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

**TITLE: R-19-9 – Appropriating Funds for the Capital Implementation of the Albuquerque Bernalillo County Water Utility Authority for the Fiscal Year Beginning July 1, 2019 and Ending June 30, 2020**

**ACTION: Recommend Approval**

**SUMMARY:**

This legislation appropriates funding for the FY20 Capital Implementation Program (CIP). This appropriation provides funding for new projects as well as supplements current appropriations for projects that are ongoing.

**FISCAL IMPACT:**

The FY20 capital implementation program appropriation totals \$68.3 million. \$58.0 million is appropriated for the level one priority basic capital programs, \$4.0 million for growth related projects, \$0.3 million for Water 2120 projects, and \$6.0 million is appropriated for special projects.

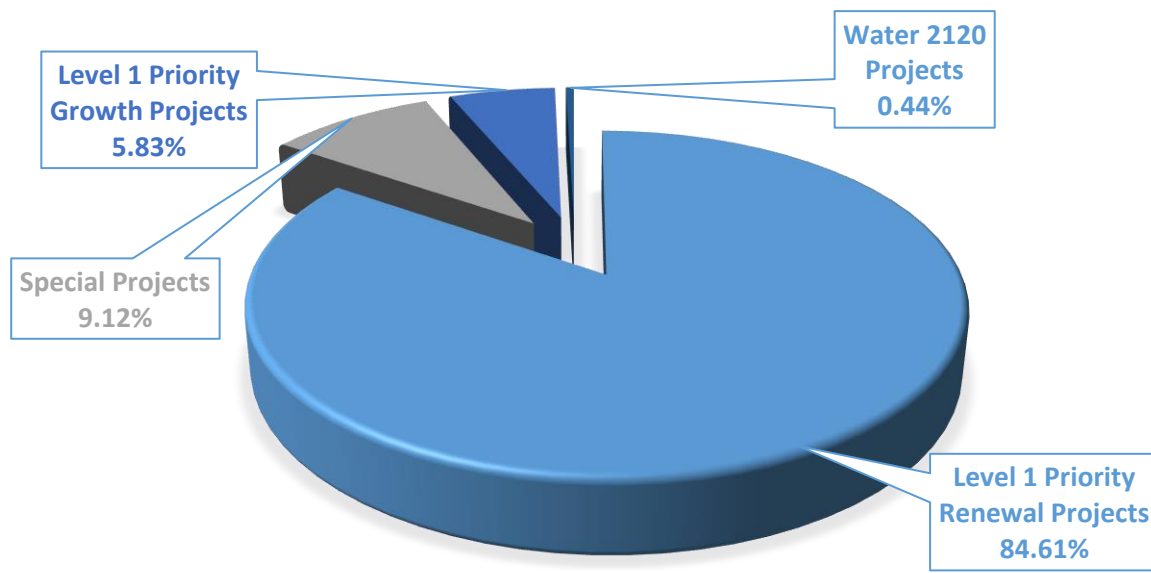
The \$6.0 million for special projects is comprised of \$2.0 million for the Automated Meter Infrastructure (AMI), \$1.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, and \$2.6 million for the State of New Mexico Legislative Capital Outlay awarded projects.

The current Rate Ordinance requires no less than \$30.0 million for Basic rehabilitation program. Additionally, \$2.0 million is budgeted annually for the Automated Meter Infrastructure (AMI) program. There are no appropriations in the proposed FY20 CIP budget for projects that will be funded with revenues from FY21 or later.

The recent rate revenue increases alleviate future borrowing and increases the level of funding for infrastructure rehab projects.

The growth program is funded by Utility Expansion Charge (UEC) revenue which is tied to economic growth in the Water Authority's service area. The non-discretionary portion of the growth program includes funding for the low income connection program managed by Bernalillo County and development repayment agreements as connections are made to the System.

