



Albuquerque Bernalillo County
Water Utility Authority

ANNUAL INFORMATION STATEMENT

DATED MARCH 24, 2020

**IN CONNECTION WITH
WATER/WASTEWATER BONDS AND
OTHER OBLIGATIONS**

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AUTHORITY BOARD

Councilor Klarissa J. Peña, Chair
Commissioner Debbie O'Malley, Vice-Chair
Mayor Timothy M. Keller
Councilor Trudy E. Jones
Councilor Pat Davis
Commissioner Steven Michael Quezada
Commissioner Charlene Pyskoty
Trustee Pablo R. Rael (ex-officio member)

WATER AUTHORITY ADMINISTRATION

Mark Sanchez, Executive Director
John Stomp, P.E., Chief Operating Officer
Stan Allred, Chief Financial Officer
Hobert "H" Warren, Field Division Manager
Charles S. Leder, P.E., Plant Division Manager
David J. Price, P.E., Planning and Engineering Manager
Cody R. Stinson, Chief Information Officer
Peter Auh, Esq., General Counsel
David Morris, Public Affairs Manager
Elizabeth Anderson, Chief Innovation Manager
Judy Bentley, Human Resources Manager
Mark Kelly, P.E., Compliance Manager
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INTRODUCTION

The Albuquerque Bernalillo County Water Utility Authority (the “Water Authority”) governs the water and wastewater utility for all of the City of Albuquerque (the “City”) and Bernalillo County (the “County”). The Water Authority’s governing board includes three Bernalillo County Commissioners, three Albuquerque City Councilors, the Mayor of Albuquerque and a Village of Los Ranchos de Albuquerque Trustee as an Ex Officio member. The current members of the governing board are as follows: Councilor Klarissa J. Peña, Chair; Commissioner Debbie O’Malley, Vice-Chair; Mayor Timothy M. Keller; Councilor Pat Davis; Commissioner Steven Michael Quezada; Councilor Trudy E. Jones; Commissioner Charlene Pyskoty and Trustee Pablo R. Rael, Ex-Officio (non-voting). The Executive Director of the Water Authority is Mark Sanchez. The Water Authority is focused regionally on providing a safe and sustainable water supply to its service area for the next 100-years. The new water supply plan, entitled “Water 2120 Securing our Future,” consists of multiple policies to guide water resources management for the Water Authority including additional water conservation, reuse for irrigation and indirect potable reuse, protection of watersheds and the environment. The plan also includes preserving and protecting the aquifer for the long-term by adopting a new groundwater management plan that reduces overall use of the aquifer and preserves portions of it for generations to come. The Water Authority utilizes an asset management approach to infrastructure including replacing or renovating existing surface and groundwater treatment and distribution systems and sewer collection and wastewater treatment facilities. In addition, the Water Authority is working towards realizing better management efficiencies for rate payers and providing long range planning and delivery for water and wastewater in the service area.

The joint water and wastewater system (the “System”) is owned and operated by the Water Authority pursuant to Section 72-1-10 NMSA 1978. The Water Authority has the statutory powers provided to all public water and wastewater utilities in the State of New Mexico (the “State”) and is recognized as a political subdivision of the State. The City provides certain services to the Authority pursuant to a Memorandum of Understanding (“MOU”), dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis. Since July 1, 2013, the operations of the Authority are largely autonomous from the City and County. The MOU confirmed a significantly altered business relationship between the two parties. With the establishment by the Water Authority of its own financial and human resource systems effective July 1, 2013, the Water Authority initiated a deliberate and planned business strategy to internally assume or contract with third parties for nearly all of the services that had been previously provided by the City. The only remaining services provided to the Water Authority by the City are for 1) administration of the Water Authority’s group insurance program, and 2) administration of the joint OPEB trust established during fiscal year 2014. In addition, the City leases space of City owned buildings to the Water Authority.

Actions of the Water Authority’s governing board taken after January 1, 2020, including information relating to bonds, notes or other obligations of the Water Authority issued or incurred after that date, are not included in the Annual Statement unless otherwise indicated. Other information contained in the Annual Statement is current as of January 1, 2020, unless specifically stated otherwise in the Annual Statement. The information in the Annual Statement is subject to change without notice and the delivery of the Annual Statement shall not create any implication that the affairs of the Water Authority have remained unchanged since the date of its delivery. The distribution of this Annual Statement by the Water Authority does not in any way imply that the Water Authority has obligated itself to update the information herein. All financial and other information presented in the Annual Statement has been provided by the

Water Authority from its records, except for information expressly attributed to other sources believed to be reliable.

OUTSTANDING OBLIGATIONS

Outstanding System Obligations

The obligations generally described below and certain terms of such obligations are summarized in the Water Authority’s Comprehensive Annual Financial Report for the year ended June 30, 2019.

The following outstanding special limited obligations are secured on a parity basis by Net Revenues of the System (“Senior Obligations”):

OUTSTANDING SENIOR OBLIGATIONS AS OF JANUARY 1, 2020

<u>System Issue</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
NMFA – Drinking Water State Revolving Fund Loan Agreement (2009)	\$1,010,000	\$623,706
NMFA – Public Project Revolving Fund Loan Agreement (2011)	53,400,000	28,200,000
Revenue Bonds, Series 2013A-B	118,215,000	65,245,000
Revenue Bonds, Series 2014A	97,270,000	71,355,000
Revenue Bonds, Series 2015	211,940,000	184,095,000
Revenue Bonds, Series 2017	87,970,000	80,050,000
NMFA – Drinking Water State Revolving Fund Loan Agreement #4202 (2018)	1,000,000	1,000,000
Revenue Bonds, Series 2018	75,085,000	75,085,000
NMFA – Drinking Water State Revolving Fund Loan Agreement #4877 (2018)	3,430,081	3,430,081
Revenue Bonds, Series 2020*	69,440,000*	<u>69,440,000*</u>
Total Senior Obligations		<u><u>\$578,523,787</u></u>

*Expected to be issued on or about April 2, 2020.

Obligations payable on a subordinate basis from Net Revenues, as of January 1, 2020, are as follows (“Subordinate Obligations”):

**OUTSTANDING SUBORDINATE OBLIGATIONS
AS OF JANUARY 1, 2020**

<u>Obligation</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
New Mexico Finance Authority Drinking Water Loan (2008)	\$9,627,877	\$6,372,743
Revenue Bonds, Series 2014B	87,005,000	<u>50,660,000</u>
Total Subordinate Obligations		<u>\$57,032,743</u>

The Water Authority currently has no Super Subordinate Obligations outstanding payable from Net Revenues with a lien on the Net Revenues subordinated to the Senior Obligations and Subordinate Obligations. The Water Authority does not have any outstanding debt with variable interest rates and does not have any interest rate swap agreements related to its debt.

Combined Debt Service and Coverage Ratios

The following schedule shows, for each calendar year, the total combined debt service requirements payable for the outstanding System obligations.

**Total Combined Debt Service
Outstanding Water/Wastewater Obligations
January 1, 2020**

Fiscal Year	Senior Lien Debt Service	Subordinate Lien Debt Service	Total Current Debt Service	Pledged Revenue	Senior Coverage	Senior and Subordinate Coverage
2020	\$73,626,927	\$11,381,038	\$85,007,965	\$119,796,374	1.63x	1.41x
2021	76,768,648	10,990,424	87,759,072	119,796,374	1.56x	1.37x
2022	76,441,397	10,780,036	87,221,432	119,796,374	1.57x	1.37x
2023	76,491,483	10,429,674	86,921,157	119,796,374	1.57x	1.38x
2024	71,512,232	10,070,841	81,583,073	119,796,374	1.68x	1.47x
2025	65,950,482	9,708,787	75,659,268	119,796,374	1.82x	1.58x
2026	60,440,731	643,511	61,084,242	119,796,374	1.98x	1.96x
2027	49,452,530	645,016	50,097,546	119,796,374	2.42x	2.39x
2028	40,980,976	646,550	41,627,526	119,796,374	2.92x	2.88x
2029	40,671,213	648,115	41,319,328	119,796,374	2.95x	2.90x
2030	33,460,870	649,711	34,110,582	119,796,374	3.58x	3.51x
2031	24,103,892	-	24,103,892	119,796,374	4.97x	4.97x
2032	23,727,274	-	23,727,274	119,796,374	5.05x	5.05x
2033	17,023,023	-	17,023,023	119,796,374	7.04x	7.04x
2034	8,658,197	-	8,658,197	119,796,374	13.84x	13.84x
2035	2,601,159	-	2,601,159	119,796,374	46.05x	46.05x
2036	2,597,346	-	2,597,346	119,796,374	46.12x	46.12x
2037	1,524,031	-	1,524,031	119,796,374	78.60x	78.60x
2038	1,522,780	-	1,522,780	119,796,374	78.67x	78.67x
2039	173,529	-	173,529	119,796,374	690.36x	690.36x
2040	173,528	-	173,528	119,796,374	690.36x	690.36x
Total	<u>\$747,902,247</u>	<u>\$66,593,703</u>	<u>\$814,495,950</u>			

In the ordinances pursuant to which the System obligations have been issued, the Water Authority agreed to charge all purchasers of services reasonable rates sufficient to produce Net Revenues annually to cover 133% of the annual debt service requirements on all System obligations (excluding reserves therefor and the Super Subordinate Obligations). The Net Revenues of the System for Fiscal Year 2019 were \$119,796,374. The maximum fiscal year combined debt service requirements for Senior Obligations payable from Net Revenues of the System are \$76,768,648 (occurring in fiscal year-end July 1, 2021), resulting in a coverage ratio of 1.56x. The coverage ratio of Fiscal Year 2019 System Net Revenues of \$119,796,374 to combined debt service requirements of all System obligations of \$87,759,072 (occurring in year-end July 1, 2021), is 1.37x.

In November 2010, the Water Authority received the Fiscal Year 2009 Comprehensive Annual Financial Report and determined that it was not in compliance with the rate covenant for System obligations. In response, the Water Authority promptly hired a rate consultant to evaluate the current rates for the System and related operations and expenses for the System. The Water

Authority Board took prompt action to approve a 5% rate increase effective July 1, 2011 to address the shortfall in debt service coverage. Subsequently, the Board approved separate 5% System rate increases for Fiscal Years 2014, 2015, 2016 and 2018, all of which have been added to System rates.

Current Ratings of the Senior Obligations

The outstanding Senior Obligations are currently rated “AAA” by S&P and “Aa2” by Moody’s. These ratings are higher than the current ratings for the respective bond insurers, as applicable, and should be considered the ratings on the bonds.

JOINT WATER AND WASTEWATER SYSTEM OF THE WATER AUTHORITY

Water System

The System provides water services to approximately 683,207 residents comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are water customers of the Water System. As of October 1, 2019, service is provided to approximately 213,091 customer accounts, including 183,942 residential and 29,149 multi-family, commercial, institutional and industrial accounts. Approximately 68% of the water sales are for residential uses.

Surface water from the San Juan-Chama Project that is utilized through the San Juan-Chama Drinking Water Project is the primary source of potable water supply for the Water Authority. Groundwater is used to supplement surface water supplies to meet peak demands and to provide supply during drought periods or other times when surface water is not available. The Water Authority also owns and operates two non-potable water systems to provide irrigation and industrial water in the service area. In calendar year 2019, the Water Authority’s water resources use consisted of 29% from groundwater and 67% from San Juan-Chama surface water and 4% 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 255 million gallons per day (“MGD”). Eliminating high arsenic wells (those greater than 10 parts per billion arsenic) results in available production capacity of 176 MGD. Peak day demand for 2019 was 145 MGD. The Water Authority also has four arsenic treatment facilities that remove naturally occurring arsenic from groundwater. Each well field includes chlorination for disinfection as required by the Safe Drinking Water Act.

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-one (61) 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 128 boosters, with a total capacity of 748 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 Water 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.

Water Supply

Existing Water Resources

On September 4, 2003, the New Mexico Office of the State Engineer granted the 1993 application of the City’s Water Utility Department (the “Utility”) to appropriate groundwater in the Middle Rio Grande Administrative Area. This water rights permit allows the withdrawal of groundwater from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

<u>Years</u>	<u>Annual Diversion Limit (acre-feet)</u>
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous groundwater permit limited the Water Authority’s pumping to 132,000 acre-feet per year. The permit is governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications adopted by the State Engineer in 2000.

The average annual groundwater withdrawal for the five years ending in Calendar Year 2019 was 34,941.0 acre-feet with a maximum occurring in Calendar Year 2018. Additionally, the Water Authority has the right to use consumptively 74,622.2 acre-feet of surface water per year. This figure consists of imported Colorado River water pursuant to a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama Drinking Water Project, pre-1907 water rights of 4,916.7 acre-feet, vested water rights of 17,875 acre-feet from the New Mexico State Engineer’s Rio Grande Basin declaration in 1956, and other native water rights. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, the Water Authority also has approximately 134,000 acre-feet of San Juan-Chama water (as of February 2020) from prior year deliveries stored in reservoirs located in northern/central New Mexico (Abiquiu and Heron Reservoirs). In July 2003, the Water Authority began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for Calendar Year 2019 were 62,719.6 acre-feet with an average of 59,077.6 acre-feet over the last five years.

The Water Authority believes that water received pursuant to the contract for San Juan-Chama water and the native water rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a customer population of more than 1,000,000 using 135 gallons per capita per day (“GPCD”) with 40% consumptive use and 60% return flow. Alternatively, these same water resources will support a customer population of 500,000 using water at the rate of 250 gallons per person per day with the same consumptive use and return flow. The current service population is approximately 683,207, and the current usage was approximately 121 GPCD (during Calendar Year 2019), down from an average of 250 GPCD when compared to the period of 1987 through 1993. The Water Authority believes this decrease can be attributed to the Water Authority’s Water Conservation Program.

San Juan-Chama Drinking Water Project

Imported Colorado River water from the San Juan-Chama Project was purchased in 1963 and began flowing into the Rio Grande in the early 1970's. This water was intended to be directly diverted or to provide legally required offsets for the effects of pumping the aquifer on the Rio Grande. Studies in the 1990's showed that the Rio Grande is not directly connected to the aquifer and that continued sole reliance on groundwater would lead to water quality impacts and land surface subsidence. The policy to transition to direct diversion and full use of the imported Colorado River water (San Juan-Chama water) was adopted in 1997 along with seven dedicated rate increases to pay for the construction and operation.

Construction of the San Juan-Chama Drinking Water Project began in August 2004 following the completion of the diversion and environmental permitting. The San Juan-Chama Drinking Water Project came on-line on December 5, 2008. The San Juan-Chama Drinking Water Project consists of a diversion dam on the Rio Grande, eighteen pipeline segments, approximately 44 miles of pipeline, a raw water pump station, a raw water intake and fish passage structure designed to protect habitat on the Rio Grande and the endangered Rio Grande Silvery Minnow, and a surface water treatment plant. Construction costs for the project were approximately \$385 million with an additional \$70 million for design, construction inspection and land purchases.

The San Juan-Chama Drinking Water Project diverts San Juan-Chama water in combination with native water from the Rio Grande for purification to replace sole reliance on the aquifer. Under a permit with the New Mexico Office of the State Engineer, the native water is diverted from the Rio Grande to the surface water treatment plant where the water is purified through a state-of-the-art multi-barrier treatment system designed to remove particulate matter, sediment and bacterial and microbial contaminants. The treatment plant is capable of processing 90 million gallons of water each day. The purified drinking water is then blended with groundwater at the existing reservoirs to supplement drinking water supplies. The State Engineer's permit has many conditions that require diversion from the Rio Grande to be curtailed or stopped including a minimum flow requirement at the Central Avenue gauge. The minimum flow requirements have reduced the ability to divert San Juan-Chama water from the Drinking Water Project since the beginning of operations due to drought. Even with the reduced diversions in the summer months, the aquifer in the Middle Rio Grande Basin has been rising since 2008. Since that time, the water table has risen 40 feet and it is predicted to continue to rise for the next ten years. The San Juan-Chama Drinking Water Project provides Water Authority customers with a significant additional source of drinking water, which design and construction has been recognized nationally.

