
Meeting Date: May 22, 2019
Staff Contact: Stan Allred, Chief Financial Officer

TITLE: R-19-8 – Appropriating Funds for Operating the Albuquerque Bernalillo County Water Utility Authority for Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020

ACTION: Recommend Approval

SUMMARY:

This legislation is the Water Authority's proposed budget appropriation for Fiscal Year 2020 beginning July 1, 2019. The FY20 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.

Fiscal Year 2020 HIGHLIGHTS:

The FY20 Executive Director's Proposed Budget establishes the Water Authority's financial plan and uses the Goals, Adopted Policies, 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=Z6stQZw2L1M&feature=youtu.be>

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 53% of all water distributed to Water Authority customers in calendar year 2018. The Water Authority's goal is to have the DWP supply 70-75% of all customer demand in calendar year 2019. 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. SWRP staff will focus on completing work on the 9 areas selected for focused improvement from the AWWA Partnership for Clean Water Phase III Self-Assessment. Staff will also continue updating plant asset records, preventative maintenance, and preventative maintenance routes in Maximo.

In FY20, the SWTP will focus on construction of a dewatering system for iron sludge and managing the sludge discharges to the collection system. The permanent fluoride addition facility will be completed during the fiscal year. SWTP staff will complete work on the 8 areas selected for focused improvement from the AWWA Partnership for Safe Water-Treatment Phase II Self-Assessment.

For FY20, Groundwater Operations will fine-tune system operations to the State Drinking Water Act (SDWA) standards for arsenic and the prescribed range for fluoride. Staff will be renovating/replacing aging motor control centers and renovate interior piping and valves at several pump stations, replacing older ClorTec disinfection systems with new PSI systems, renovating the Charles Wells Reservoir, and repairing/replacing reservoir hatches in advance of the 2020 Sanitary Survey.

Wastewater Collections continues to implement the CMOM program and prepare the CMOM Program Self-Assessment during FY20. Staff will clean small diameter lines in major intersections that have not been cleaned in the last 10 years, televise and assess the condition of 5% of the small diameter system and develop and implement a process

to capture new construction CCTV for inclusion in both Maximo and IT Pipes Repository after GIS unique identifiers are established.

Water Distribution Field will continue the Automated Meter Infrastructure (AMI) Pressure Monitoring project and assess opportunities for operational efficiency within pressure one 4ER and the Paseo Del Norte/Eagle Ranch interconnection. To support the water loss audit and strategic water loss plan, staff will conduct a statistically significant number of small meter tests. Staff will continue implementation of the AMI project by modernizing aging meter infrastructure with smart meters to increase revenue, support conservation efforts and provide better customer service.

Water Resources will expand their conservation program by launching the 505Outside website to all customers, develop a program to assist low-income customers with water efficiency efforts, and end the rebates for pressure reduction valves and add rebates for organic mulch and flow and moisture sensors. Education efforts will continue with the design and implementation of a water project to engage high-risk middle school students, partner with Explora on the new STEAM Science Center water exhibits and create a new puppet show and coloring book for the 2019-20 school year. Water Resources will identify the location and type of the next ASR project and begin well capture zone analysis to identify the areas most in need of protection surrounding well heads. To further environmental goals, Water Resources will fund and collaborate on a study to age larval Rio Grande silvery minnow to tie life history events to hydrologic events, perform maintenance on the La Orilla and Paseo del Norte restoration sites in partnership with CABQ Open Space and fund and participate in the Executive Committee of the Rio Grande Water Fund.

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. Maps/Records staff will develop GIS layers for SAD Interceptor Flows and tapping permits.

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 FY20, the NPDES program will work with the EPA on obtaining a final NPDES permit. The new permit may require changes to the sampling plan. The report on Pharmaceuticals and Personal Care Products will be issued. UCMR4 sampling will continue on drinking water. The Water Quality Lab will continue optimizing LabVantage and move towards updated laboratory standards required by accreditation.

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.

In FY20, Risk/Safety will research defensive & over-the-road driving programs, develop safety posters for various Water Authority locations including hazard/exposure information, chemicals in buildings and safety gear required posters and develop the use of Informacast for safety use.

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.

Human Resources staff will be distributing an Employee Satisfaction and Engagement Survey in the fall of 2019. Staff will then prepare a report on the results and distribute by the spring of 2020. With the new AuthorityWorks online application system, staff will create new recruitment brochures and a new benefits flyer for interviewees. Other areas of focus for FY20 include: new and improved employee incentives, improve the intern programs, continue with succession planning and knowledge transfer efforts and continue to update procedures and administrative instructions.