Demonstrated in the graph below is the overall percentage of each CIP category:



#### COMMENTS:

The blueprint for the Basic capital program is the Decade Plan, a ten year plan required to be updated biennially with two, four, six, eight and ten year planning elements. There must always be an approved two year planning element in place before the Board can approve a current year capital program appropriation. FY20 is the first year in the current FY 2020 – FY 2029 Decade Plan. Listed below are the detailed projects for year one:

	<b>FY20 Budget</b>
<b>Basic Program Appropriations:</b>	
Sanitary Sewer Pipeline Renewal	\$9,525,000
Drinking Water Pipeline Renewal	6,150,000
Southside Water Reclamation Plant Renewal	23,220,000
Soil Amendment Facility (SAF) Renewal	50,000
Lift Station and Vacuum Station Renewal	2,950,000
Odor Control Facilities Renewal	250,000
Drinking Water Plant Groundwater System Renewal	4,775,000
Drinking Water Plant Treatment System Renewal	1,750,000
Reuse Line and Plant Rehab	150,000
Compliance	390,000
Shared Renewal	390,000
Franchise Agreement Compliance	3,950,000
Vehicles and Heavy Equipment	4,450,000
<b>Level 1 Priority Renewal Projects Total</b>	<b>\$58,000,000</b>

	<b>FY20 Budget</b>
<b>Special Projects:</b>	
Steel Waterline Rehab	\$1,000,000
Automated Meter Infrastructure (AMI)	2,000,000
Renewable Energy Projects	350,000
Miscellaneous (State of NM Capital Outlay Awards)	2,691,000
<b>Special Projects Total</b>	<b>\$6,041,000</b>
<b>Combined Level 1 Priority Renewal and Special Projects</b>	<b>\$64,041,000</b>
<b>Growth Projects:</b>	
Development Agreements	940,000
Land & Easement Acquisition	500,000
MIS/GIS	2,000,000
Master Plans	500,000
Miscellaneous	60,000
<b>Growth Total</b>	<b>4,000,000</b>
<b>Water 2120 Projects</b>	<b>300,000</b>
<b>Level 1 Priority Growth/Other Projects Total</b>	<b>\$4,300,000</b>
<b>Grand Total</b>	<b>\$68,341,000</b>

### **FY20 Capital Program Highlights**

The sanitary sewer interceptor system is the backbone of the Water Authority's current sewer collection system. It is designed to carry large flows from the collection line system for delivery to the plant for treatment. There are over 242 miles throughout the service area of interceptor lines which range from 12-inch up to 72-inch. 46-percent (approximately 111 miles) of the current interceptors with the system are made of concrete and have suffered substantial hydrogen sulfide corrosion damage along the upper portions of the pipe. This ultimately results in complete pipe failure which could cause a sinkhole to form at any time within the public right-of-way. Fund for evaluation, planning, design, construction, and related activity will be used for sanitary sewer interceptor rehabilitation or complete removal and replacement of severely deteriorated sewer interceptor lines that are beyond feasible rehabilitation.

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.

A new screening facility is currently under construction and will be completed during FY20. This facility will remove rags and other larger debris ahead of Lift Station 11A, which lifts sewage into the Southside Water Reclamation Plant (SWRP).

The primary clarifiers are used to remove suspended solids ahead of the aeration basins. Maintaining these units in good working order is important for the downstream processes to work properly and for the plant to meet its NPDES permit requirements. The primary clarifiers handle sewage resulting in deterioration of structural, mechanical, and electrical components. Also, the currently open basins are a source of hydrogen sulfide and other odors. Funding will be used to complete the rehabilitation and make improvements to the existing primary clarifiers. In addition, covers will be added to assist in combating offensive odors.

SWRP electrical systems and electrical gear for many of the facilities such as Cogen, DAF, Compression and Pump stations 1 and 2 have reached or exceeded their 20-year life and need replaced. Funding will be used to provide a redundant set of primary power loops at the facility. Old, obsolete electrical equipment will be replaced with new equipment that meets current building codes.

The Information Technology/GIS funding allocations will be utilized to complete the Asset Management system upgrade. Phase III tasks associated with the project include; Barcoding of fixed assets, completion of the asset on-boarding/decommissioning process, risk-based assessment, condition monitoring for assets, and integrating CC&B and Maximo to maintain large meters.