Water Supply Plan

Prior to 1997, the water supply plan for the Water Authority's service area, which was based on technical knowledge of the surface and groundwater systems at the time, could be summarized as follows: the City would pump groundwater to meet water system demands; groundwater pumping would cause additional seepage (induced recharge) from the river, and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama Diversion Project. Technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation concluded that the Water Authority's wastewater return flows were sufficient to offset the annual

seepage from the Rio Grande associated with the Water Authority's groundwater pumping.

In 1997, the City Council adopted the Water Resource Management Strategy ("WRMS") as the City's water supply plan. The WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The WRMS: (1) calls for the City (or the Water Authority as successor) to more fully utilize its renewable water resources in order to reduce reliance on groundwater to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas; (3) provides for the development of a groundwater drought reserve, which was recommended by resource economists in a report commissioned to provide for the Water Authority's anticipated year 2060 water demands; (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the WRMS (including \$10.8 million for costs of site selection and acquisition, \$385 million for the drinking water supply project, and \$29.4 million for three reclamation and reuse projects) is \$425.2 million.

In 2007, the Water Authority adopted a new WRMS as its water supply plan. The new WRMS is a combination of existing policies from the original 1997 WRMS with several new policies that were developed in cooperation with federal, state, and local agencies and significant public involvement and education. The WRMS outlines thirteen policies including continued support for the San Juan-Chama Drinking Water Project and the remaining reuse and reclamation projects.

The four specific projects identified in the 1997 WRMS have been implemented. The Water Authority received a permit from the Office of the State Engineer for diverting and consuming San Juan-Chama water in the amount of 96,200 acre-feet per year on July 8, 2004. The final revised Order and Permit (SP-4830) for the San Juan-Chama Drinking Water Project was received in December 2014, which completed the legal process. The Water Authority received a Record of Decision on the National Environmental Policy Act process on June 1, 2004 and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concluded that the effects of the San Juan-Chama Drinking Water Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat.

With respect to the three water reclamation and reuse projects identified in the WRMS, the Industrial Recycling Project has been completed and operational since approximately August 2000. The North I-25 Non-Potable Surface Water Project began full operations in January 2004. Together these two projects provide approximately 2,600 acre-feet of water each year for irrigation use in the Northeast Heights of the City. The Southside Municipal Effluent Polishing and Reuse Project utilizes about 1,000 acre-feet per year of treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of the City. The completion and operation of the Southside Reuse Project completes the four projects as called for in the original 1997 and updated 2007 WRMS to provide a safe and sustainable water supply to 2060 (which is as far as the WRMS projected).

As a result of the implementation of the 2007 WRMS, the aquifer has been rising throughout the Middle Rio Grande. Although the region has experienced numerous droughts, the water supply is increasing in the City's area as a result of the Water Authority's transition to surface water (San Juan-Chama Drinking Water Project), reuse and significant water

conservation efforts. To date, the Water Authority has saved more than 1,000,000 acre-feet of ground water.

Following the past successful water planning work in 1997 and 2007, in September 2016 the Water Authority Board adopted Water 2120. Water 2120 is a long-range water supply plan that provides policy directives to meet water supply gaps for a range of potential future demands over the next 100-years. Water 2120 also reflects updates in the scientific literature on climate modeling enhancing the Water Authority's understanding of the new water resources to manage. The document consists of thirteen policies and more than sixty sub-policies to guide implementation of the plan including programs and projects needed to provide a safe, sustainable and resilient water supply for the next 100-years.

The plan focuses on full utilization of the water rights and resources already owned by the Water Authority. The overall approach to Water 2120 was to simulate a number of scenarios of supply and demand over the next 100-years, with current supplies and rights, and to quantify key results. To fill the gaps in supply, numerous potential water supply alternatives were examined, and simulations were run. One of the key policies in the new water supply plan was to implement a groundwater management strategy that protects a large quantity of the aquifer for future generations. A management level was established such that new supplies would be implemented over time to reduce long-term aquifer drawdown and allow future generations the opportunity to utilize that savings account.

In addition to the groundwater management plan, the new 100-year plan focuses on utilizing the existing rights owned by the Water Authority with additional water conservation. Additional water reuse and storage provide flexibility for the future along with increased ASR (defined below). Watershed restoration and management are also part of the new plan to ensure the Water Authority is taking the necessary steps to protect the environment from potentially devastating fires and watershed damage.

Aquifer Storage and Recovery

Aquifer storage and recovery ("ASR") is a means of storing excess water in the aquifer to reduce evaporation and provide a groundwater drought reserve when surface water supplies are not available. ASR is another water resources management tool that the Water Authority is implementing to ensure a safe and sustainable water supply. The Water Authority initiated the first land application project, called the Bear Canyon ASR Project, in 2009 and has since stored 1,578 acre-feet of water in the aquifer. In November 2014, the Water Authority received the full-scale permit for the Bear Canyon ASR Project and began regular operations. In 2015, the Water Authority recovered 1,357 acre-feet from the Bear Canyon storage account. The Water Authority received a demonstration permit from the New Mexico Office of the State Engineer for the large scale ASR project capable of injecting about 5,000 acre-feet a year into the aquifer which will provide for additional storage that will assist in further expanding the drought supply for the Water Authority. Construction was completed on the large-scale ASR in March 2019 and injection will go on-line in January 2020. Additional ASR projects are called for in the new 100 year plan that would include both infiltration and direct injection.

South Valley Expansion Projects

Construction of the South Valley Water System Expansion Project is being completed in phases and is managed by the Bernalillo County Public Works Department. The Water Authority is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of the County and allow the residents to connect to the System and end their use of wells. The project will provide water service to approximately 3,200 developed parcels in the Southwest Valley. Phase I, consisting of a major transmission line, was completed in August 2007. The Water Authority contributed \$9 million of the \$14 million cost. Phases 2 and 2A consist of a water distribution system to 1,240 households in the area and are under construction with an estimated cost of \$8.5 million with the Water Authority's share at \$7.5 million. Phases 3 and 4, consisting of a reservoir, transmission line and a water booster station are underway, with the Water Authority committed to providing \$8.4 million. The Water Authority and County are partnering to complete Phase VII of the water line project in the Los Padillas area. The Water Authority contributed \$250,000 in addition to the labor and equipment to install the water lines. The County contributed \$1.7 million toward the project which is scheduled to continue throughout the remainder of 2019. The Water Authority appropriated an additional \$2.575 million for the next phase of the Los Padillas area which should complete Phase VII.

New Arsenic Standard Applicable to Water Supply

The EPA promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. When EPA adopted the new standard, Congress allowed large water systems the opportunity to apply for a maximum three-year exemption, which the Water Authority applied for and was granted.

Two projects were instituted to comply with the new arsenic standard. The first and most important is the San Juan-Chama Drinking Water Project. The surface water has less arsenic than the groundwater and the treatment process at the new water treatment plant removes arsenic. The second project is the College Arsenic Treatment Plant, which was once the largest microfiltration arsenic treatment facility in the United States. The Gonzales to College Well Collector Line project conveys high arsenic well water to the College Arsenic Treatment Plant.

Since 2009, the Water Authority continues to be in compliance with EPA's arsenic regulations but because of diversion limitations placed by the State Engineer on the San Juan-Chama Drinking Water Project, additional arsenic removal treatment systems to remove arsenic from the Water Authority's existing facilities or other production facilities with lower arsenic water may be needed to meet demand in the future.

Water Conservation Program

In an effort to extend the lifetime of the Water Authority's water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. The City utilized Calendar Years 1987 through 1993 as the baseline period, with gross community per capita water use at an average of 250 gallons per day. Gross community water use needed to be reduced to 175 GCPD to achieve the 30% conservation savings goal. At the end of 2005, Water Authority customers had reduced their per capita use 33% compared with use during the established baseline period.

In 2004, the Water Authority adopted a new water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995 to be implemented in 2005 with reduction rates of 1% per year until 2014 to achieve a usage of 150 GPCD. This goal was achieved three years early in 2011.

In 2013, the Water Authority adopted an additional reduction goal to reduce per capita usage from 150 GPCD to 135 GPCD over the next ten years. A new program was established to accomplish the goal following significant public input and meetings with the Water Authority Board. The new elements consist of increased public education, “test your toilet month,” new rebate programs, and revisions to the xeriscape program. In 2019, usage was reduced to 121 GPD. As part of Water 2120, the Water Authority adopted a new conservation goal of 110 GPCD by 2037. In March 2018, an updated water conservation plan was adopted which revises the rebate programs and places a greater emphasis on outdoor efficiency in order to achieve the new goal.

Elements of the current long-term water conservation strategy will stay in place including public education and marketing effort, converting high water use landscaping with xeriscaping, replacing high water use washing machines with low use models, installing rain water harvesting equipment, rain sensors, and more efficient sprinkler system heads. Free irrigation audits are available to all customers. The Water Authority has developed water management software to assist large water users such as Albuquerque Public Schools, the City, and the County in tracking and reducing their water usage. Finally, the Water Authority has established water budgets for over 1,300 large turf customers.

The Water Conservation Program has achieved significant reductions in water use since 1995 and is recognized as one of the most successful water conservation programs in the United States. The Water Authority has imposed 5% rate increases in Fiscal Years 2012, 2014, 2015, 2016 and 2018 to help address the lost System revenues due to conservation. See “FINANCIAL INFORMATION – Rates and Charges of the System.”

Surface and Groundwater Protection Plan

The Albuquerque/Bernalillo County Groundwater Protection Policy and Action Plan (“GPPAP”) was adopted by the City and County in 1994. The goals of the GPPAP are to prevent any additional groundwater contamination in the County, to facilitate clean-up of existing contamination, and to promote the coordinated protection and prudent use of groundwater. In 2009, the GPPAP was updated to include surface water quality protection measures, as the Water Authority started its use of the San Juan-Chama Project water. The Water Authority, City, and County have jointly established a Water Protection Advisory Board (“WPAB”) which replaced the GPPAP to address surface water quality protection in addition to groundwater quality protection. Additionally, the WPAB studies and advises the Water Authority, City, and County on surface and groundwater protection concerns, including policies necessary to enhance protection of surface and groundwater quality including promoting consistency among the governmental entities in pursuing these goals.

The WPAB works with local, State and federal agencies to monitor the progress of mitigation of current contamination sites and is continuing to develop policies to prevent future contamination. The current contamination cleanups are primarily in the South Valley and Northwest Mesa of the County. The Water Authority has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the Water Authority has

assisted in a \$120 million program to eradicate 8,000 septic tanks in the North and South Valleys, and at the end of Calendar Year 2019 over 6,000 septic tanks have been eliminated.

Kirtland Air Force Base Fuel Spill

In 1999, the United States Air Force discovered an underground fuel spill around its bulk fuel storage facility at Kirtland Air Force Base in the Southeast portion of the City. The Air Force, in conjunction with the New Mexico Environment Department and the City, immediately began to investigate the scope of the spill and necessary remediation steps. The Air Force installed a soil vapor remediation system which began extracting fuel vapor from the soil in 2003 and began utilizing a groundwater treatment system in 2015 which utilizes three extraction wells located inside the contamination plume. The Air Force conducts quarterly groundwater monitoring of 138 monitoring wells and semi-annual monitoring of 284 soil vapor monitoring points. The Water Authority's groundwater supply remains safe and has not experienced contamination. In July 2017, the Air Force completed a Risk Assessment Report which analyzed the potential for adverse impacts on human health or the environment as a result of the contamination. The risk assessment found no adverse health or ecological affects from the contamination based upon current land use. The Air Force, New Mexico Environment Department and the Water Authority continue to work collectively to identify the most effective remediation steps to protect the area's groundwater and develop contingency plans should the fuel spill threaten the Water Authority's groundwater supply. The Air Force has accepted responsibility for the cost of the remediation and has stated its commitment to dedicate the necessary resources to remediate the fuel spill. For additional information concerning the Air Force Base Bulk Fuels Facility Jet Fuel Leak Remediation Project, please see www.kirtland.af.mil/Home/BFF/.

Drought Relief Measures

The Water Authority adopted the City's Drought Management Strategy when the Water Authority was created in 2004. The Drought Management Strategy was updated and approved over the years by the Board, most recently in 2012. The purpose of a Drought Management Strategy is to preserve and protect the aquifer and also to meet water conservation goals during a drought. In March 2018, the Drought Management Strategy was renamed "The Plan for Customer Demand Reduction During Drought" and was incorporated into the water conservation plan. All elements of the plan remained the same which identified four levels of drought as follows: drought advisory, drought watch, drought warning and drought emergency, and provides various educational steps and voluntary and mandatory conservation measures to reduce water usage during each of these drought levels.

Water Usage

The System's water component serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During Calendar Years 2015-2019, the Water System supplied the following volumes to customers within the service area including contributions from both surface water and groundwater supplies:

**USAGE⁽¹⁾
2015-2019**

<u>Calendar Year</u>	<u>Gallons Produced (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
2015	29,498,000	27,195,260	92.19%
2016	30,720,000	28,250,591	91.96%
2017	30,895,000	28,357,626	91.79%
2018	30,142,000	27,696,655	91.89%
2019	29,392,000	27,073,469	92.11%

⁽¹⁾ There is a difference between gallons pumped and gallons billed. Gallons which are produced but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered. These variables fluctuate from year to year and impact the percentage billed. The fire protection usage is not metered but is built into the rate covenant for the System and is not considered a free use. In addition, the above usage figures do not account for reuse of non-potable water for reuse as part of the Southside Water Reuse Project.

Source: Albuquerque Bernalillo County Water Utility Authority

The top ten water customers of the System are:

**WATER SYSTEM TOP TEN CUSTOMERS⁽¹⁾
Fiscal Year 2019**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total FY 2019 Revenue</u>	<u>% of Total FY 2019 Revenue</u>
City of Albuquerque	2,554,647	\$8,575,985	6.07%
Albuquerque Public Schools	598,617	2,805,045	1.99%
University of New Mexico	267,276	1,229,761	0.87%
Kirtland Air Force Base	154,261	700,584	0.50%
Bernalillo County	173,405	640,319	0.45%
Central NM Community College	63,436	283,881	0.20%
Lovelace Health Systems	81,335	267,760	0.19%
Water Authority	57,907	261,798	0.19%
Sumitomo	104,746	257,807	0.18%
Albuquerque Academy	87,662	195,409	0.14%
Total	<u>4,143,292</u>	<u>\$15,218,349</u>	<u>10.77%</u>
Total Revenue for Water System		<u>\$141,267,719</u>	

⁽¹⁾ Includes non-potable water customers.
Source: Albuquerque Bernalillo County Water Utility Authority.

Wastewater Plant and Collection System

The System's wastewater component 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 51.3 MGD over the past five years, but these figures do not reflect the amount of non-potable water being reused for irrigation and industrial use at the Southside Water

Reclamation Plant. The Water Authority has an operational industrial pretreatment program approved by the EPA. The EPA recognized that the Water Authority's pollution prevention efforts have been largely responsible for the Water Authority maintaining compliance with strict standards contained in NPDES Permit #NM0022250. The Water Authority's wastewater effluent discharge consistently meets all NPDES permit requirements. In February 2017, the Water Authority submitted a NPDES permit renewal application. In February 2018, EPA issued a Proposed NPDES Permit and the Water Authority provided comments to EPA on June 25, 2018. On October 10, 2019, the Water Authority received the final NPDES Permit. The re-issued permits is effective December 1, 2019.

