



Albuquerque Bernalillo County Water Authority

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FY2015 3rd Quarter Operating Financial Reports.

Submitted to the Board for review and informational purposes are the financial reports for the quarter ended March 31, 2015. The reports provide a year to date comparison between the approved FY15 budget and actual expenditures through March 31, 2015. The reports also include revenue and expenditure projections to June 30, 2015. The projections are based on actual, trend, and historical information. As with any estimates, this information is subject to change.

Fund 21 General Operating Fund

Revenues:

Third quarter rate revenues are \$8.2 million above the actuals for the same period in FY14. This revenue increase includes increased revenue from water sales of \$4.5 million, San Juan Chama Strategy Implementation \$1.3 million, and Sewer revenue \$2.4 million. The FY15 rate revenues are higher than FY14 revenues for the same time period based on eight months of more revenue from the base rate increase approved by the Board for FY15. In addition, there was a slight increase in water usage compared to FY14 due to a 1.6% or 341 million gallon increase in consumption as compared to the same 9-month period of FY14. Revenues are projected to increase at a minimum of \$1 million a month due to the increase in the base rate; however, at this time, the projection for rate revenue is \$3.2 million less than budgeted based on FY14 4th quarter consumption levels. This projection may change though, if the FY15 consumption trend continues throughout the year.

Miscellaneous Revenues budget projection increased in FY15 from FY14 levels by \$4 million which is attributable to the pending sale of Water Authority property in FY15. Miscellaneous Revenues are up by \$350,000 through the 3rd quarter as compared to the same period of FY14. Projected revenues for Miscellaneous Revenue at this time will continue to be projected at FY15 budget levels. Approved budget revenues amounts were derived with the expectation of very limited growth in the service area for the next several years coupled with a GCPD level of 135.

Expenditures:

Third quarter total expenditures are \$3.6 million above the actuals for the same period in FY14. This increase is mainly due to the increase in interfund transfers of \$3.9 million offset by savings in the operating divisions. This is an increase in the amount transferred to CIP as compared to the same period in FY14. The increase in Legal/Risk cost is due to the transfer of appropriations for Risk and Tort costs that were appropriated in General Government in FY14. In addition, due to the refinancing completed in September, there is a \$2 million savings in debt service payments from appropriated levels. Moreover, based upon the pending refinancing in the Spring of FY15, an additional \$2 million in savings will be realized and is included in these projections. The projected expenditure at June 30, 2015, is estimated to be \$6.2 million under the projected budgeted amounts.

Working capital or fund balance is projected to be (\$874,000), compared to a beginning balance in 2014 of (\$10.6) million. The fund balance trend has reversed as planned and will eventually meet the target of 1/12 of operating expenditures.

FISCAL IMPACT:

The reduction in consumption is a positive result for conservation goals; however, the costs of maintaining the utility are primarily fixed in nature and the revenue requirements for operating, debt service payments, reserves, and debt service coverage must be met. Consumption levels will continue to be monitored to ensure proper revenue levels are achieved.

The Water Authority will continue to control operating expenditures to offset any reductions in Revenue. The reduction in debt service payments for FY15 of \$4 million can be used to offset any revenue reductions, as well as \$4 million in the Rate Reserve.

The Water Authority went to the Bond Market in the spring of 2015. Three bond issues were evaluated to be refinanced with a Net Present Value (NPV) savings of an estimated \$11.5 million. Also, the Water Authority will be borrowing for the next two-year CIP cycle, odor control at Central and Yucca, as well as CIP projects that were deferred in FY14 and FY15.