Other projects include prototyping a Virtual Desktop Infrastructure (VDI) for training rooms to leverage the flexibility and scalability of our Hyper-Converged environment, resulting in cost savings, performance enhancement, and “green” initiatives. Efforts will continue to add redundancy to the Network, Telephony and Security systems which includes the new admin facility at SJTP and SCADA. ITD will work to evaluate and assess our current SCADA environment, and create a master plan to upgrade, replace, and/or consolidate current WUA SCADA Systems that support the Authorities Asset Management plan. SunGard, Kronos and COGNOS will also be upgraded during FY20. ITD will implement Artificial Intelligence (AI) utilizing Splunk for Asset Management, Water Quality initiatives and SCADA. Support all enterprise wide application training initiatives and upgrade all desktops from Windows 7 to Windows 10.

ITD’s security initiatives include the creation of additional Cyber-Security policies to support the Water Authorities Information Security Plan, perform a thorough penetration analysis of our systems and network including all SCADA systems, including all applications that host sensitive data, and reducing risk scores.

The Water Authority has been awarded various Capital Outlay Projects from the 2019 NM State Legislative Session in the amount of \$2.7 million, of which, \$2.1 million is for the purpose of planning, designing, and the construction of the Winrock Wastewater Plant to serve the Winrock site and parks in Bernalillo County and \$0.6 million for various Carnuel Water and Sewer related projects.

Construction will be completed in FY20 of a new Consolidated Customer Service & Field Operations Facility which will replace the leased space at the City of Albuquerque “Pino Yard” facility and will serve as a more centralized location for Water Authority staff. The building will have space for over 200 personnel and offer greater security and control for operations. This facility will be located at the San Juan-Chama Drinking Water Treatment Plant.

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.

# ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

BILL NO. R-19-9

1 **RESOLUTION**

2 **APPROPRIATING FUNDS FOR THE CAPITAL IMPLEMENTATION PROGRAM FOR**  
3 **THE ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY FOR**  
4 **THE FISCAL YEAR BEGINNING JULY 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 Authority; and

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

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

14 WHEREAS, the Board has received the Capital Implementation Program Budget  
15 formulated by the Executive Director and has deliberated on it and provided public notice  
16 and input; and

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

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

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

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

24 Basic Program Appropriations:

25	Sanitary Sewer Pipeline Renewal	9,525,000
26	Drinking Water Pipeline Renewal	6,150,000
27	Southside Water Reclamation Plant Renewal	23,220,000
28	Soil Amendment Facility (SAF) Renewal	50,000

[+Bracketed Material+] - New  
[-Bracketed Material-] - Deletion

1	Lift Station and Vacuum Station Renewal	2,950,000
2	Odor Control Facilities Renewal	250,000
3	Drinking Water Plant Groundwater System Renewal	4,775,000
4	Drinking Water Plant Treatment Systems Renewal	1,750,000
5	Reuse Line and Plant Rehab	150,000
6	Compliance	390,000
7	Shared Renewal	390,000
8	Franchise Agreement Compliance	
9	3,950,000	
10	Vehicles and Heavy Equipment	4,450,000
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	Miscellaneous (State of NM Capital Outlay Projects)	2,691,000
16	<u>Growth:</u>	
17	Land & Easement Acquisition	500,000
18	Development Agreements	940,000
19	MIS/GIS	2,000,000
20	Master Plans	500,000
21	Miscellaneous	60,000
22	<u>Other:</u>	
23	Water 2120 Project Fund	300,000
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Albuquerque Bernalillo County  
Water Utility Authority