The Water Authority received an Administrative Order (an "AO") from the EPA for violations of the NPDES permit associated with Sanitary Sewer Overflows, laboratory reporting issues, and plant violations from 2001 to 2010. The Water Authority received two additional AOs for an overflow which occurred on February 27, 2015 as a result of a major power failure. The first AO required that the Water Authority implement electrical and other improvements to prevent another power failure and the potential for another spill. All of that work was completed in 2015 and a project completion report was filed with EPA. The second AO includes adoption of the Corrective Action Plan items that were scheduled to be completed within the next five years. All projects in the second AO have been completed and a project completion report was submitted to EPA in June 2018.

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 Water Authority continues to research how to sell its RECs to increase revenue.

The Water Authority currently manages wastewater sludge using two methods: surface disposal and production of compost. The Water Authority sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated surface disposal site is used when seasonal market conditions are not favorable for sale of compost product. During Fiscal Year 2019, 37% of all sludge produced at the treatment plant was beneficially recycled into compost and sold. The Water 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 entire laboratory is also accredited by the American Association for Laboratory Accreditation. The Water Authority reduces expenses by analyzing a majority of the bacteriological samples at the Water Authority's internal water quality lab.

The following table sets forth the quantity of wastewater treated and customers served through the Wastewater System for Calendar Years 2015-2019:

**TREATED WASTEWATER
2015-2019**

<u>Calendar Year</u>	<u>Gallons Treated (in 000s)</u>	<u>Average # of Customers</u>
2015	18,122,990	193,922
2016	18,250,000	195,140
2017	18,597,000	196,921
2018	19,183,906	198,545
2019	18,432,870	200,116

Source: Albuquerque Bernalillo County Water Utility Authority.

The top ten wastewater customers of the System are:

**WASTEWATER SYSTEM TOP TEN CUSTOMERS
Fiscal Year 2019**

<u>Customer Name</u>	<u>Consumption Rate (Kgal)</u>	<u>Total Collected FY 2019 Revenue</u>	<u>% of Total 2019 Revenue</u>
Kirtland Air Force Base	745,216	\$1,418,464	1.85%
University of New Mexico	588,650	1,162,523	1.51%
Albuquerque Public Schools	134,016	798,567	1.04%
City of Albuquerque	101,364	693,905	0.90%
Creamland Dairies	53,781	559,682	0.73%
Bernalillo County	43,837	174,754	0.23%
Lovelace Health Systems	57,641	148,886	0.19%
Central NM Community College	30,858	123,772	0.16%
Sandia Peak Services	74,073	102,139	0.13%
Four Hills Mobile Home Park	<u>34,901</u>	<u>86,972</u>	<u>0.11%</u>
Total	<u>1,864,337</u>	<u>\$5,269,664</u>	<u>6.86%</u>
Total Revenue Wastewater System		<u>\$76,848,592</u>	

Source: Albuquerque Bernalillo County Water Utility Authority.

Management of the System

Water Authority management is responsible for day-to-day operations of the System, policy, System expansion, budget, rates, personnel reorganizations, unbudgeted intra-year positions, negotiation or renegotiation of labor contracts and litigation relating to the System. The individuals described in the following paragraphs are the present management for the Water Authority.

Mark Sanchez, Executive Director. Mr. Sanchez has been the Executive Director of the Water Authority since its inception in 2004, and was formerly the Director of Council Services for the Albuquerque City Council. Mr. Sanchez holds a Master's Degree in Business Administration from New Mexico Highlands University and a Master's Degree in Public Administration from the University of New Mexico. He is a graduate of the Harvard JFK School of Government Program for Senior Executives in State and Local Government. Mr. Sanchez has held executive-level positions in government, private sector and the non-profit sector in the areas of water, reuse and wastewater, business and government policy, housing and community

development, health, human and social services, job training and economic development. Mr. Sanchez serves as Chairman of the New Mexico Interstate Stream Commission, President of the National Association of Clean Water Agencies. He has been very active at the local, State and national levels on water, reuse and wastewater utility issues.

John M. Stomp, P.E., Chief Operating Officer. Mr. Stomp is responsible for the Water Authority's operations group including the water and wastewater treatment plants, wastewater collection systems and lift/vacuum stations, and water distribution and transmission lines. In addition, Mr. Stomp is responsible for managing the Planning and Engineering Division and the Compliance Divisions. Mr. Stomp was the Water Resources Manager for over ten years prior to becoming the Chief Operating Officer. Mr. Stomp has been employed by the City, and the Water Authority as successor, since April 1996. Prior to employment with the Water Authority, Mr. Stomp was employed as a project manager by local and national water/wastewater consulting firms. Mr. Stomp has been involved with water and wastewater issues in Albuquerque and throughout New Mexico for approximately 30 years. He has a Bachelor's and Master's Degree in Civil Engineering from the University of New Mexico. Mr. Stomp is a certified Level IV Water and Wastewater Operator in the State of New Mexico.

Stan Allred, Chief Financial Officer. Mr. Allred held the position of Finance Officer, Water Utility Department from June 2003 until May 2008 when he was promoted to Chief Financial Officer. Mr. Allred is responsible for the Financial/Business Services Group which includes all finance, accounting, information services and Water Authority warehouse functions. He has approximately 30 years of financial and cost accounting experience. Prior to employment with the Water Authority, Mr. Allred was employed as a director with a multi-billion dollar national long-term care corporation. Mr. Allred was involved with corporate financial reporting requirements and rate setting for Medicare and 15 different state Medicaid systems. Mr. Allred has a BBA with a concentration in Accounting from the University of New Mexico.

Hobert "H" Warren, Field Division Manager. Mr. Warren has held the manager position since 2012. He obtained his Bachelor of Business Administration from the University of New Mexico. His career has spanned over 21 years in the areas of operations, compliance, collections, construction, transition planning, automated meter reading implementation, smart water, billing systems, and rate studies. Prior to employment with the Water Authority, Mr. Warren was the local operations manager for a company that owns and operates more than 130 regulated water and wastewater systems in nine states.

Charles S. Leder, P.E., Plant Division Manager. Mr. Leder has held the Division Manager position since July of 2012 after serving as a Principal Engineer for Plant Operations since March 2010. He has over 42 years of experience in planning, design, construction, and operations of water and wastewater facilities. Mr. Leder has a B.S. from the Johns Hopkins University, and an M.S. in Sanitary Engineering from the Georgia Institute of Technology.

David J. Price, P.E., Planning & Engineering Division Manager. Mr. Price has been in his current position since April 2010. Prior, he was the Chief Engineer for the Plant Division – Drinking Water. Before joining the Water Authority, Mr. Price spent 19 years as a consulting engineer with a focus on the evaluation and design of drinking water systems. He has a B.A. in Political Science from the University of Pennsylvania, a B.S. in Civil Engineering from the University of Arizona, and a M.S. in Environmental Engineering also from the University of Arizona.

Cody R. Stinson, Chief Information Officer. Mr. Stinson has a Bachelor's Degree from the University of New Mexico in Management of Information Systems, and a M.B.A. from the University of New Mexico in Management of Technology. Mr. Stinson also has over 19 years of Information Technology experience, including work for the New Mexico State Judiciary, and as Deputy Chief Information Officer for the County. Mr. Stinson has managed several large implementations, including the Video Arraignment Process for the Bernalillo County Metropolitan Court, and the County's procurement and implementation of SAP, which is an Enterprise Resource Planning Application.

Peter Auh, General Counsel. Mr. Auh has been with the Water Authority since December 27, 2016. He obtained his law degree from the University of Iowa College of Law in 1987, and was admitted to the State Bar in 1988. His legal career began with 16 years in private practice, first with a law firm and then as a solo practitioner. Mr. Auh entered the public sector in 2002, as an assistant city attorney with the City's litigation section before joining the County Attorney's office where he served as the deputy County attorney. In 2014, Mr. Auh joined the New Mexico Attorney General's Office as the deputy attorney general in charge of four civil divisions. Immediately prior to becoming General Counsel for the Water Authority, Mr. Auh held the position of Senior Litigation Attorney with the New Mexico Association of Counties. In his 30 years of legal practice, Mr. Auh has gained experience in a wide variety of matters that are of regular concern to public bodies, including procurement, sunshine laws, personnel and labor issues, administrative law, torts and civil rights, eminent domain, land use, easements and rights of way acquisition and the drafting of ordinances and resolutions.

Mark P. Kelly, P.E., Compliance Manager. Mr. Kelly has been in his current position since December 2014. Previous to his current position, he was the Industrial Pretreatment Engineer. Mr. Kelly has 14 years of engineering experience in water and wastewater system design, as well as landfill design. He has a B.S. in Environmental Engineering from the New Mexico Institute of Mining and Technology.

Katherine M. Yuhas, Water Resources Manager. Ms. Yuhas has been in her current position since 2016. Prior to that she served as the Water Authority's Water Conservation Officer from 2003-2016. Ms. Yuhas has 23 years of experience working in water resources management in New Mexico. She holds a B.S. in Geology/Environmental Science from the University of Pennsylvania.

FINANCIAL INFORMATION

Statement of Net Position

The following table is the historical statement of net position for the System for Fiscal Years Ended June 30, 2015-2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Current Assets					
Cash and investments	\$172,814,612	\$148,814,465	\$125,990,458	\$101,195,934	\$68,886,433
Cash held for debt service	0	0	0	0	0
Accounts receivable	18,282,892	19,518,630	19,607,343	18,981,742	14,678,230
Due from other governments	183,575	422,691	1,295	447,969	932,227
Prepaid assets	66,263	27,705	57,380	0	0
Notes receivable	872,650	741,487	715,219	740,459	790,870
Total Current Assets	192,219,992	169,524,978	146,371,695	121,366,104	85,287,760
Noncurrent Assets					
Long-term receivables	5,004,280	4,863,339	4,174,174	3,958,777	3,754,006
Restricted Assets					
Cash and investments	47,168,017	9,451,333	56,956,621	46,529,971	77,114,772
Post-Employment life insurance benefit trust	0	0	0	0	798,900
Total Restricted Assets	52,172,297	14,314,672	61,130,795	50,488,748	81,667,678
Capital Assets, net of accumulated depreciation					
Buildings and other improvements	1,055,575,339	1,069,080,592	1,075,561,839	1,099,794,736	1,094,473,803
Purchased water rights	49,251,368	49,251,368	49,251,368	48,862,906	48,240,385
Land	25,265,606	25,204,444	25,170,378	25,170,378	25,724,125
Machinery and equipment	13,850,563	12,168,692	9,684,964	9,680,793	3,754,006
Construction work in progress	23,607,887	32,261,354	22,764,278	3,791,893	42,578,965
Total Capital Assets	1,167,550,763	1,187,966,450	1,182,432,827	1,187,300,706	1,220,391,650
Capitalized bond issuance costs	0	0	0	0	0
Total Noncurrent Assets	1,219,723,060	1,202,281,122	1,243,563,622	1,237,789,454	1,302,059,328
TOTAL ASSETS	1,411,943,052	1,371,806,100	1,389,935,317	1,359,155,558	1,387,347,088
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	848,944	851,337	681,245		
Deferred amounts related to pensions	14,974,502	12,103,929	20,395,732	3,020,719	6,425,778
Deferred amounts on refunding	17,196,455	20,142,951	23,089,446	23,114,769	25,878,691
Total deferred outflows of resources	33,019,901	33,098,217	44,166,423	26,135,488	32,304,469
LIABILITIES					
Current Liabilities					
Accounts payable	16,679,973	14,242,259	15,530,540	12,910,228	10,500,449
Accrued payroll	1,834,689	1,663,520	1,495,559	2,582,062	2,129,109
Claims payable, current portion	1,690,735	1,411,264	671,543	993,586	563,865
Accrued compensated absences	3,887,137	3,955,443	3,569,503	3,019,584	2,663,822
Deposits	877,364	818,630	766,608	687,857	727,676
Construction contracts payable	0	0	0	0	0
Current portion debt obligation bonds	51,335,000	49,210,000	37,930,000	37,265,000	35,530,000
Loan agreements/lines of credit	4,692,256	4,481,483	4,285,917	9,710,054	8,508,529
Water rights contract	1,242,757	1,206,021	1,170,372	1,135,776	1,102,203
Accrued interest payable	0	0	0	0	0
Accrued interest for debt obligations	13,181,001	11,894,018	12,726,908	13,278,888	12,568,850
Total Current Liabilities	95,420,912	88,882,638	78,146,950	81,583,035	74,294,503
Noncurrent Liabilities					
Debt obligations					
Bonds net premium/discounts	571,510,789	549,231,176	609,982,924	584,931,928	634,147,215
Loan agreements/line of credit	32,279,020	37,053,284	41,934,953	48,078,533	58,704,590
Water rights contract	3,960,039	5,202,796	6,408,817	7,579,189	8,714,965
Unamortized premium	0	0	0	0	0
Total Debt Obligations	607,749,848	591,487,256	658,326,694	640,589,650	701,566,770
Other Noncurrent Liabilities					
Claims payable, net of current position	1,913,763	2,078,628	2,280,290	1,429,794	1,188,165
Net pension liability	59,487,543	51,278,088	59,008,103	38,165,167	29,351,538 ⁽¹⁾
Net post-employment benefit obligation liability	34,650,853	36,642,124	3,899,545	389,848	415,763
Accrued compensated absences	96,159	140,834	176,298	367,674	889,528
Total Other Noncurrent Liabilities	96,148,318	90,139,674	105,364,236	40,352,483	31,844,994
Total Noncurrent Liabilities	703,898,166	681,626,930	763,690,930	680,942,133	733,706,267
TOTAL LIABILITIES	799,319,078	770,509,568	841,837,880	762,525,168	807,706,267
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to other post-employment benefits	9,331,810	8,204,942			
Deferred amounts related to pensions		3,483,273	1,089,646	1,095,992	11,502,989
	2,060,504				
NET POSITION					
Net investment in capital assets	567,522,830	571,387,320	560,765,911	568,244,966	576,677,611
Unrestricted	66,728,731	51,319,214	30,408,303	53,424,920	23,764,690
TOTAL NET POSITION	\$634,251,561	\$622,706,534	\$591,174,214	\$621,669,886	\$600,442,301

⁽¹⁾ Due to the Water Authority's adoption of GASB Statement No. 68 *Accounting and Reporting Pensions*, which was amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during Fiscal Year 2015.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

The following table shows the historical revenues and expenditures for the System for Fiscal Years ended June 30, 2015-2019:

Revenues and Expenditures

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues					
Charges for services	\$219,984,311	\$226,396,492	\$215,193,982	\$210,056,776	\$192,311,627
Operating Expenses					
General and administrative	66,274,400	64,227,419	63,307,749	59,910,588	61,106,551
Source of supply, pumping, treating, distr.	49,507,156	48,470,479	48,017,762	46,986,703	46,524,899
Non-capitalized major repair	13,012,052	7,784,840	5,795,924	4,285,103	6,428,665
Depreciation	84,319,801	82,630,526	81,648,334	80,357,265	83,094,979
Total Expenses	<u>213,113,409</u>	<u>203,113,264</u>	<u>198,769,769</u>	<u>191,539,659</u>	<u>197,155,094</u>
Operating Income/Loss	<u>6,870,902</u>	<u>23,283,228</u>	<u>16,424,213</u>	<u>18,517,117</u>	<u>(4,843,467)</u>
Non-operating revenues (expenses)					
Interest on investments	3,050,647	831,945	86,073	155,431	44,453
Interest expense	(20,068,297)	(18,294,865)	(18,448,939)	(18,034,371)	(19,856,948)
Utility expansion charges	7,322,600	10,049,597	8,545,978	9,256,938	7,541,201
Debt issuance costs	(629,086)	-	(710,270)	-	(2,272,566)
Lease of stored water	1,845,393	78,537	1,181,658	1,615,215	99,627
Other revenues	<u>3,007,604</u>	<u>2,583,477</u>	<u>1,735,797</u>	<u>4,212,925</u>	<u>2,057,745</u>
Total non-operating income	<u>(5,471,139)</u>	<u>(4,751,309)</u>	<u>(7,609,703)</u>	<u>(2,793,862)</u>	<u>(12,386,488)</u>
Income (loss) before contributions	1,399,763	18,531,919	8,814,510	15,723,255	(17,229,955)
Capital contributions	<u>10,145,264</u>	<u>13,000,401</u>	<u>3,522,244</u>	<u>5,504,330</u>	<u>7,347,569</u>
Change in Net Position	11,545,027	31,532,320	12,336,754	21,227,585	(9,882,386)
Net Position July 1, as restated	<u>622,706,534⁽¹⁾</u>	<u>591,174,214</u>	<u>578,837,460⁽²⁾</u>	<u>600,442,301</u>	<u>610,324,687⁽³⁾</u>
Net Position June 30	<u>\$634,251,561</u>	<u>\$622,706,534</u>	<u>\$591,174,214</u>	<u>\$621,669,886</u>	<u>\$600,442,301</u>

(1) Net position as of July 1, 2018 was restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2018 balances.