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.

Budget, Finance and Business Management

Finance will submit to GFOA the FY20 Approved Budget for the Distinguished Budget Presentation Award, the FY19 Comprehensive Annual Financial Report (CAFR) for the Certificate of Achievement for Excellence in Financial Reporting and the FY19 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 FY20, Accounting Services will continue the Maximo implementation with the inventory of all assets, updating the data for each asset, updating install dates, purchase price and replacement cost, updating depreciation schedules and developing risk/insurance management reports of the assets.

Purchasing will fully implement the new Warehouse Ordering and Inventory Management Policy, complete the implementation and go-live of the new online bidding/proposal evaluation tool, prepare for moving all inventory and staff from the Pino Warehouse

location to the new warehouse at Surface Water and solicit and award new on-call construction/engineering agreements and implement new administrative procedures to improve the effectiveness of those contracts.

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

In FY20, Treasury will complete the transition of banking services per the RFP issued in FY19, partner with CSD, ITD and Public Affairs to update bill presentment and payment navigation on the Authority's website and maintain a diversified investment portfolio.

In FY20, dispatching functions will transfer from WA Field Operations to Customer Services. CSD staff will utilize the increased functionality of the upgraded CC&B system to expand the use of templates, known as campaigns, to convert existing business processes and to convert current rates to the new rate engine and to implement the Water Resources Charge. CSD will issue an RFP and award a contract with a vendor to implement a meter data management (MDM) system to store and manage data from AMI and non-AMI meters. CSD staff will participate in the AWWA Rate Study.

ITD Quality Assurance staff will upgrade utility desktop operating systems to Windows 10, identify and document all IT assets into Maximo, support the buildout of the new administration building and develop enterprise training initiatives.

ITD Infrastructure objectives for FY20 include upgrading the card key and video surveillance system to build in redundancy, implement backup and recovery solutions for SCADA and enterprise and support the buildout of the new administration building.

ITD Network staff will upgrade the SCADA fiber and network equipment at the Surface Water Treatment Plant, upgrade core network equipment for the new administration building and upgrade end-of-life network equipment from previously leased equipment.

ITD Application staff will continue the Maximo upgrade, including: training, life cycle accounting, asset onboarding, storeroom, barcoding and mobile assessment. Staff will also perform a CC&B archive and purge, report standardization for Splunk-AVL and MeterSense applications, and lead upgrades to various enterprise applications: OneSolution, Kronos, Cognos and GIS.

IT Security will be a major focus in FY20. Staff will be: completing security awareness training videos for all Water Authority staff including a New Employee Orientation/Supervisor training security video, completing security policies and procedures, and reducing the overall risk assessment scores.

The rate reserve fund balance is \$9.0 million. 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 \$231,347,000 and the Water Authority Debt Service Fund which totals \$88,496,000.

COMMENTS:

For FY20, General Fund revenue is estimated to be \$231.3 million with proposed expenses of \$231.3 million. This amount will bring the Working Capital or Fund Balance to \$38.5 million at June 30, 2020, net of the rate reserve fund balance. 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

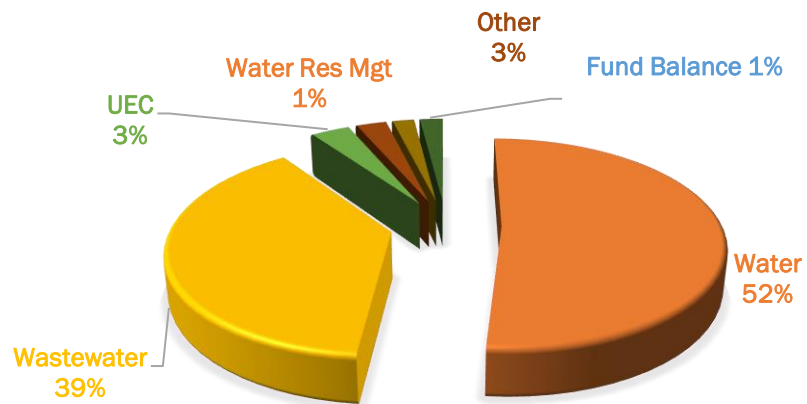
The revenue table is an estimate of revenues projected next year. The following is a revenue comparison of the FY18 Audited Actuals, FY19 Revised and the FY20 Proposed budgets:

WATER AUTHORITY GENERAL FUND - 21

ACCOUNT NAME	AUDITED FY18	REVISED BUDGET FY19	PROPOSED BUDGET FY20	DIFFERENCE FY20-FY19
Interest	322	540	1,000	460
Miscellaneous	2,826	3,109	3,109	-
Water	143,472	123,355	123,355	-
Water Resources Management	4,418	4,500	4,500	-
Wastewater	76,078	92,471	92,471	-
CIP Employees	943	-	-	-
Solid Waste Admin Fee	1,480	1,509	1,637	128
DMD Admin Fee	348	359	496	137
PNM Pass Thru	-	-	-	-
Fund Balance	-	-	4,779	4,779
FUND TOTAL	229,887	225,843	231,347	5,504

General Fund revenue for FY20 is estimated to be \$5.5 million above the FY19 revised budget due to increases in interest income and administrative fees and the use of fund balance. Revenue in the Debt Service Fund has a \$5.6 million increase, comprised of a \$1.5 million decrease in UEC Revenue and a \$7.1 million increase in the transfer from the General Fund for debt service payments.

REVENUE SOURCES



* Consolidated for Reporting Purposes

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

Expenses

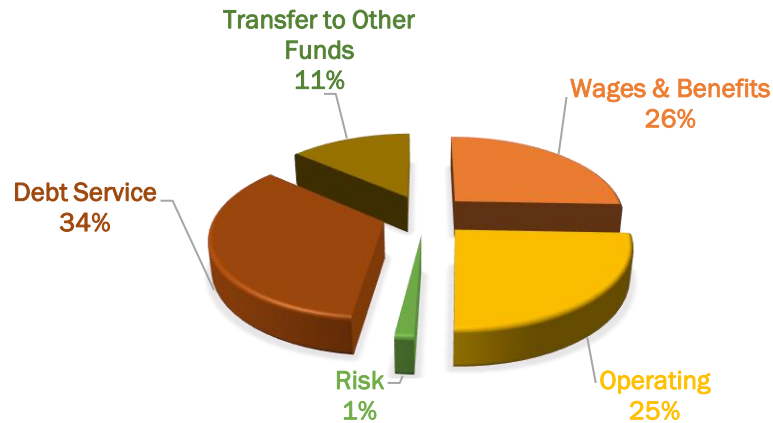
The following is the appropriation comparison of the FY18 Audited Actuals, FY19 Revised and the FY20 Proposed budgets:

WATER AUTHORITY GENERAL FUND - 21

PROGRAM	AUDITED FY18	REVISED BUDGET FY19	PROPOSED BUDGET FY20	DIFFERENCE FY20-FY19
Administration	3,140	2,718	2,224	(494)
Risk	3,616	4,411	4,397	(14)
Legal	863	760	790	30
Human Resources	1,473	1,588	1,799	211
Finance	3,867	4,020	4,124	104
Customer Services	8,682	9,050	5,192	(3,858)
Information Technology	6,998	7,213	7,370	157
Wastewater Plant	10,978	11,351	11,786	435
San Juan-Chama Water Treat Plant	3,479	4,142	4,285	143
Groundwater Operations	6,288	6,539	6,614	75
Wastewater Collection	6,824	6,701	7,077	376
Water Field Operations	18,154	19,651	23,824	4,173
Compliance	4,242	5,261	5,424	163
Planning & Engineering	2,960	3,899	4,008	109
Water Resources	3,631	3,936	4,675	739
Power & Chemicals	20,566	19,987	21,487	1,500
Taxes	262	656	656	-
Overhead	2,247	1,660	1,839	179
San Juan-Chama	2,109	2,747	2,747	-
Tfr Gen Fund to Rehab Fund	30,250	26,589	31,618	5,029
Tfr Gen Fund to Debt Serv Fund	70,908	72,267	79,411	7,144
FUND TOTAL	211,539	215,145	231,347	16,202