# FY20 Proposed Budget

Operating & Capital Improvement Plan (CIP) Budgets



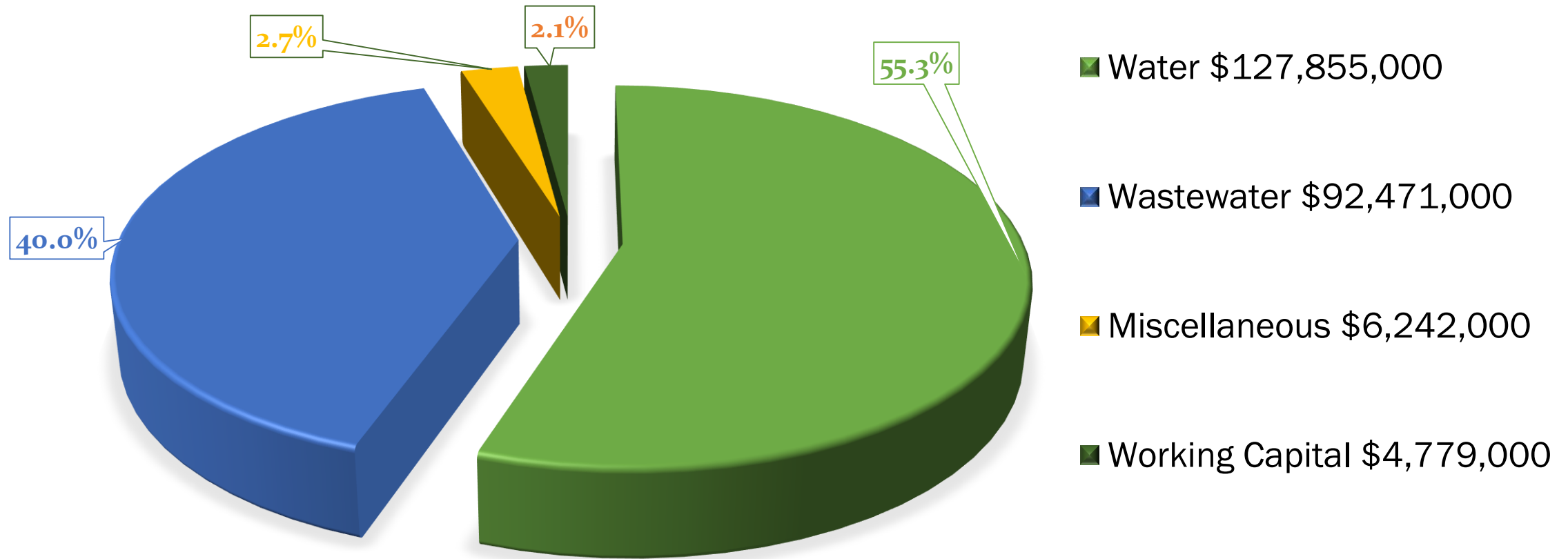
# FY20 Budget Assumptions

- 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 1/12<sup>th</sup> of Operating Expenses