(2) Net position as of July 1, 2016 was restated to conform to GASB No. 75, reflecting an adjustment to record the Water Authority's net other post-employment liability.

(3) Net position as of July 1, 2015 was restated to conform to GASB No. 68, reflecting an adjustment to record the Water Authority's net pension liability.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Reports.

Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service over the past five fiscal years.

Water/Wastewater System Debt Service Coverage Calculation Fiscal Years 2015-2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total operating revenues	\$219,984,311	\$226,396,492	\$215,193,982	\$210,056,776	\$192,311,627
Non-operating revenues (expenses):					
Interest	3,050,647	831,945	86,073	155,431	44,453
Expansion charges	7,322,600	10,049,597	8,545,978	9,256,938	7,541,201
Other Expenses	-	-	-	-	-
Other Revenues	<u>5,220,372</u>	<u>3,899,312</u>	<u>3,217,905</u>	<u>7,304,796</u>	<u>3,936,638</u>
Total adjusted revenues	<u>\$235,577,930</u>	<u>\$241,177,346</u>	<u>\$227,043,938</u>	<u>\$226,773,941</u>	<u>\$203,833,919</u>
Total operating expenses	\$213,113,409	\$203,113,264	\$198,769,769	\$191,539,658	\$197,155,094
Less:					
Franchise fees	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Non-capitalized system obligations	(13,012,052)	(7,784,840)	(5,795,924)	(4,285,103)	(6,428,665)
OPEB Life Insurance Benefits	-	-	-	-	(34,339)
Depreciation	(84,319,801)	(82,630,526)	(81,648,334)	(80,357,265)	(83,094,979)
Amortization	-	-	-	-	-
Total adjusted operating expenses	<u>\$115,781,556</u>	<u>\$112,697,896</u>	<u>\$111,325,511</u>	<u>\$106,897,290</u>	<u>\$107,597,111</u>
Release from Rate Stabilization Fund	-	-	-	-	-
Net revenues available for debt service	<u>\$119,796,374</u>	<u>\$128,479,450</u>	<u>\$115,718,427</u>	<u>\$119,876,651</u>	<u>\$96,236,808</u>
Total senior debt service	<u>\$59,102,274</u>	<u>\$42,812,915</u>	<u>\$48,989,966</u>	<u>\$53,957,932</u>	<u>\$47,351,384</u>
Senior debt service coverage	2.03x	3.00x	2.36x	2.22x	2.03x
Subordinate debt service	<u>\$11,549,313</u>	<u>\$14,552,587</u>	<u>\$13,177,074</u>	<u>\$5,004,682</u>	<u>\$3,838,983</u>
Combined total debt service	<u>\$70,651,587</u>	<u>\$57,365,502</u>	<u>\$62,167,041</u>	<u>\$58,962,614</u>	<u>\$51,190,367</u>
All in debt service coverage	1.70x	2.24x	1.86x	2.03x	1.88x

Source: Albuquerque Bernalillo County Water Utility Authority.

Operating Revenue

The following table outlines the Water Authority’s revenue from water and wastewater charges and other operating revenue as measured in the Statement of Revenues, Expenses and Change in Net Position for the past five years.

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUE

Fiscal Year	Revenue from Water Charges		Revenue Wastewater Charges	Other Operating Revenue⁽³⁾	Total Operating Revenue
	For General Operations⁽¹⁾	For WRMS⁽²⁾			
2015	\$89,768,328	\$29,939,349	\$64,171,110	\$1,323,000	\$185,201,787
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2018	148,315,450	-	76,253,042	1,828,000	226,396,492
2019	141,267,719	-	76,848,592	1,868,000	219,984,311

(1) The General Operations revenues are excluding franchise fees as revenue for the Water Authority. Franchise fees are a pass-through, and therefore should not be included as revenue for the Water Authority.

(2) These revenues are attributable to rate increases adopted to finance capital costs and operating expenses to implement the WRMS. In Fiscal Year 2016, the WRMS revenues were combined with General Operations revenues as part of the new rate ordinance structure.

(3) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

Utility Expansion Charges

In order to fund expanded capacity needs of the System, all new customers are charged one-time utility expansion charges (“UECs”) for water and wastewater services. The charges are calculated by analyzing the average forecast of new customers over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. The Development Fees Act, NMSA 1978 Sections 5-8-1 through 5-8-42, as amended from time to time, authorizes the imposition of utility expansion charges and provides for a method of calculation of such charges which is consistent with historical calculations by the Water Authority and the City. Under the Development Fees Act, the Water Authority is required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed method, applicable to any impact fee imposed on or after July 1, 1995.

The current UECs have been reviewed and updated as contemplated under the Development Fees Act. The determination of water and wastewater UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed, as part of an approved 10-year plan. When UECs are charged to new customers, the charge is apportioned to reflect the capacity that customer is requesting, depending on the size of service. Larger sized service installations have greater use capacity needs, and thus a greater proportion of the UEC cost basis is allocated to that service size.

The Water Authority may adjust the UECs annually by the Engineering News Records (“ENR”) indexes. These cost indices are the building cost or construction cost indices (“BCI” and “CCI”) per the ENR. The ENR tracks changes in building and construction costs (the difference between the levels of labor costs; the CCI being more heavily weighted on labor costs) for a 20-city average. These indices are commonly used to estimate the replacement costs of utility infrastructure. The Water Authority’s rate consultant recommends the comparison of the CCI and BCI as the best approach to apply to UECs and the water supply charge discussed herein.

The following table sets forth the current water and wastewater utility expansion charges.

CURRENT UTILITY EXPANSION CHARGES

<u>Meter Size</u>	<u>Water Charge</u>	<u>Wastewater Charge</u>
¾”	\$3,333	\$2,500
1”	5,555	4,166
1 ½”	11,109	8,333
2”	17,780	13,331
3”	35,551	26,727
4”	55,549	42,716
6”	111,103	85,438
8” & over	177,762	133,316

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

During Fiscal Years 2015 through 2019, the following revenue from the collection of UECs was received.

REVENUE FROM UTILITY EXPANSION CHARGES

<u>Fiscal Year</u>	<u>Total UEC Revenues</u>
2015	\$7,541,201
2016	9,256,938
2017	8,545,978
2018	10,049,597
2019	7,322,600

Source: Albuquerque Bernalillo County Water Utility Authority Comprehensive Annual Financial Report.

Water Authority policy requires that expansion or improvement of the System for development purposes be at no net expense to the Water Authority. Revenues generated from the expansion of the System must be sufficient to support the costs of water and wastewater facilities and the related infrastructure. The facilities constructed must meet the level of service standards agreed upon between the developer and the Water Authority in the applicable development agreement. Increased revenues should correlate to the additional operational and maintenance expenses for the System expansion. The developer bears the risk and expense for any revenue shortfall related to the System expansion.

Water Resource Charge

The Water Resource Charge (“WRC”) is assessed by the Water Authority at the time of meter sale or application for service to any new water customer requesting connection to the System in an area not located within the Water Authority’s service area requiring a development agreement. The proceeds from this charge are dedicated and restricted to the development of

new water resources, rights or supplies to serve the beneficiary new customers outside of the service area consistent with the Water Authority’s Regional Water Plan and WRMS and other guiding principles adopted by the Water Authority. The amount of the WRC is adjusted annually by BCI or CCI as published by ENR. The WRC does not apply to non-potable water service. The Water Authority’s rate consultant has reviewed the methodology used in the calculation in developing the WRC and has agreed to its development and it is one that is widely applied in the industry. The WRC will have an eight-year phase-in, beginning in Fiscal Year 2020.

The following table sets forth the current water resource charges.

CURRENT WATER RESOURCE CHARGES – YEAR ONE PHASE-IN

<u>Meter Size</u>	<u>Water Resource Charge</u>
¾”	\$2,085
1”	3,474
1 ½”	6,949
2”	11,118
3”	24,321
4”	41,694
6”	93,811
8” & over	111,183

Source: Albuquerque Bernalillo County Water Utility Authority

Rate Stabilization Fund

The Rate Stabilization Fund reserves water and wastewater revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The funding cap for the Rate Stabilization Fund is \$9 million; which is the current balance for Fiscal Year 2020. Consistent with the Rate Stabilization Fund’s intended use, the Water Authority withdrew \$4 million of available funds in Fiscal Year 2013 due to declining revenues. Any expenditure from this Rate Stabilization Fund requires an appropriation approved by the Water Authority Board.

Additional Charges

The following variable charges are in effect for all accounts to which the specific criteria for each charge apply.

Water Commodity Charge: Water usage metered or estimated is at a rate of \$2.018 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. The surcharge amount added for each unit exceeding 200% of the customer’s individual winter average water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit. A second tier surcharge for each unit exceeding 300% of the customer’s individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee

charged by the State and the sustainable WRC per unit. A third tier surcharge for each unit exceeding 400% of the customer's individual winter average water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit.

Wastewater Commodity Charge: All wastewater discharged is charged at a rate of \$1.394 per unit for residential, commercial, industrial and institutional customers and \$0.727 per unit for wholesale customers based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

The Water Authority continues to keep water and wastewater rates at a competitive level. Based on results for the 2019 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the American Water Works Association ("AWWA"), the Authority was ranked at or below average for water and wastewater rates, based upon a usage of 7,480 gallons for water and 7,480 gallons for wastewater.

Water/Wastewater Billing and Collections

The Water Authority imposes all rates and charges through a water and wastewater rate ordinance (the "Rate Ordinance"). Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property for which the Water Authority is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The Water Authority performs all meter reading services in connection with the System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. A penalty of 1.5% per month may be imposed on any delinquent account. The Water Authority may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer's utility statement.

The Water Authority has made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has historically averaged 2.49% and is currently at 1.14%.

Rates and Charges of the System

The Water Authority has mandated that the operation and maintenance of the System be self-sustaining. Consistent with this mandate, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and wastewater services. Ordinances authorizing issuance of System obligations prohibit Net Revenues of the System from being transferred to other funds, and require Net Revenues to be used for lawful System purposes including redemption of System obligations or paying costs and expenses relating to administration of System obligations.

The capital and operating budgets for the System are submitted by the Executive Director to the Board by April of each year for the fiscal year which begins July 1. The Board considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than May of each year.

The Federal Water Pollution Control Act Amendments of 1974 (the “Amendments”) have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation’s waters. As a result, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the Water Authority receives federal grant funds through the EPA, the requirements under the Amendments must be met. Accordingly, the Water Authority has incorporated the following items into the wastewater rate structure:

(i) Costs benefiting both water and wastewater operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and wastewater service.

(ii) Budgeted wastewater categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for wastewater rate-making purposes.

(iii) A “high-strength sewage treatment surcharge” is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges

Customers pay fixed rates for water and wastewater services as well as additional charges which vary depending on the volume of water used or discharged. These fixed rates are designed to cover, at a minimum, customer service costs and all debt service costs. The rate structure is designed to ensure that debt service costs are covered, regardless of changes in conditions such as drought or the continued success of the Water Authority’s water conservation efforts. Residential customers pay fixed water rates (depending on service size) between \$9.79 and \$1,863.70, while commercial customers pay between \$10.26 and \$1,933.16. For wastewater service, residential customers pay a fixed wastewater rate (depending on service size) between \$2.99 and \$333.41, while commercial customers pay between \$3.70 and \$423.55.

Increases to Rates and Charges

The Water Authority has increased System rates and charges by the following percentage increases during Fiscal Years 2012-2019 as described below due to a decrease in consumption levels.

**Implemented and Approved
Increases in Rates and Charges**

<u>Fiscal Year</u>	% Increase		
	<u>General Operations</u>	<u>WRMS</u>	<u>Franchise Fee</u>
2012	5	5	0
2013	0	0	0
2014	5	0	0
2015	5	0	0
2016	5	0	0
2017	0	0	0
2018	5	0	0
2019	0	0	0

Source: Albuquerque Bernalillo County Water Utility Authority.

Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2015 through 2019.

<u>Meter Size</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
¾"	184,743	185,894	182,232	183,398	184,464
1" and 1 ¼"	17,447	17,392	17,796	17,975	17,843
1 ½"	2,269	2,300	2,381	2,467	2,522
2"	2,349	2,386	2,509	2,575	2,713
3"	575	590	603	606	626
4"	276	278	282	284	287
6"	63	64	68	66	66
8" and over	40	41	42	43	43
Non-metered	-	-	4,302	4,485	4,527
Total	207,762	208,945	210,215	211,899	213,091

Source: Albuquerque Bernalillo County Water Utility Authority.

HISTORY OF WATER USERS BY CLASS

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential	186,461	187,479	181,814	183,018	183,942
Multi-Family	7,115	7,268	7,801	7,851	7,876
Commercial	11,923	11,901	11,913	12,023	12,100
Institutional	2,150	2,187	3,650	3,680	3,701
Industrial	113	110	119	122	121
Other Meter	-	-	616	720	824
Solid Waste					
Only	-	-	1,362	1,365	1,392
Non-meter	-	-	2,940	3,120	3,135
Total	<u>207,762</u>	<u>208,945</u>	<u>210,215</u>	<u>211,899</u>	<u>213,091</u>

Source: Albuquerque Bernalillo County Water Utility Authority.

According to the Water Authority's records for Fiscal Year 2019, the top ten retail customers of the System, in the aggregate, accounted for no more than 11.56% of the total billed consumption for the Water System, 10.77% of the total revenue of the Water System, 15.09% of the total billed consumption for the Wastewater System and 6.86% of the total revenue of the Wastewater System. During Fiscal Year 2019, 50.86% of billed water consumption was residential, while 16.09% was classified as commercial. The balance consisted of multi-family users consuming 17.42% institutional users consuming 5.86%, industrial users at 1.44% and special contracts and hydrants meters at 8.33%.