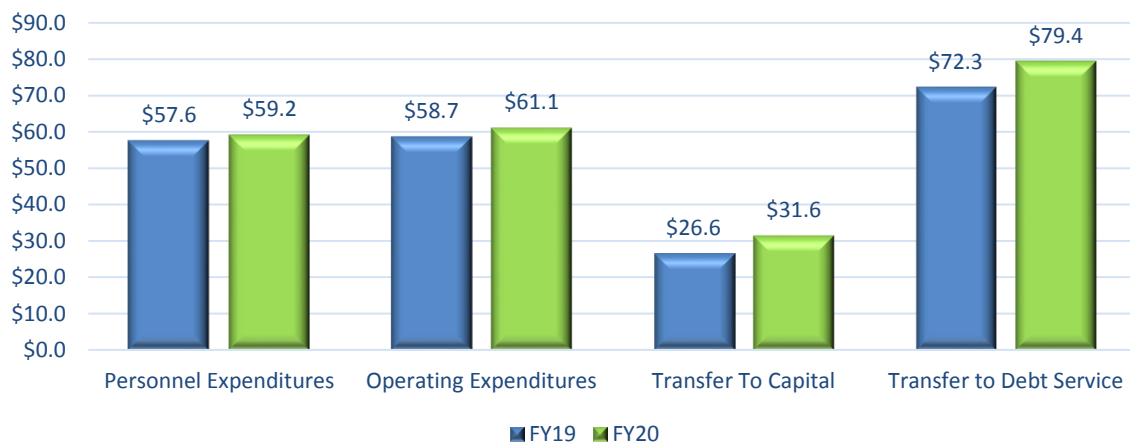
The FY20 proposed General Fund expenses contain a net increase of \$16.2 million from the FY19 Revised Budget. Total personnel costs have increased by \$1.6 million as compared to FY19; general operating expenses increase \$2.4 million; and interfund transfers increase \$12.2 million.

EXPENSES



* Consolidated for Reporting Purposes

Difference between FY19 and FY20 Expenses (in millions)



Personnel expenses include a 2.0% step increase in wages and a 12.0% increase in health benefit costs. Total personnel costs have increased by \$1.6 million as compared to FY19. Total general operating costs increase \$2.4 million. The interfund transfers increase by \$12.2 million.

The Working Capital balance at June 30, 2020 is estimated to be \$38.5 million, net of the rate reserve fund balance. 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-19-8

1 **RESOLUTION**
2 **APPROPRIATING FUNDS FOR OPERATING THE ALBUQUERQUE BERNALILLO**
3 **COUNTY WATER UTILITY AUTHORITY FOR THE FISCAL YEAR BEGINNING JULY**
4 **1, 2019 AND ENDING JUNE 30, 2020**

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 2020:

22 <u>GENERAL FUND – 21</u>	231,347,000
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23 This appropriation is allocated to the following programs:

24 Administration	2,224,000
25 Risk	4,397,000
26 Legal	790,000
27 Human Resources	1,799,000
28 Finance	4,124,000

1	Customer Services	5,192,000
2	Information Technology	7,370,000
3	Wastewater Plant	11,786,000
4	San Juan-Chama Water Treatment Plant	4,285,000
5	Groundwater Operations	6,614,000
6	Wastewater Collections	7,077,000
7	Water Field Operations	23,824,000
8	Compliance	5,424,000
9	Planning & Engineering	4,008,000
10	Water Resources	4,675,000
11	Power & Chemicals	21,487,000
12	Taxes	656,000
13	Authority Overhead	1,839,000
14	San Juan-Chama	2,747,000
15	Transfers to Other Funds:	
16	Rehab Fund (28)	31,618,000
17	Debt Service Fund (31)	79,411,000
18	<u>DEBT SERVICE FUND – 31</u>	88,496,000
19	This appropriation is allocated to the following programs:	
20	Debt Service	84,496,000
21	Transfer to Other Funds:	
22	Growth Fund (29)	4,000,000
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.	
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Section 4. The Executive Director is authorized to carry out all appropriations contained in this budget in accordance with established policies and procedures.