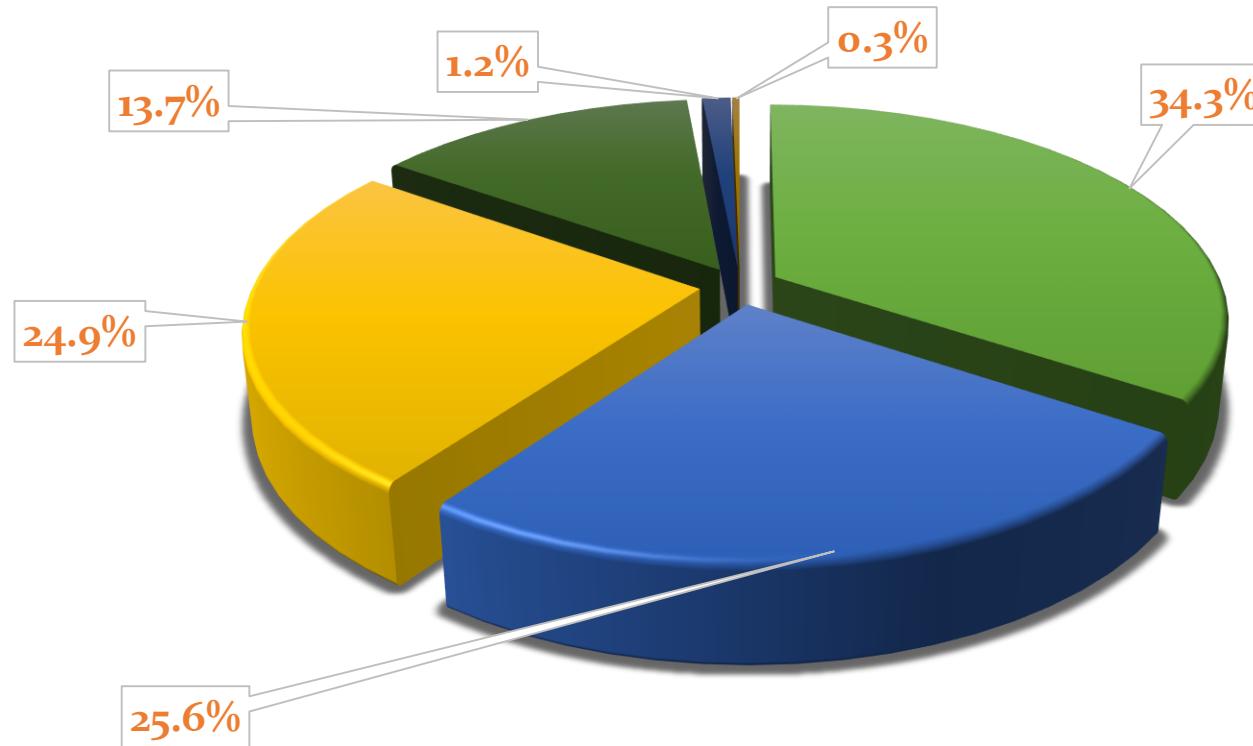


# FY20 General Fund Projected Revenues

## \$231,347,000



# FY20 Budgeted Expenses \$231,347,000

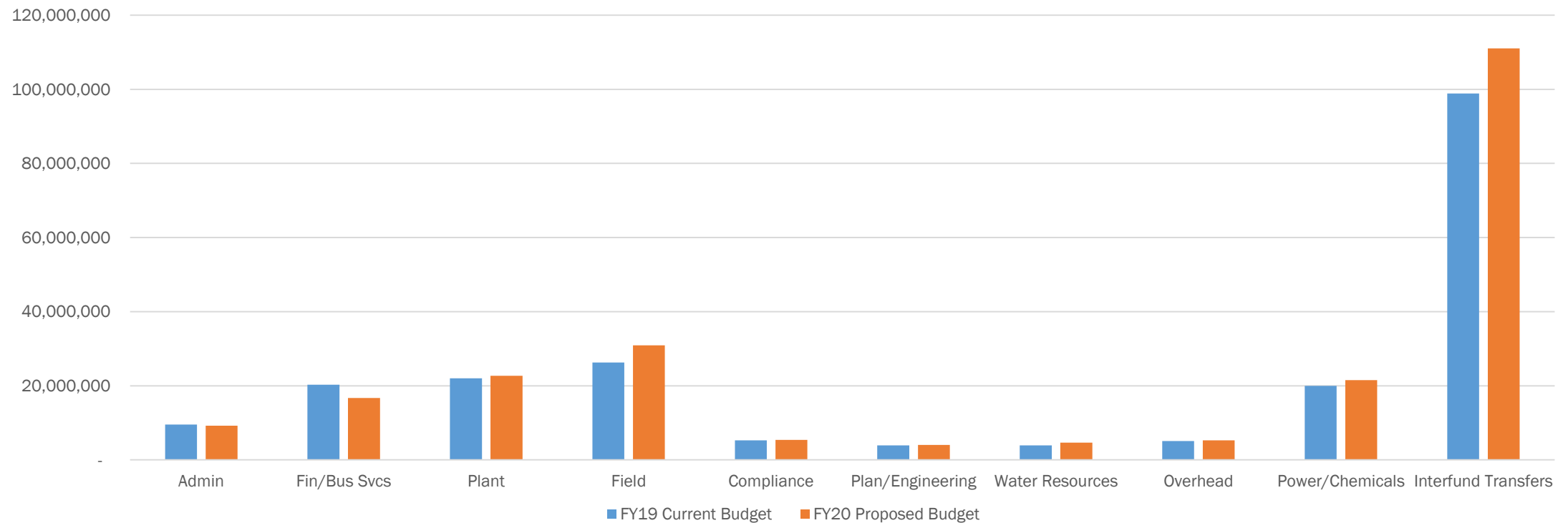


- Debt Service \$79,411,000
- Wages and Benefits \$59,212,000
- Operating Expenses \$57,600,000
- Transfer to Other Funds \$31,618,000
- Risk \$2,799,000
- Workers Comp \$707,000