**Selected Water/Wastewater System Statistics
(Calendar Year)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Estimated Population (Service Area)	658,238	670,779	676,298	680,946	683,207
Number of Meters Billed	208,200	208,140	206,606	207,858	209,029
Estimated Persons Per Meter	3.16	3.22	3.27	3.28	3.27
Annual Pumpage (1,000 Gallons)	29,498,000	30,720,000	30,895,000	30,139,000	29,392,000
Annual Water Billed (1,000 Gallons)	27,195,260	28,250,591	28,357,626	27,696,655	27,073,469
Average Daily Pumpage (Gallons)	80,816,438	84,164,384	84,357,626	82,572,603	80,526,027
Peak Day Pumpage (Gallons)	146,000,000	159,000,000	150,600,000	147,000,000	147,000,000
Average Daily Production Per Meter (Gallons)	388	404	410	397	385
Well Pumping Capacity (per 24 Hour Period)	184,000,000	178,000,000	176,000,000	176,000,000	176,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	245,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Fire Hydrants	15,572	15,646	15,731	15,853	15,948
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines ⁽¹⁾					
-Water	2,721	2,729	2,739	2,756	2,767
-Wastewater	1,900	1,904	1,908	1,914	1,920
Surface Water	37	37	37	38	38

(1) Estimated

Source: Albuquerque Bernalillo County Water Utility Authority.

Financial Management

Financial Policies

The Water Authority has implemented various financial policies to facilitate its performance based budgeting process which requires balanced budgets. The Water Authority expects to spend approximately \$58 million in Fiscal Year 2020, and increase \$3 million annually, for System rehabilitation with basic system capital needs being funded, on average, by at least 50% cash and grants and the remaining 50% to be funded with bond or loan proceeds. The Water Authority's policy with respect to debt issuance is to seek target coverage of 150% of debt service on all lien levels for current and future years with the debt service coverage being monitored at the end of each quarter. Bonds issued to finance basic capital needs will not exceed a final maturity of 12 years. Pursuant to the Water Authority's "no net expense" System expansion policy, infrastructure for new development within or outside the System's service area will not be funded from the System's existing customer base. The Water Authority's budget process and Capital Implementation Program ("CIP") are described in greater detail below.

Budget Process

The Water Authority operates on a fiscal year basis, from July 1 through June 30. The Board adopted a Budget Ordinance on December 8, 2004 that provides for the formulation and approval of the Water Authority's annual operating and capital budgets. The Budget Ordinance requires the establishment of five-year goals and one-year objectives to guide the budget process. The goals and objectives provide the framework for the delivery of services, implementation of planned capital improvements, promoting active citizenship participation and measuring performance. The operating budget is prepared on an accrual basis of accounting. The Executive Director formulates the operating budget to be consistent with the goals and objectives as established and approved by the Board. Operating and capital budgets are submitted by the Executive Director to the Board at the April meeting each year and, following at least two public hearings, must be approved or amended and approved before or at the May meeting each year.

The annual operating and capital budgets determine the Water Authority's appropriations by fund. Expenditures may not legally exceed appropriations. The Water Authority's Chief Financial Officer and staff are responsible for monitoring and controlling operation and project expenditures to ensure that budgeted appropriations are not exceeded. Financial status reports are presented to the Board quarterly. Budget amendments during or after the end of the fiscal year require approval by the Board, except that the Executive Director has authority to transfer or change line-item expenditures within the operating budget up to 5% or \$100,000, cumulatively, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the Water Authority's budget.

The Executive Director develops the CIP which consists of a ten-year plan of capital expenditures, including a detailed yearly CIP budget which is submitted to the Board in accordance with the Budget Ordinance. Development of the CIP plan is based on information collected and analyzed on the Water Authority's capital assets. Maintenance, rehabilitation, and replacement of assets are linked to the Water Authority's short- and long-term financial needs and reflected in the CIP plan and operating budget. The budget amounts of the capital project funds are individual project budgets authorized by the Board for the entire length of the project which are not necessarily the same as the Water Authority's fiscal year. The Executive Director

may transfer funding up to 10% of an existing capital project as approved by the Board, provided the change does not significantly alter the project's scope. The Budget Ordinance also sets forth requirements for Board review and approval of applications or proposals for State and federal grants.

Capital Implementation Program

The blueprint for the Water Authority's capital program is the 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 capital program budget.

The Water Authority's capital program is comprised of categories of projects, each with its own funding rules. The Basic Capital Program is funded by recurring revenues generated from the water/wastewater rate structure. Special Projects are done outside of the Basic Capital Program but are funded from the same revenue stream that funds the Basic Capital Program. Since the Basic Capital Program is the first in line to get this revenue, the size and scope of these special projects depend upon the availability of resources. "Dedicated Revenue" projects have a revenue element in the rate structure dedicated for that specific purpose and accordingly, their size and scope are dependent upon the revenue stream generated. The Water Authority has increased in recent years its utilization of State and federal grants to fund some capital projects in whole or in part.

Basic Capital Program needs are incorporated into the water/wastewater rate structure. The Rate Ordinance requires that Basic Capital Program needs are funded, on average, by 50% from cash, with the balance of capital funding obtained through debt 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 Capital Program. System growth projects are funded through 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 50% test.

The current Decade Plan, Fiscal Year 2020 – Fiscal Year 2029, is designed to focus on meeting the basic utility needs for water and wastewater assets, balancing growth and rehabilitation, and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and System reliability, and implementing an asset management approach for rehabilitating deteriorated water and wastewater infrastructure at a targeted \$70 to \$84 million per year level of rehabilitation investment starting in Fiscal Year 2020 as outlined below.

The development of this Decade Plan continued the use of risk analysis techniques combined with an asset management strategy to determine where the Water Authority's capital resources should be expended in order to maximize the benefit to rate payers. The Water Authority's asset management plan is intended to provide a business model for managing infrastructure assets to minimize the total costs of owning and operating them at an acceptable

level of risk. Ratepayers’ investment in the infrastructure is maximized as a result. The adopted Decade Plan represented the funding decisions made by a broad array of staff and managers throughout the Water Authority. Project prioritization resulted from discussions within the Water Authority and with outside consultants engaged to assist the Water Authority in charting a path for its Basic Capital Program. The internal assessment of the condition of the Water Authority’s infrastructure and future system needs as well as changes in the external environment in which the Water Authority operates will necessarily lead to changes in revenue allocation over time.

The Water Authority’s asset management program is an extensive business model that helps utility managers make better acquisition, operations and maintenance, renewal, and replacement decisions. The principles of asset management were developed to address the critical problem of aging public infrastructure and changing utility business environment. In Fiscal Year 2019, the Water Authority upgraded its Maximo® Enterprise Asset Management System/Computerized Maintenance Management System and integrated mobile work order technology to improve the accuracy of the asset data.

The Water Authority anticipates \$780 million in capital needs through Fiscal Year 2029.

CAPITAL NEEDS* (in 000’s)

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>Total</u>	<u>%</u>
Capital Needs	\$70,300	\$70,350	\$71,650	\$74,650	\$77,650	\$80,650	\$83,650	\$83,650	\$83,650	\$83,650	\$779,850	100%
Bond Proceeds	\$28,000	\$28,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$27,000	\$272,000	35%
Difference Funded with Cash	\$42,300	\$42,350	\$44,650	\$47,650	\$50,650	\$53,650	\$56,650	\$56,650	\$56,650	\$56,650	\$507,850	65%

* Projections are subject to change. Amounts indicated are rounded.
Source: Albuquerque Bernalillo County Water Utility Authority.

The basic growth program has shifted in focus from placing new pipe in the ground to achieving performance improvement goals and meeting mandated standards. The discretionary spending in the Fiscal Year 2020 growth program budget continues initiatives in information technology support for the operating divisions. The remainder of the growth program is primarily non-discretionary and includes funding for the low-income connection program managed by the County and repayment to developers as connections are made to the System.

In addition to seeking improvements in efficiency and effectiveness through its AMP, the Water Authority utilizes the American Water Works Association’s (“AWWA”) Benchmarking Performance Indicators Survey (“Survey”) in developing its performance plan. The Survey provides utilities an opportunity to collect and track data from already identified and tested performance measures, based on the same collection process and definitions. The most recent Survey data was compiled in 2018 by AWWA from 157 different utilities. The performance plan uses the survey data as a basis for its performance measures to track the Water Authority’s performance with that of other utilities and to provide guidance in the one-year objectives and the financial plan. This information and recommendations have also been the basis for operational improvements already implemented in the Water Authority.

Looking forward, the Water Authority must continue to spend \$76 million (2010 dollars) per year in 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 scheduled to increase by \$3 million per year, an effort that started in Fiscal Year 2015.

Approved Fiscal Year 2020 Budget

The approved Fiscal Year 2020 budget is the Water Authority's financial plan for Fiscal Year 2020. The development of this financial plan has been guided by the Water Authority's Ten-year Financial Plan, Five-Year Goals, One-year Objectives, Performance Plan and the Guiding Principles. In the development of the approved budget, the Water Authority has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources, and is balanced, fiscally conservative and sound.

Revenue for Fiscal Year 2020 is estimated to be \$231.3 million, representing an increase of \$5.5 million from the revised budgeted Fiscal Year 2019 amount. The appropriation for Fiscal Year 2020 for CIP is \$68.3 million. \$58.0 million is appropriated for the level one priority basic capital programs, \$4.0 million for growth related projects, \$6.0 million is appropriated for special projects and \$0.3 million for Water 2120 projects. The \$6.0 million for special projects is comprised of \$2.0 million for the Automated Meter Infrastructure, \$1.0 million for steel water line replacement, \$0.4 million for various renewable energy projects, and \$2.6 million for various identified projects.

The Fiscal Year 2020 Budget represents a financial plan to 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 Fiscal Year 2020 to improve services and gain operating efficiencies.

The Fiscal Year 2020 Budget includes nonrecurring funding for an employee 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.

In the preparation of the Fiscal Year 2020 Budget, the Water Authority developed a maintenance of effort budget within the projected estimated revenues. There is an increase of one full-time equivalent position for Fiscal Year 2020. Personnel expenses include a 2.0% step increase in wages and a 12% increase in health benefit costs. The most significant expense of the Water Authority continues to be debt service payments which will comprise 34.3% of the total operating expense in Fiscal Year 2020.

For Fiscal Year 2020 revenues are expected to be equal to expenses. This will bring the Working Capital or Fund Balance to \$39.9 million at June 30, 2020. The Water Authority's target is to maintain its Fund Balance at 1/12 of the annual budgeted operating expenditures as defined by the Rate Ordinance. For Fiscal Year 2020, the Rate Stabilization Fund is \$9.0 million.

Successes and Benchmarks

The Water Authority's success can be measured in a number of different ways. One of these is recognition by industry peers and professional organizations. In Fiscal Year 2019, recognition included:

- 2020 National Association of Clean Water Agencies (NACWA) Environmental Achievement Award for Watershed Collaboration 2019 NACWA Utility of the

- Future (UOTF) Award
- 2019 NACWA Excellence in Management – Gold Award
- 2019 NACWA Peak Performance – Silver Award
- 2019 Partnership for Safe Water Treatment – Director’s Award
- 2019 Partnership for Safe Water Distribution – Director’s Award
- 2019 Partnership for Clean Water Treatment – Director’s Award
- 2018 AMWA Platinum Award for Utility Excellence
- Receipt of a triple-A bond rating from S&P Global Ratings
- FY19 Government Finance Officers Association (“GFOA”) Distinguished Budget Presentation Award
- FY18 GFOA Certificate of Achievement for Excellence in Financial Reporting (both Popular and Comprehensive)

Other achievements in the preceding fiscal year include the earmarking of additional funds to continue a project to extend municipal water services to the historic South Valley neighborhood of Los Padillas, the installation of 12,000 additional automated meters, and the installation of carbon filters at lift stations to address odor concerns. Additionally, the extensive multi-year, \$250 million refurbishment of the Southside Water Reclamation Plant continued on schedule.

Looking forward, the Water Authority must continue to spend \$76 million (2010 dollars) per year in 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 scheduled to increase by \$3 million per year, an effort that started in Fiscal Year 2015.

Other Projects

The operational cornerstone of the Water 2120 is the San Juan-Chama Drinking Water Project, which will continue to have a major positive impact on the ground water resources in the Middle Rio Grande. After almost ten years of operation, the San Juan-Chama Drinking Water Project – 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.

The San Juan-Chama Drinking Water Project provided about 67% of all water distributed to Water Authority customers in calendar year 2019. The Water Authority’s goal is to have the San Juan-Chama Drinking Water Project supply 70-75% of all customer demand in the future. Flow conditions in the Rio Grande may limit the ability to fully realize this goal on a consistent basis.

Customer Service Division (“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 Division – Distribution Section and NWSA work together to implement the Clevest mobile workforce management system, which provides a bridge for Maximo (work order and asset management) and Customer Care & Billing 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.

OTHER POST-EMPLOYMENT BENEFITS

Public Employees Retirement Association

The Water Authority participates in a pension plan organized on a statewide basis and operated by the State. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in the State participate in the Plan. The Water Authority's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The Water Authority has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan. However, on June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved Statement No. 68, as subsequently amended by GASB Statement No. 71, which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the Water Authority, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. As of June 30, 2019, the Water Authority reported a net pension liability of \$59,487,543 for its proportionate share of the net pension liability. See "Detailed Notes (E) – Defined Benefit Pension Plan – Public Employees Retirement Association" in APPENDIX A hereto. For the year ended June 30, 2017, the Water Authority implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

As required by State law, eligible employees are required to contribute between 13.15% and 14.65% of their gross salary, depending on the specific plan type. The Water Authority is required to contribute 9.55% of the gross covered salary. The Water Authority has elected to pay a percentage of the employee's contributions. The contribution requirements of plan members and the Water Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the State Legislature. The Water Authority's employer contribution to PERA for the fiscal years ended June 30, 2019, 2018 and 2017 were \$3,237,258, \$3,190,941 and \$3,129,931, respectively, which equal the amount of the required contributions for each fiscal year. The Water Authority's total paid contributions for fiscal year ended June 30, 2019 were \$6,833,819.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at www.pera.state.nm.us.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2019 (in thousands)**

Membership ⁽¹⁾	108,233
Actuarial Information	
Accrued Liability ⁽²⁾	\$22,162,998
Actuarial Value of Assets ⁽³⁾	\$15,500,331
Unfunded Actuarial Accrued Liability (“UAAL”)	\$6,662,668

(1) Includes both state and municipal divisions.

(2) Includes accrued liability of both the retired and active members.

(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25% annual return.

As of June 30, 2019, PERA has an amortization or funding period of infinite years, based on the employer and member contribution rates in effect as of July 1, 2019. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 69.9% as of June 30, 2019 and the UAAL of the PERA Fund increased \$602 million to approximately \$3.7 billion. The State’s portion of the UAAL of the PERA Fund is 53.1%, or \$2.7 billion. On a market value basis, PERA’s funded ratio is approximately 73.1% as of June 30, 2017.

On February 18, 2019, New Mexico Governor Michelle Lujan Grisham established a nineteen member solvency task force to provide recommendations to address PERA’s unfunded liability. On August 29, 2019, the solvency task force provided multiple recommendations to the Governor that, if implemented, may eliminate PERA’s unfunded liability within 25 years. The recommendations were presented during the 2020 Legislative Session and resulted in the Legislature’s passage of Senate Bill 72 which, among other things, incrementally increases both Water Authority and Water Authority employee contribution rates beginning July 1, 2022. The legislation also increases the current 2.0% cost-of-living adjustment to 2.5% for retirees over the age of 75, disability retirees and retirees with pensions less than \$25,000 after 25 years of service. Cost-of-living adjustments for all other retirees will eventually be based on the fund’s investment performance and funding status and will range from 0.5% to 5.0%. A copy of the solvency task force report can be found at nmpera.org.