Albuquerque Bernalillo County
Water Utility Authority

FY20 Proposed Budget

Operating & Capital Improvement Plan (CIP) Budgets

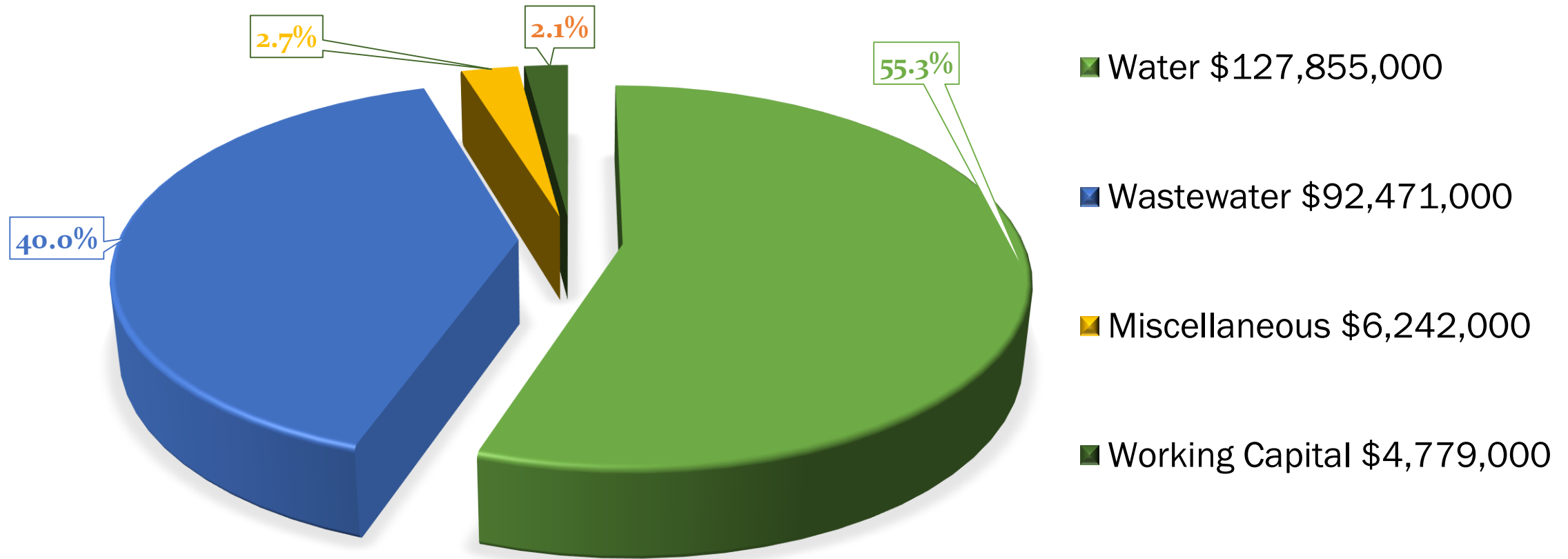
FY20 Budget Assumptions

- No Rate Revenue Adjustment
- No New FTE's
- Expenses Increased by 2%
- Nominal Growth in Service Area
- FY18 Consumption Levels at 125 Gallons Per Capita
- Capital Spending Increase by \$3.0 million
- Rate Reserve funded at \$9.0 million
 - Rate Reserve dedicated for the purpose of offsetting declines in rate revenue
- Fund Balance at 1/12th of Operating Expenses



