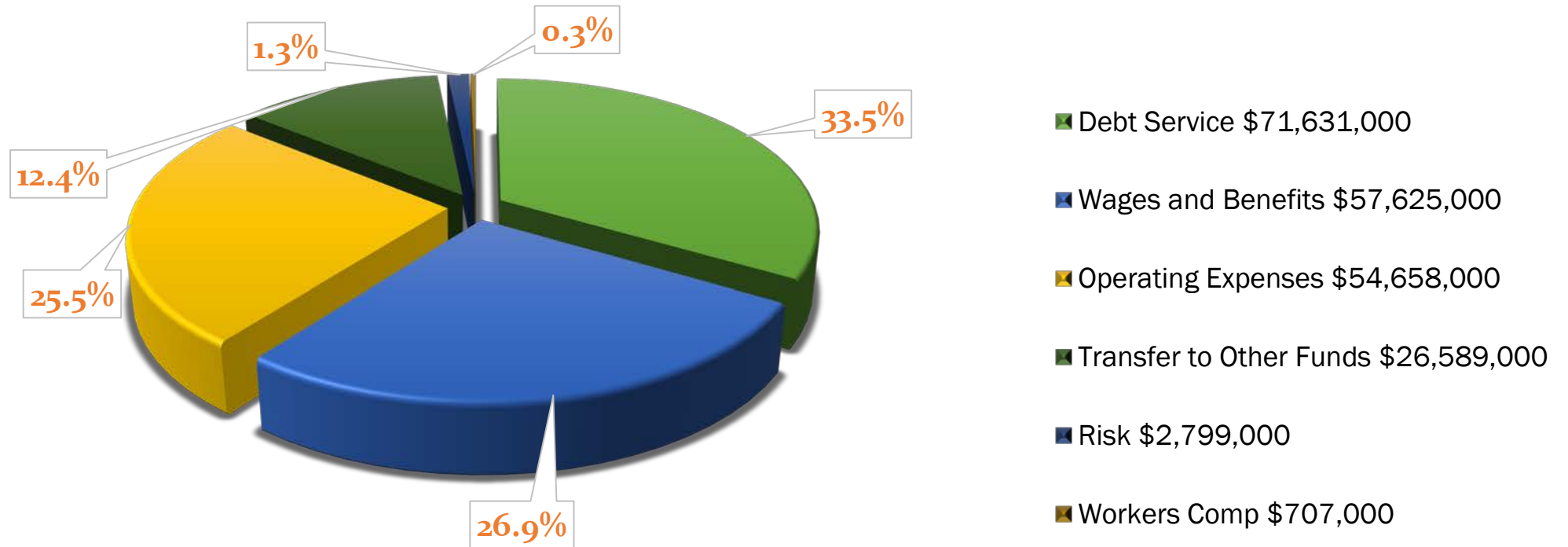
Working Capital projected to meet 1/12th Reserve Requirement



Albuquerque Bernalillo County
Water Utility Authority

FY19 Budgeted Expenses

\$214,009,000



FY19 Capital Improvement Plan(CIP) Appropriations

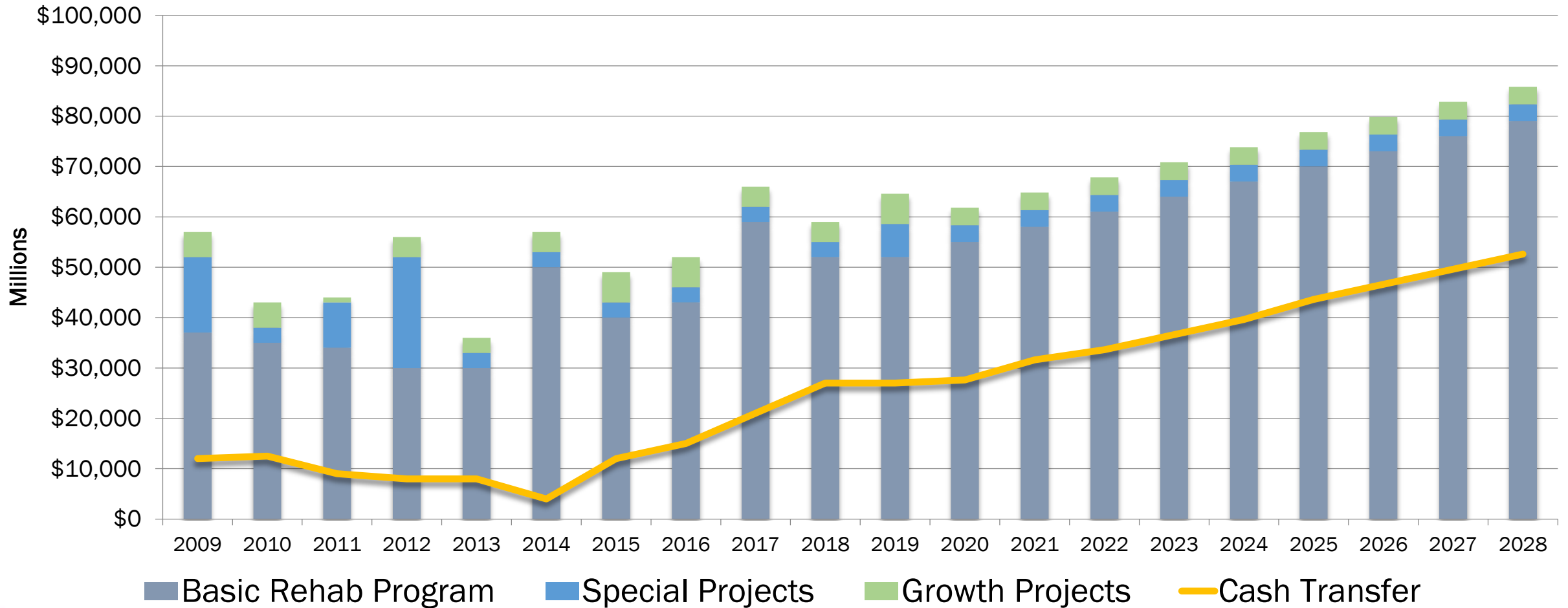
\$84.3 Million Appropriation Includes:

- \$55 Million Basic Rehab Program
- Major Initiatives Include:
 - \$15.0 Million to Complete Odor Mitigation for Clarifiers
 - \$5.0 Million to Construct Consolidated Customer Service & Field Operations Facility
 - \$4.8 Million for Vehicle and Heavy Equipment Replacement
 - \$2.0 Million Automated Meter Infrastructure (AMI) – 50% build-out target
 - \$1.0 Million for Steel Line Replacement
 - \$350,000 for Renewable Energy Projects
 - \$300,000 for Water 2120 Fund



Albuquerque Bernalillo County
Water Utility Authority

CIP Spending – Decade Plan



Each \$1.0 million in Capital Spending creates 15 Jobs

Source: U.S. Water Alliance



Albuquerque Bernalillo County
Water Utility Authority