Defined Contribution Retirement Plan

The Water Authority approved a Declaration of Trust for a 401(a) qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees in 2004. Under this defined contribution plan, an employee’s eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory and only a small number of Water Authority employees participate in the plan. Under the plan the employer contributes 19.01% of earnings for full-time employees and 7% for part-time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute a specified percentage of the employee’s salary. Total Water Authority contributions to the plan were \$398,151 in Fiscal Year 2019.

New Mexico Retiree Health Care Authority Plan

Water Authority employees are provided, through the New Mexico Retiree Health Care Fund (the Fund), a cost-sharing multiple-employer defined benefit plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, to administer the Fund. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. The Fund provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Water Authority were \$677,725 for the year ended June 30, 2019 equal to its required contributions for the year.

The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Healthcare Authority at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107 or at www.nmrhca.state.nm.us/Pages/audit-reports.aspx.

Retiree Life Insurance Plan

The Water Authority, as of the fiscal year ended June 30, 2019, participated in the City's Life Insurance Benefit Plan (the "City Plan"). The City Plan is a single employer defined benefit plan administered by the City which includes coverage for the employees of the Water Authority. Upon retirement, an eligible Water Authority employee will continue to be covered by the City Plan at no cost to the employee. Employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. New employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount. The number of Water Authority retired employees covered under the City Plan at June 30, 2019 was 203. The number of active employees at June 30, 2019 was 448.

In Fiscal Year 2014, the City and the Water Authority created the City of Albuquerque Pooled Post-Employment Benefit Trust Fund. Prior to July 1, 2013, the City and the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The Water Authority has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution ("ADC") each year in accordance with GASB 75. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year end: 1) the amounts attributed to service performed in the current fiscal year (the normal cost), and 2) amortization of the unfunded actuarial accrued liability ("UAAL").

Therefore, the discount rate used is 5.0%, the long term expected return on trust assets. In addition, the discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-years. The Water Authority's contributions to the trust for the fiscal year ended June 30, 2019 were \$61,103

INVESTMENT POLICIES AND PROCEDURES

The Water Authority's funds are invested by the Water Authority's Chief Financial Officer pursuant to the Water Authority's Investment Policy (the "Investment Policy"). According to the Investment Policy, all the investments should be made in accordance with the "Prudent Person" rule (all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived) and on the basis of competitive bids and/or offers. The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Finally, diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

The Investment Policy seeks to balance four primary objectives:

- Maximize investment returns while minimizing risk;
- Maintain a level of liquidity to ensure that unanticipated cash needs are met;
- Allow for diversification of the Water Authority's portfolio; and
- Recognize the impact of the Water Authority's investment program on the local economy.

The Investment Policy permits the Water Authority to invest in (a) U.S. Treasury obligations; (b) U.S. Government agency and instrumentality obligations; (c) bonds or negotiable securities of the State or of any county, municipality, or school district within the State which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and which has neither defaulted in the payment of any interest or sinking fund obligation, nor failed to meet any bonds at maturity at any time within five years last preceding; (d) time deposits in banks and savings and loan associations; (e) interest bearing checking accounts in banks and savings and loan associations; (f) passbook savings accounts; (g) banker's acceptances; (h) SEC Rule 2a-7 money market funds whose portfolios consist of the foregoing securities; and (i) the Local Government Investment Pool pursuant to Section 6-10-10.1, NMSA 1978.

FORWARD-LOOKING STATEMENTS

This Annual Information Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Information Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE WATER AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

Except as stated in this Annual Information Statement, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the Water Authority’s knowledge threatened, involving the Water Authority which may result, either individually or in the aggregate, in final judgments against the Water Authority which would have a material adverse effect on the Water Authority’s existence or its financial condition.

APPROVAL OF ANNUAL STATEMENT

This Annual Statement and its distribution and use for the purposes herein have been authorized and approved by the Water Authority.

Approved by:

/s/ Mark Sanchez

Executive Director

Appendix A

**Albuquerque Bernalillo County Water Utility Authority
Annual Financial Report
Year ended June 30, 2019**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2019 & 2018



Albuquerque Bernalillo County
Water Utility Authority



COMPREHENSIVE ANNUAL FINANCIAL REPORT



6/30/2019

Albuquerque Bernalillo County Water Utility Authority

For the Fiscal Years Ended June 30, 2019 and 2018

Albuquerque, New Mexico

PREPARED BY FINANCIAL/BUSINESS SERVICES DIVISION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

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INTRODUCTORY SECTION







LETTER OF TRANSMITTAL

November 22, 2019

To: Members of the Board of the Albuquerque Bernalillo County Water Utility Authority
The Customers of Albuquerque Bernalillo County Water Utility Authority

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") for the years ended June 30, 2019 and 2018. The Water Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the Water Authority. Pursuant to NMSA 1978, § 12-6-3, the Water Authority is required to have its financial affairs examined and audited each year and approved by the New Mexico State Auditor's office.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Water Authority management. To the best of our knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Water Authority. All disclosures necessary for the reader to gain an understanding of the Water Authority's financial activity have been included.

The Water Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to give reasonable assurance that 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of our knowledge and belief, the Water Authority's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

REDW LLC, Certified Public Accountants, has been retained by the Water Authority to serve as its independent auditors and has issued an unmodified ("clean") opinion on the Water Authority's financial statements for the years ended June 30, 2019 and 2018. The independent auditor's report is located at the front of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter

of transmittal is designed to supplement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the independent auditor's report.

Profile of the Water Authority

In January 2003, the New Mexico Legislature approved Senate Bill 887 which transferred the municipal Water and Wastewater Utility to the Albuquerque Bernalillo County Water Utility Authority (Water Authority). Senate Bill 887 became law in June 2003 (NMSA 1978 § 72-1-10). In December 2003, the Water Authority, the City of Albuquerque (City) and Bernalillo County (County) entered into an operations and maintenance agreement to continue the day-to-day management of the Water Utility under the City. The Water Authority completed full transition of administering the water and wastewater utility in July 2007. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Water Authority the statutory powers provided to all public water and wastewater utilities in the state, and, as such, is recognized as a political subdivision.

The Water Authority provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 680,946 residential, commercial, industrial and governmental customers comprising approximately 95% of the residents of the County. About one-third of unincorporated County residents are customers of the water system.

The Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of the City of Albuquerque, and a non-voting member from the Village of Los Ranchos.

The Board is responsible, among other things, for passing resolutions, adopting the budget, appointing committees and hiring the Water Authority's Executive Director. The Water Authority's Executive Director is responsible for carrying out the policies and resolutions of the governing board and for overseeing the day-to-day operations of the Water Authority.

The Board is required to adopt an initial budget for the fiscal year no later than May 31 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the Water Authority's financial planning and control. The budget is appropriated by fund.

The Board is also required to adopt one-year objectives related to the five-year goals which are based on the American Water Works Association's business model. The Water Authority budget for operations and capital implementation is driven by the five-year goals and one-year objectives.

The Water Authority's Vision is to go beyond our customer's expectations. We value high quality and reliable service to our customers at a reasonable cost, supporting the regional community, the environment and our employees. The Water Authority's Mission is to:

- Assure responsive customer service
- Provide reliable, high quality, affordable and sustainable water supply, wastewater collection treatment, and reuse systems
- Support a healthy, environmentally-sustainable, and economically-viable community

Summary of Local Economy

Albuquerque is the largest city in New Mexico; is also its economic center; it accounts for nearly half of the state's economic activity. Part of its success can be attributed to a diverse base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development. Albuquerque is one of the most livable cities in the U.S., averaging more than 310 days of sunshine a year. The city rests at the foot of the Sandia Mountains, which peaks at 10,678 feet. The Rio Grande River runs north to south, dividing the city in to four major quadrants; northeast, northwest, southeast, and southwest.

Two interstate highways cross Albuquerque: I-40, one of the nation's major east-west arterials, and I-25, a north-south route from Canada to Mexico. The Burlington Northern Santa Fe Railroad, with north-south and east-west lines, hauls 90 percent of freight originating in the state and 80 percent of cargo terminating here. Albuquerque is a stop on Amtrak's Chicago-to-Los Angeles route.

The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has an estimated population of 915,927 residents. Historically, the area has grown at a steady pace of 1-2 percent per year. Despite the growth of the Albuquerque area, commute times are very reasonable, thus enhancing the work/life balance valued by many.

Some of top industries in Albuquerque are aerospace and defense, energy technology including solar energy, and semiconductor and computer chip manufacturing. Major employers in the Albuquerque area include Kirtland Air Force Base, Sandia National Laboratory, Fidelity Investments, Sennheiser, Raytheon, General Mills, and Intel Corp. The flagship campus of the 25,000-student University of New Mexico is in Albuquerque, as is Central New Mexico Community College, providing hundreds of jobs to educators.

As of June 2019, the state's unemployment rate, though still high compared to other states, dipped to 4.9% compared to 3.7% for the United States. The Albuquerque area unemployment rate is 4.5%. Moving forward in 2019, the total employment in the Albuquerque MSA is forecasted to advance 1.3%. The private sector is forecasted to add 1.5% for the year and the government sector is expected to add 0.6% in the year. Large contributors of growth include the healthcare and social assistance sector jobs with a 1.9% increase.

The construction sector is forecasted to add 3.4% in 2019 for that sector's seventh consecutive year of expansion. In 2019, employment in this sector is only expected to average about 24,241 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 ninth consecutive year by 2.0%.

Arts, entertainment and recreation is projected to strengthen by 2.9% in 2019 due to activity at the Netflix production hub as well as operations by other film production companies, including Amazon studios.

Retail trade is projected to lose jobs by -0.1%. This follows the national downward trend.

In the public sector, two of the three levels of government are expected to add jobs. The federal government will decrease -1.4%. Local government will be adding jobs, 1.3%. State government will add jobs, increasing 0.7%.

In the longer term, through 2024, the Albuquerque MSA economy is forecasted to add 17,106 jobs for 1.1% average annual growth (AAG). Most of the growth over the period will be concentrated in the private sector (1.3%), however, the government sector will also contribute (0.4%).

Total housing permits in the City of Albuquerque are expected to slowly increase throughout the forecast. Total housing permits are expected to number 1,533 in 2018 (updated April 2019), 1,489 in 2019, 1,674 in 2020, then averaging 1,900 permits per year thereafter.

An overview of the general demographics and economic conditions in the Albuquerque MSA can be found in the Statistical Section of this report.

Long-Term Financial Planning

The Water Authority uses a ten-year financial plan that factors in resources, expenses, capital needs and debt service requirements. The financial plan provides the Water Authority with the ability to compare the impact of future financial activity and issues to determine the most appropriate method of maintaining the Water Authority's financial stability. The Water Authority reviews water and wastewater rates bi-annually to ensure that inter and intra class equity is maintained.

To plan for the future and to ensure financial stability, an amendment to the Water Authority's Rate Ordinance was approved by the Board which increased rate revenue by 5% in fiscal years 2014, 2015, and 2016 and again in 2018. There are no rate increases scheduled for fiscal years 2019 and 2020.

Effective July 1, 2007, the Water Authority Board approved policies that impact financial planning for the future. A Rate Stabilization Fund was established to help offset fluctuations in revenue in the future and mitigate the need for rate increases. An annual adjustment to the Utility Expansion Charge (UEC) and the Water Resource Charge (WRC) based on the building cost or construction cost indices was implemented. This adjustment will allow the Water Authority's capital program to maintain constant dollars with inflationary increases in the future. The Water Resource Charge was established to provide the resources for the Water Authority to begin the planning, acquisition and development of new water sources to meet the demands of new customers outside the established service area without impacting existing customers.

The Water Authority also develops a Decade Plan every two years that guides the Capital Implementation Program (CIP). The projects included in the plan are identified for near-term and future work and include both rehabilitations need and growth-related activities. The Water Authority's financial planning considers basic program needs as part of its revenue requirements, and, by policy, requires financing fifty percent of basic program rehabilitation CIP work from water and wastewater rate revenues. The balance of capital funding is obtained through revenue bond or loan financing. Growth-related projects are funded through UEC revenues, either by reimbursing capital investments made under the terms of a

Developer Agreement, or by direct appropriations to CIP projects. The development of a Decade Plan allows for long-term planning for both initial construction and rehabilitation costs as well as additional operating costs to operate and maintain new water and wastewater facilities.

Major Initiatives

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>.

Selected priorities for FY20 include:

- Continue community outreach programs and communication
- Complete Phase 3 of Maximo Asset Management System – full asset on-boarding and full life-cycle accounting of assets
- Begin construction of the Consolidated Customer Service & Field Operations Facility
- Continue construction of the Los Padillas Waterline project
- Begin implementation of Phase 1 of the Final Security Plan based on the vulnerability assessments and update the Emergency Response Plan
- Continue implementation of *Water 2120* – identify and select the next Aquifer Storage and Recovery Project, complete a capture zone analysis for wells to identify areas most in need of protection, and implement water loss control strategies targeting real and apparent water losses

Relevant Financial Policies

Written long-term financial policies are contained in state statute and Water Authority Ordinances that serve as a basic framework for the financial management of the Water Authority. These policies are intended to assist members of the Water Authority's governing board and Water Authority staff to evaluate current financial activities. These policies are to be reviewed on an annual basis in conjunction with the annual budget.

The budget and accounting basis for the Water Authority is on an accrual basis. Revenues are recognized when earned, and expenses are recognized as they are incurred. The Water Authority is operated as an enterprise fund, which is an accounting entity with a self-balancing set of accounts established to record the financial position and results that pertain to a specific governmental activity. Appropriations are at the fund level, the level at which expenses 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 resolution. Appropriations revert to fund/working capital balance to the extent they have not been expended or encumbered at fiscal year-end.

The Water Authority has maintained a conservative approach to financial targets, which includes a twelve year or less debt term for basic capital financing, an average of fifty percent cash financing for basic capital projects and a minimum of 133% annual debt service coverage for senior lien debt.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018. This was the fifth year since 2008 that the Water Authority received this prestigious award. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. Staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

The Water Authority received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year 2019. This is the highest form of recognition in governmental budgeting. To qualify for the Distinguished Budget Presentation Award, the Water Authority's budget document was judged to be proficient in several categories, including presentation as a policy document, financial plan, operations guide and communication device. The Water Authority has been the recipient of this prestigious award since 2005.

Additionally, the Water Authority received the Popular Annual Financial Reporting Award. This award program extracts information from the Comprehensive Annual Financial Report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the public and other interested parties without a background in public finance and to recognize individual governments that are successful in achieving that goal. The Water Authority has been the recipient of this award for the past four years.

The preparation of this report could have not been accomplished without the efficient and dedicated services of the entire staff of the Water Authority's Financial/Business Services Division. We would like to express our appreciation to all members of the Water Authority who assisted and contributed to the preparation of this report. Due credit also should be given to the Water Authority Board members for their unfailing support for maintaining the highest standards of professionalism in the management of the Water Authority's finances.