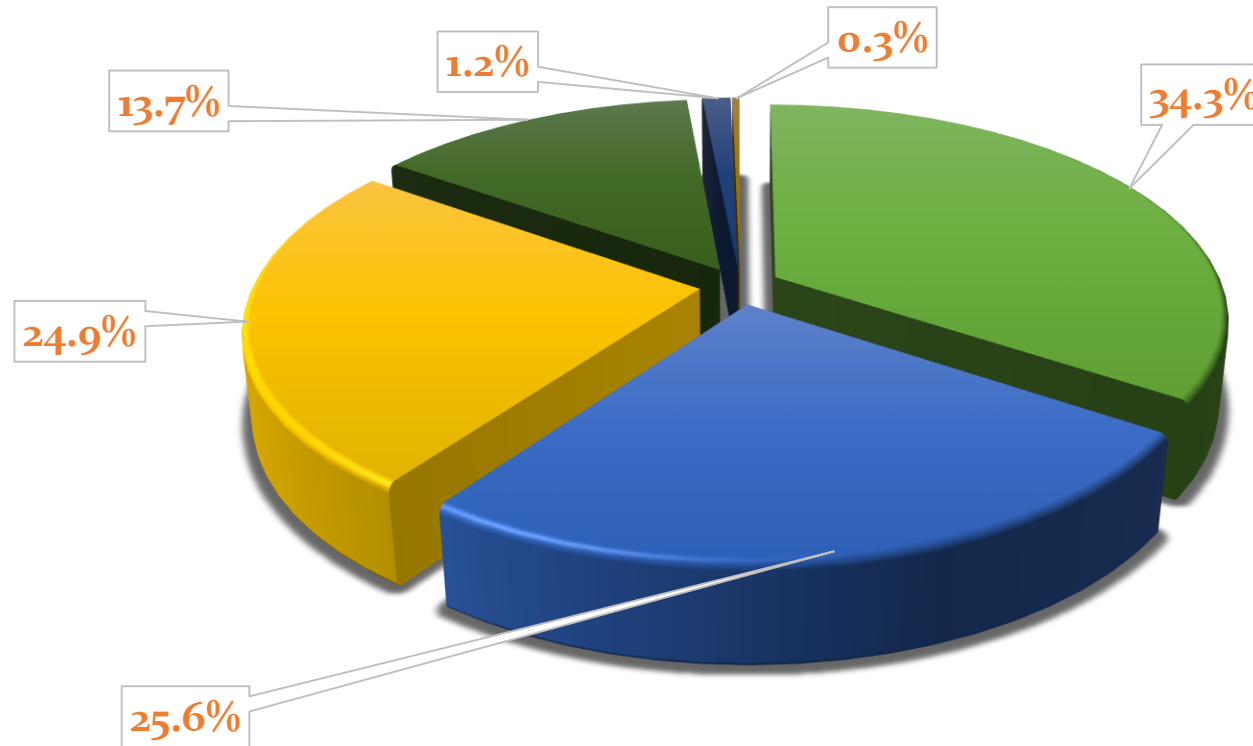
FY20 General Fund Projected Revenues

\$231,347,000



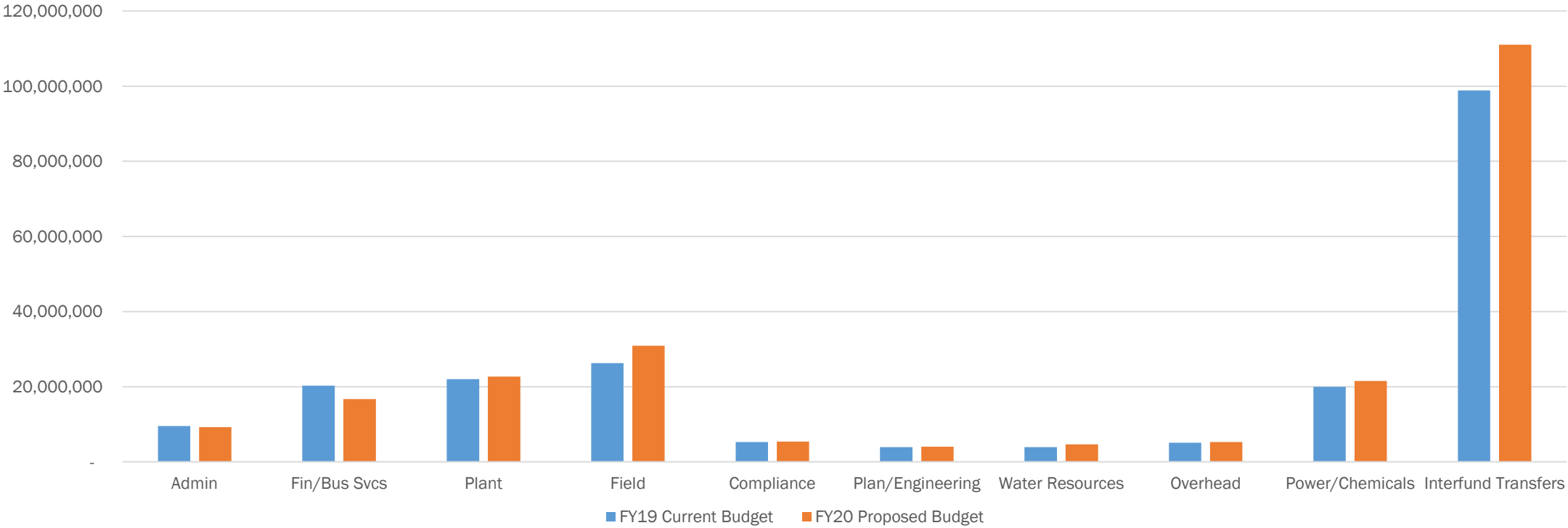
Albuquerque Bernalillo County
Water Utility Authority

FY20 Budgeted Expenses \$231,347,000



- Debt Service \$79,411,000
- Wages and Benefits \$59,212,000
- Operating Expenses \$57,600,000
- Transfer to Other Funds \$31,618,000
- Risk \$2,799,000
- Workers Comp \$707,000