Albuquerque Bernalillo County  
Water Utility Authority

# General Fund Budget Comparison



Albuquerque Bernalillo County  
Water Utility Authority

# 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



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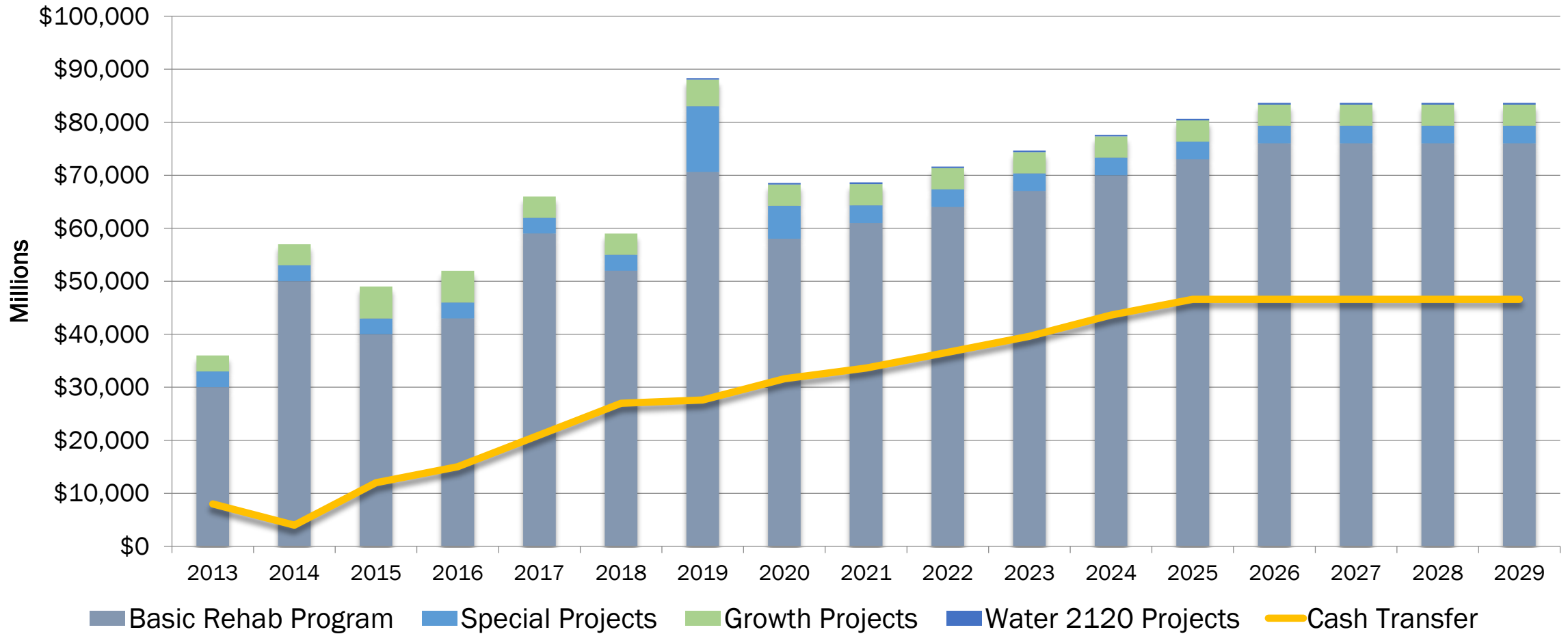
# Southside Water Reclamation Plant

## 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



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