Respectfully submitted,

Mark S. Sanchez

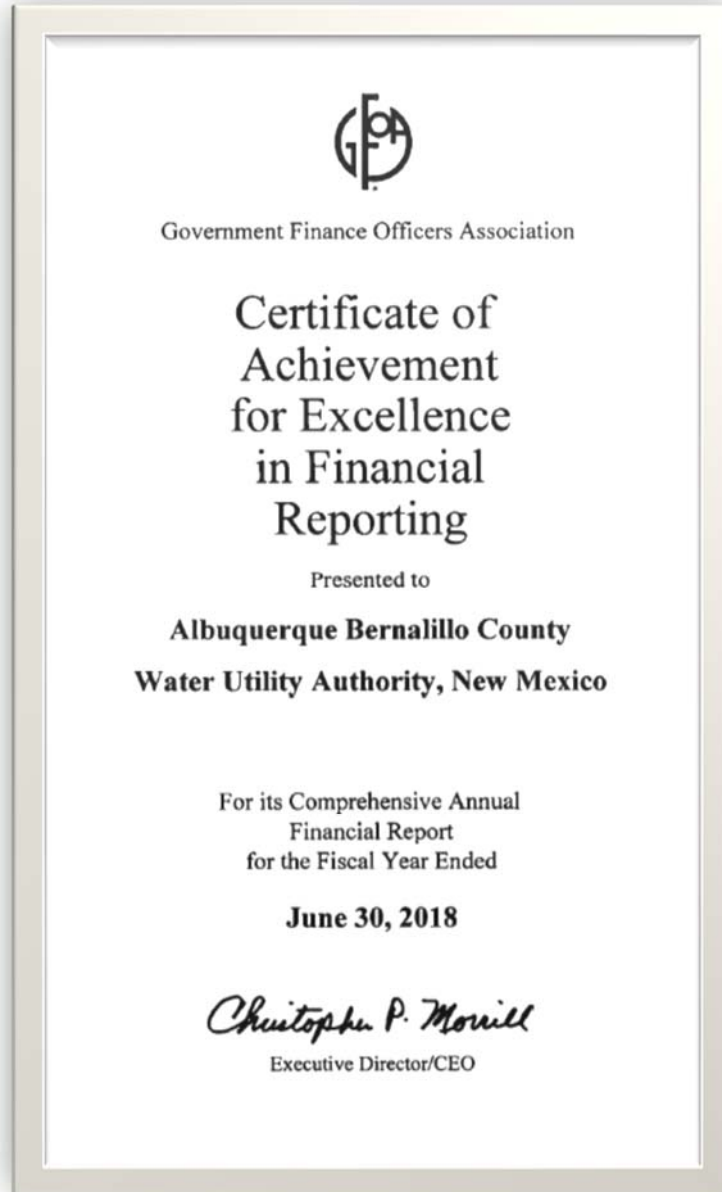
Executive Director

Stanley R. Allred

Chief Financial Officer

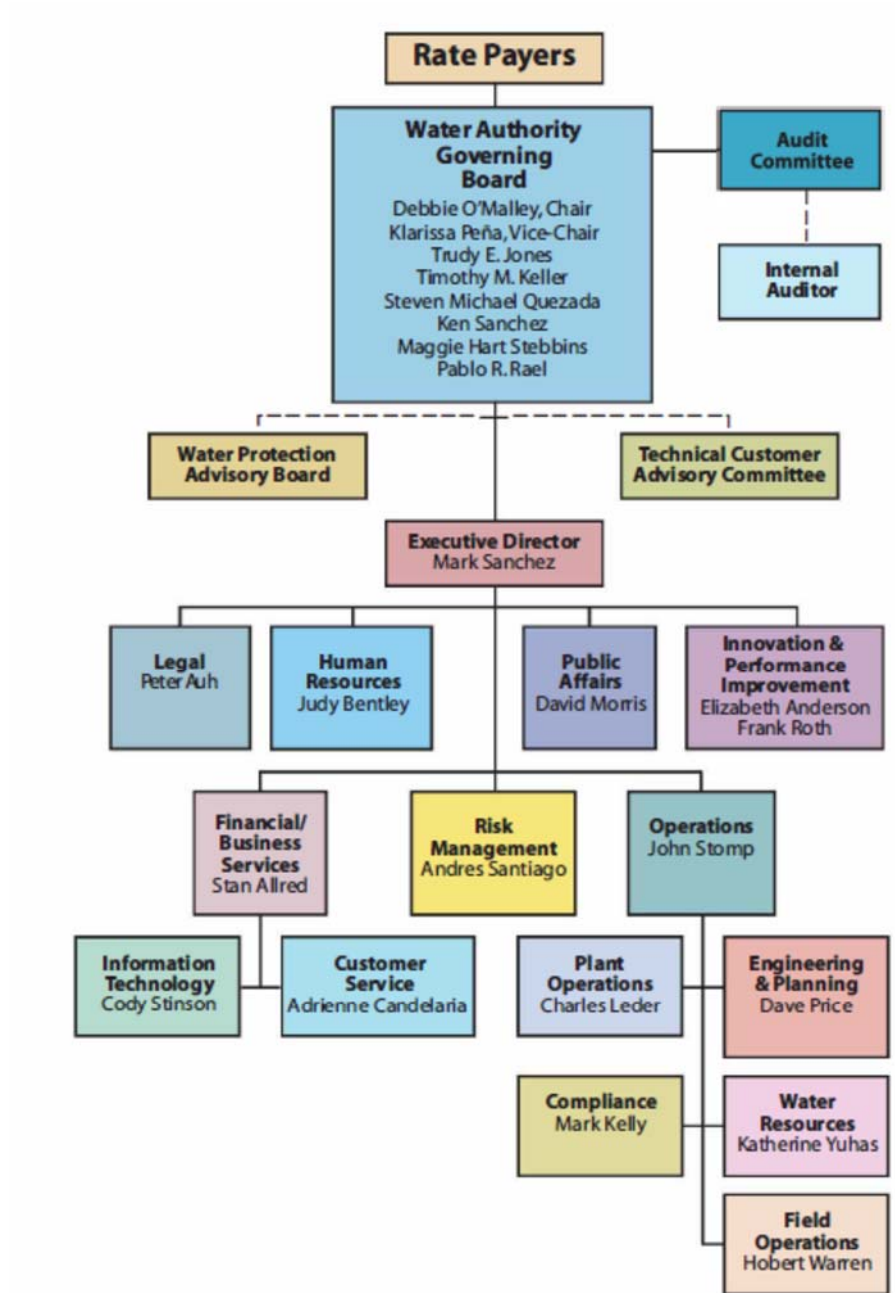
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CERTIFICATE OF ACHIEVEMENT AWARD



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

ORGANIZATIONAL CHART



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SYSTEM OFFICIALS



GOVERNING BOARD MEMBERS

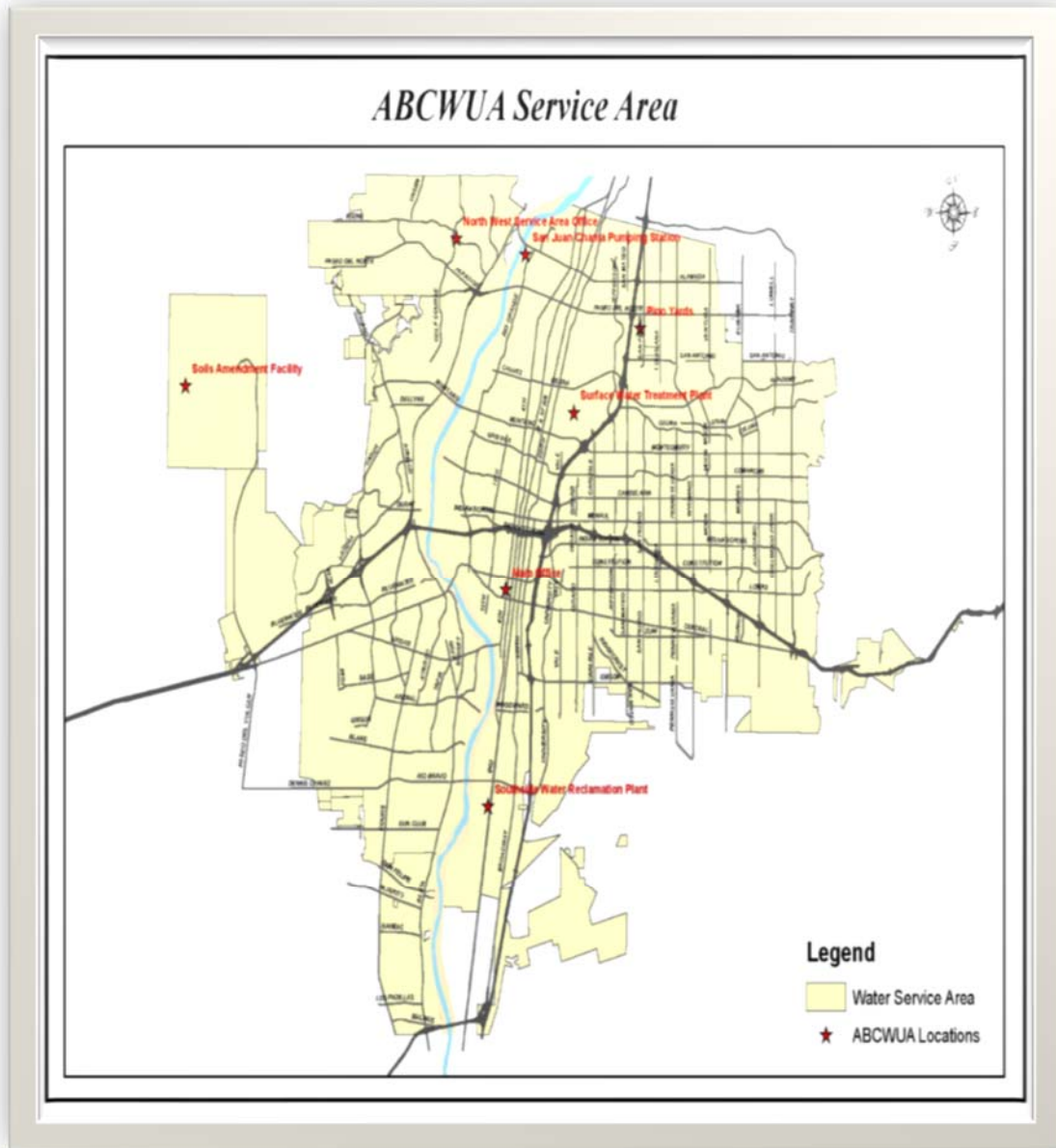
DEBBIE O'MALLEY	BERNALILLO COUNTY COMMISSIONER, DISTRICT 1	CHAIR
KLARISSA PENA	CITY OF ALBUQUERQUE COUNCILOR, DITRICT 3	VICE CHAIR
TRUDY E. JONES	CITY OF ALBQUERQUE COUNCILOR, DISTRICT 8	MEMBER
TIMOTHY M. KELLER	CITY OF ALBUQUERQUE, MAYOR	MEMBER
STEVEN MICHAEL QUEZADA	BERNALILLO COUNTY COMMISSIONER, DISTRICT 2	MEMBER
KEN SANCHEZ	CITY OF ALBUQUERQUE COUNCILOR, DITRICT 1	MEMBER
MAGGIE HART STEBBINS	BERNALILLO COUNTY COMMISSIONER, DISTRICT 3	MEMBER
PABLO R. RAEL	VILLAGE OF LOS RANCHOS BOARD TRUSTEE	EX-OFFICIO

EXECUTIVE LEADERSHIP

MARK S. SANCHEZ	EXECUTIVE DIRECTOR
JOHN M. STOMP III, P.E.	CHIEF OPERATING OFFICER
STANLEY R. ALLRED	CHIEF FINANCIAL OFFICER
PETER AUH	GENERAL COUNSEL
JUDY M. BENTLEY	HUMAN RESOURCES MANAGER
ELIZABETH ANDERSON	CHIEF INNOVATION MANAGER
DAVID R. MORRIS	PUBLIC AFFAIRS MANAGER

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY
SERVICE AREA MAP



FINANCIAL SECTION







Independent Auditor's Report

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Brian Colón
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards

require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Water Authority, as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, presents fairly, in all material respects, the budgetary comparison of the Water Authority for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Net Pension Liability and Contributions, the Schedules of Life Insurance Benefit Plan Liability and Contributions and the Schedules of New Mexico Retiree Health Care Authority Plan Liability and Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Water Authority's financial statements and the budgetary comparison schedule. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying schedule of expenditures of federal awards, other schedules required by 2.2.2 NMAC and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

REDWLLC

Albuquerque, New Mexico
November 22, 2019

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

As management of the Albuquerque Bernalillo County Water Utility Authority (Water Authority), we offer readers of the Water Authority's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with our audited financial statements and additional information that we have furnished in our letter of transmittal, which can be found on pages 6-11 of this report.

FINANCIAL HIGHLIGHTS

The Water Authority's financial position, measured by the change in net position, increased 1.85 percent during fiscal year 2019, compared to an increase of 5.33 percent during fiscal year 2018. The increase in 2018 reflects a restatement for net capital contributions and grant-related activity.

- The assets and deferred outflows of resources of the Water Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$634.2 million (net position). The portion of net position that can be used to meet the Water Authority's on-going obligations to customers and creditors, unrestricted net position, is \$66.7 million.
- Operating revenues decreased from \$226.4 million in 2018 to \$220.0 million in 2019, largely attributed to a decrease in consumption levels.
- Capital contributions were \$10.1 million in 2019 compared to \$13.0 million in 2018, a decrease of \$2.9 million. In 2018, developer contributions have been restated by \$6.1 million.
- Debt service coverage for senior liens decreased from 300% to 203% for fiscal year 2019; which continues to remain above the 133% requirement established by the governing board and bond covenants.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Authority's basic financial statements. The Water Authority's basic financial statements contain four components: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves. The Water Authority, for financial statement reporting purposes, is a special purpose government engaged only in a business-type activity. As such, it does not include in its financial statements financial information for individual general ledger funds that are used for internal accounting purposes.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations which are the provision of water and wastewater services to customers within the designated service area. The principal operating revenues result from exchange transactions in which each party receives and gives up essentially equal values.

Measurement Focus / Basis of Accounting:

The Water Authority's financial statements included herein present financial information using a recognition concept comprised of two elements, measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. In general, a specific measurement focus is matched with the corresponding basis of accounting that supports the measurement focus.

For governments to achieve the objective of accountability, financial information must be both relevant and reliable for reasonably informed users. Financial reports must satisfy numerous and diverse needs or objectives, including short-term financial position and liquidity, budgetary and legal compliance, and issues having a long-term focus such as capital budgeting and maintenance. Additionally, differences exist in the amount of detail that various users need. Presentations using different measurement focus/basis of accounting formats are required to meet these complex objectives.

The flow of economic resources measurement focus combined with the accrual basis of accounting is the most expansive perspective and recognizes any transaction which adds or subtracts economic resources from the entity. This measurement focus is used with the accrual basis of accounting so that revenues are recognized in the accounting period in which they are earned and become measurable without regard to availability and expenses are recognized in the period incurred, if measurable.

The budgetary basis of accounting can be any comprehensive basis of accounting chosen by the entity including hybrids of the accrual, modified accrual or the cash basis of accounting. The Water Authority's budgetary basis is consistent with the accrual basis of accounting except for the accounting for debt service, which includes debt service principal payments, certain cash transfers, capital contributions and capital outlay.

Basic Financial Statements:

The Water Authority's financial statements are designed to provide readers with a broad overview of the Water Authority's finances, in a manner comparable to a private-sector business.

The statement of net position presents information on the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating, absent extraordinary events.

The statement of revenues, expenses, and changes in net position presents information detailing the changes in the Water Authority's net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities for the fiscal year.

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, which can be found on pages 40-75 of this report.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) demonstrating the Water Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees. Additional information can be found in the notes to the financial statements in Note III. F. and H. starting on page 56.

FINANCIAL ANALYSIS

Table 1 presents a summarized comparative statement of net position for the last three fiscal years.