General Fund Budget Comparison



FY20 Capital Improvement Plan (CIP)

Appropriations

\$68.5 million Appropriation Includes:

- \$58 million Basic Rehab Program

Major Initiatives Include:

- \$23.2 million for Southside Water Reclamation Plant Renewal
- \$9.5 million for Sanitary Sewer Pipeline Renewal
- \$2.69 million NM Legislative Capital Outlay Awarded Projects
- \$4.4 million for Vehicle and Heavy Equipment Replacement
- \$2.0 million Automated Meter Infrastructure (AMI)
- \$1.0 million for Steel Line Replacement



Albuquerque Bernalillo County
Water Utility Authority

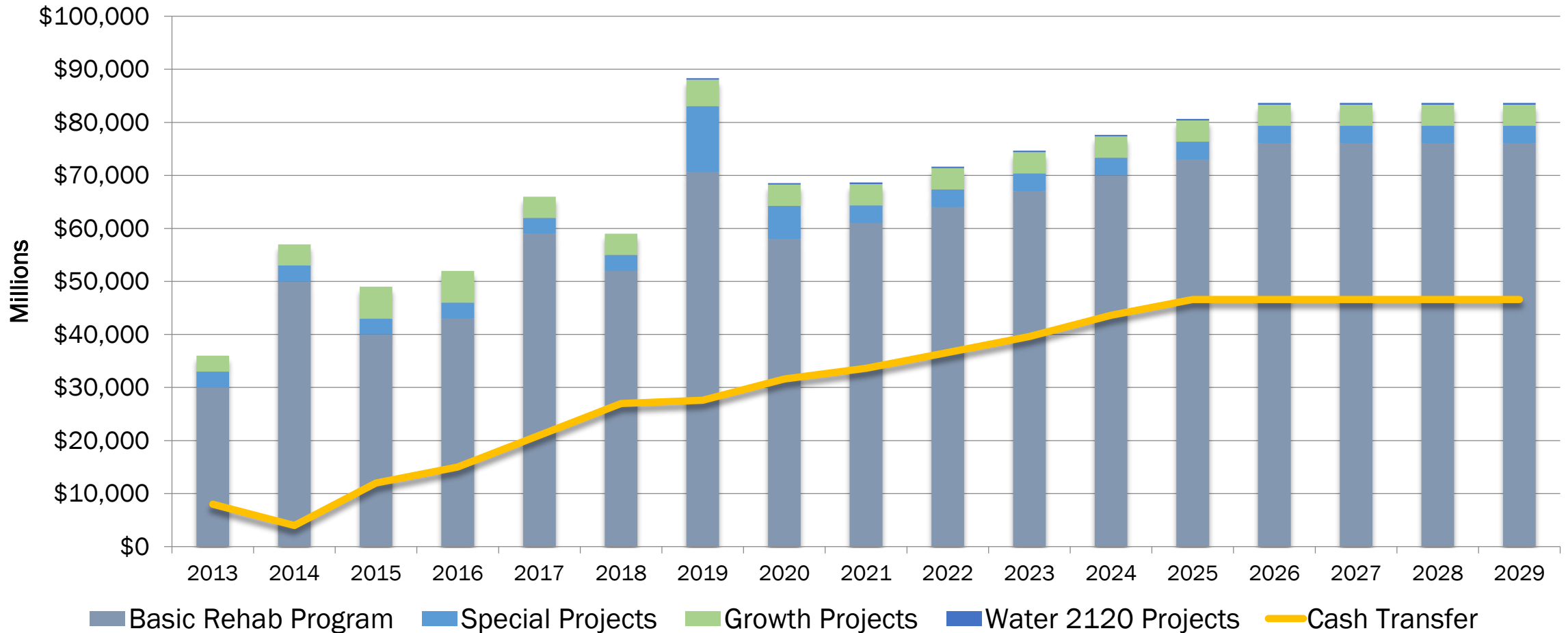
Southside Water Reclamation Plant

Primary Clarifier Rehabilitation and Covers

- The clarifiers have open tops, so odor control is difficult
- Renewal project currently under construction to cover the four large primary clarifiers
- Two of four currently covered; all four to be covered by the end of the year



CIP Spending – Decade Plan



Albuquerque Bernalillo County
Water Utility Authority