Table 1
Water Authority's Condensed Net Position
(In thousands of dollars)

	FY2019	Restated FY2018	FY2017	FY2019 vs FY2018	FY2018 vs FY2017
Assets:					
Current and other assets	\$244,392	\$183,840	\$207,503	\$60,552	(\$23,663)
Capital assets	1,167,551	1,187,966	1,182,433	(20,415)	5,533
Total assets	1,411,943	1,371,806	1,389,936	40,137	(18,130)
Total deferred outflow of resources	33,020	33,098	44,166	(78)	(11,068)
Liabilities:					
Long-term liabilities	703,898	681,627	763,691	22,271	(82,064)
Other liabilities	95,421	88,883	78,147	6,538	10,736
Total liabilities	799,319	770,510	841,838	28,809	(71,328)
Total deferred inflow of resources	11,392	11,688	1,090	(296)	10,598
Net position:					
Net investment in capital assets	567,523	571,387	560,766	(3,864)	10,621
Unrestricted	66,729	51,319	30,408	15,410	20,911
Total net position	\$634,252	\$622,706	\$591,174	\$11,546	\$31,532

As would be expected for a utility, the largest portion of the Water Authority's net position is the net investment in capital assets (89.5 percent). This category reflects the Water Authority's total investment in capital assets (e.g., infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Water Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Current and non-current assets in FY2019 increased \$40.1 million from FY2018 and increased \$22.0 million from FY2017. The increase was primarily due to an increase in cash, investments and restricted cash from the sale of revenue bonds and new capital acquisitions offset by retirements and current year depreciation of \$84.3 million.
- Other current liabilities in FY2019 increased \$6.5 million from FY2018 and increased \$17.3 million from FY2017. The increase in FY2019 was primarily related an increase in debt obligation requirements.
- Long-term liabilities in FY2019 increased \$22.3 million from FY2018 and decreased \$59.8 million from FY2017. The increase in FY2019 was primarily due to the issuance of new long-

term debt obligations, the net changes in the net pension liability, and the implementation of in FY2017 GASB Statement No. 75 in FY2017.

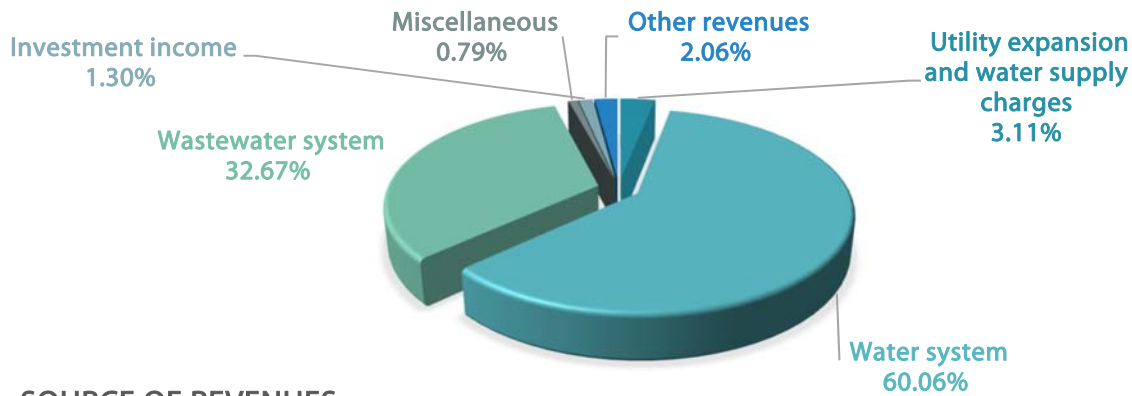
Table 2 presents a summarized comparative statement of revenues, expenses, and changes in net position for the last three fiscal years. Certain FY2018 amounts have been reclassified to conform to the FY2019 presentation.

Table 2
Water Authority's Condensed Changes in Net Position
(In thousands of dollars)

	FY2019	Restated FY2018	FY2017	FY2019 vs FY2018	FY2018 vs FY2017
Revenues:					
Water system revenue	\$141,268	\$148,315	\$144,343	(\$7,047)	\$3,972
Wastewater system revenue	76,848	76,253	69,101	595	7,152
Miscellaneous revenue	1,868	1,828	1,750	40	78
Non-operating revenue	15,226	13,544	11,549	1,682	1,995
Total revenues	235,210	239,940	226,743	(4,730)	13,197
Expenses:					
Operating	213,113	203,113	198,770	10,000	4,343
Non-operating	20,697	18,295	19,159	2,402	(864)
Total expenses	233,810	221,408	217,929	12,402	3,479
Income before capital contributions	1,400	18,532	8,814	(17,132)	9,718
Capital contributions	10,145	13,000	3,522	(2,855)	9,478
Change in net position	11,545	31,532	12,336	(19,987)	19,196
Net position, beginning of year	622,706	591,174	578,838	31,532	12,336
Net position, end of year	\$634,252	\$622,706	\$591,174	\$11,545	\$31,532

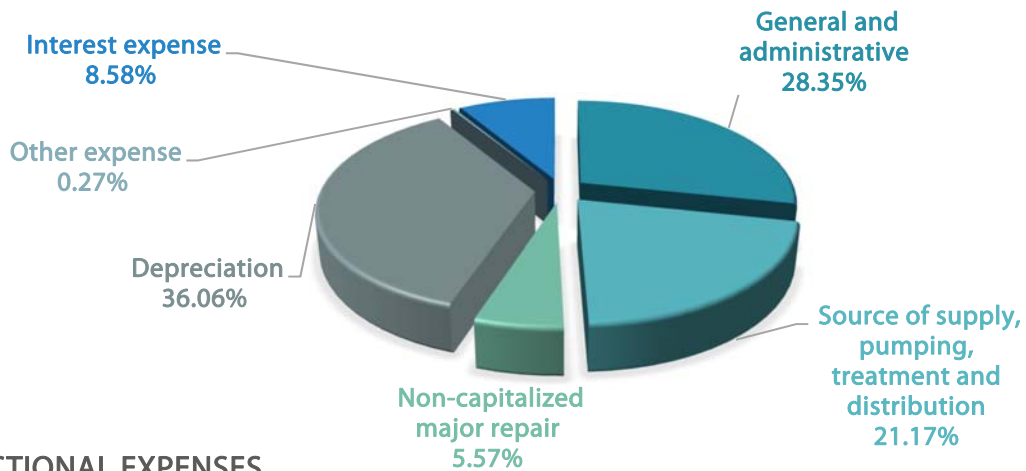
While the statement of net position displays the Water Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end, the statement of revenues, expenses, and changes in net position provide information on the sources of the change in net position during the year. As shown in Table 2, Income before Capital Contributions was \$1.4 million, a decrease of \$17.1 million from FY2018 and a decrease of \$7.4 million from FY2017.

Table 2 shows FY2019 operating revenues decreased \$4.7 million from FY2018 but increased \$8.5 million from FY2017; primarily related to a decrease in consumption levels and the implementation of a 5.0 % rate revenue increase on July 1, 2017. Changes in water consumption from year to year are generally directly related to changes in temperature, and inversely related to changes in precipitation. Longer term changes in consumption are the result of changes in conservation habits on the part of customers and the customer base.



SOURCE OF REVENUES

FY2019 operating expenses (exclusive of depreciation) increased by \$8.3 million from FY2018 and increased \$11.7 million from FY2017. The primary factors are related to an annual 2.0% cost of living adjustment for employees, adjustments to pension and OPEB expense, and an increase in utility expense at the surface water plant operations. Non-capitalized major repairs increased primarily due to an increase in meters, rehabilitation projects, and information technology professional services either valued under the capitalization threshold or not meeting capitalization criteria.



FUNCTIONAL EXPENSES

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

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 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 wastewater 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. 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.

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. This ensures there is always an approved two-year planning element in place for every approved annual Basic Program budget. Fiscal Year 2019 is the second year of the two-year planning element included in the 2018-2027 Decade Plan approved by the Board in April 2017.

Table 3 presents the Water Authority’s capital assets at June 30, 2019, 2018 and 2017.

Table 3
Condensed Capital Assets
(In thousands of dollars)

	FY2019	Restated FY2018	FY2017	FY2019 vs FY2018	FY2018 vs FY2017
Capital assets not being depreciated:					
Land	\$25,266	\$25,204	\$25,170	\$62	\$34
Construction work in progress	23,608	32,261	22,764	(8,653)	9,497
Purchased water rights	49,251	49,251	49,251	-	-
Total capital assets not being depreciated	98,125	106,716	97,185	(8,591)	9,531
Capital assets being depreciated(net):					
Buildings and other improvements	1,055,575	1,069,081	1,075,562	(13,506)	(6,481)
Machinery and equipment	13,851	12,169	9,685	1,682	2,484
Total capital assets being depreciated (net)	1,069,426	1,081,250	1,085,247	(11,824)	(3,997)
Total capital assets	\$1,167,551	\$1,187,966	\$1,182,432	(\$20,415)	\$5,534

Major capital asset additions for the current fiscal year included:

- \$16.2 million – Southside Water Reclamation Plant and collection system improvements
- \$9.1 million – Sanitary wastewater pipeline renewal

- \$3.2 million – Drinking water pipeline renewal
- \$4.7 million – Drinking water plant treatment systems renewal
- \$10.1 million – Private developer and grant funded infrastructure improvements

The Water Authority’s capital assets as of June 30, 2019 total \$1.168 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and wastewater distribution systems, and vehicles. The majority of the basic rehabilitation program was comprised of smaller emergency and non-emergency projects done by the Water Authority’s on-call contractors for small diameter water and wastewater line repair and the repair of a large diameter wastewater line collapse. Other significant work areas were water pump station and well rehabilitation, upgrading the SCADA (system control and data acquisition) system computer servers and workstations that control the surface and groundwater pumping and treatment systems, and making improvements at the Surface Water Treatment Plant.

More capital asset detailed information can be found in Note III.C. on page 50.

LONG-TERM DEBT

At June 30, 2019, the Water Authority had \$665.0 million in significant long-term debt liabilities outstanding, a net decrease of \$18.6 million, or 2.88 percent from the prior year. Long-term debt liabilities consist of bonds payable, notes from direct borrowings payable, water rights contract payable. The amount of debt due within one year totaled \$57.9 million.

Table 4 presents a summary of the Water Authority’s outstanding long-term liabilities at June 30, 2019, 2018, and 2017.

Table 4
Condensed Long-term Liabilities
(In thousands of dollars)

	FY2019	Restated FY2018	FY2017	FY2019 vs FY2018	FY2018 vs FY2017
Notes from direct borrowings	\$36,971	\$41,535	\$46,221	(\$4,564)	(\$4,686)
Revenue bonds	622,846	598,441	647,913	24,405	(49,472)
Water rights contract	5,203	6,409	7,579	(1,206)	(1,170)
Total	\$665,020	\$646,385	\$701,713	\$18,635	(\$55,328)

The Water Authority issues debt in compliance with its formally adopted debt policy. This policy includes general management, financial management, and debt and capital management. It documents the Water Authority’s goals for the use of debt for financing the Water Authority infrastructure and project needs. The following is the most recent rating received for the Water Authority.

Rating Agency:

Standard & Poors	AAA	Rating reflects Extremely Strong Capacity to Meet Financial Commitments
Moody's	Aa2	Rating reflects Excellent Financial Position; Bonds Maintain Positive Investment Qualities
Fitch	AA	Rating reflects Strong Financial Performance; Strong Capacity to Meet Financial Commitments; Significant Capital Reserves

More information about the Water Authority's long-term liabilities is presented in Note III.D. on page 51.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic outlook for both the City of Albuquerque and Bernalillo County continues to show positive trends in several areas. Both are showing gains in employment throughout most of the job sectors, with a projected growth of 1.2% for the remainder of the year. These gains, along with an increase in developer activity, coincide with economic growth.

These positive economic indicators promote the financial health and sustainability of the Water Authority. The Water Authority is committed to fiscal responsibility, which is our assurance we will judiciously spend, earn and generate funds without placing undue hardship on our ratepayers. The adopted fiscal year 2020 budget identifies resources to provide quality water in sufficient quantity, to collect and treat wastewater to acceptable standards, to provide professional utility engineering services, and to provide utility customer services. The budget also establishes the Water Authority's financial plan and uses the Goals, Objectives, and Performance Plan as guides for the appropriation of funds.

The Water Authority has adopted the fiscal year 2020 budget according to the utility's projected estimated revenues. General Fund revenue for FY2020 is estimated to be \$231.3 million, representing an increase of \$5.5 million from the fiscal year 2019 revised budget amount. There is no rate increase proposed for fiscal year 2020.

The Water Authority will continue to spend \$250 million to upgrade its wastewater treatment plant and add an additional \$36 million per year to Capital Implementation Program (CIP) funding to cover the costs of routine replacement of aging pipes, pumps and other infrastructure as recommended in the most recent asset management study commissioned by the Water Authority. Infrastructure renewal backlog is being addressed over the coming years in order to maintain service levels and protect the health, safety, and economic viability of our community.

Helping to guide the Water Authority's efforts is *Water 2120*, the Water Authority's 100-year water resources management strategy, which went into effect during fiscal year 2017. *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 copy of the *Water 2120* approved document can be obtained at the following website:
<http://www.abcwua.org/uploads/files/Water%202120%20Approved%20Policy%20Document.pdf>.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Water Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, One Civic Plaza NW, Room 5012, Albuquerque, New Mexico, 87102.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2019, AND 2018

	<u>2019</u>	<u>Restated 2018</u>
CURRENT ASSETS:		
Cash	\$70,325,876	\$112,342,356
Investments	102,488,736	36,472,109
Accounts receivable, net of allowance for uncollectible accounts	18,282,892	19,518,630
Notes receivable, current portion	872,650	741,487
Due from other governments	183,575	422,691
Prepaid items	66,263	27,705
Total current assets	<u>\$192,219,992</u>	<u>169,524,978</u>
NONCURRENT ASSETS:		
Long-term notes receivable	5,004,280	4,863,339
Restricted assets:		
Cash	<u>47,168,017</u>	<u>9,451,333</u>
Total other noncurrent assets	<u>52,172,297</u>	<u>14,314,672</u>
Capital assets, net of accumulated depreciation:		
Buildings and other improvements	1,055,575,339	1,069,080,592
Machinery and equipment	<u>13,850,563</u>	<u>12,168,692</u>
Net depreciable capital assets	<u>1,069,425,902</u>	<u>1,081,249,284</u>
Capital assets, not being depreciated:		
Land	25,265,606	25,204,444
Purchased water rights	49,251,368	49,251,368
Construction work in progress	<u>23,607,887</u>	<u>32,261,354</u>
Total capital assets	<u>1,167,550,763</u>	<u>1,187,966,450</u>
Total noncurrent assets	<u>1,219,723,060</u>	<u>1,202,281,122</u>
TOTAL ASSETS	<u>1,411,943,052</u>	<u>1,371,806,100</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	848,944	851,337
Deferred amounts related to pensions	14,974,502	12,103,929
Deferred amounts on refunding	<u>17,196,455</u>	<u>20,142,951</u>
Total deferred outflows of resources	<u>33,019,901</u>	<u>33,098,217</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF NET POSITION CONTINUED

AS OF JUNE 30, 2019, AND 2018

	<u>2019</u>	<u>Restated 2018</u>
CURRENT LIABILITIES:		
Accounts payable	\$16,679,973	\$14,242,259
Accrued payroll	1,834,689	1,663,520
Claims payable, current portion	1,690,735	1,411,264
Accrued compensated absences, current portion	3,887,137	3,955,443
Deposits	877,364	818,630
Debt obligations, current portion:		
Revenue bonds	51,335,000	49,210,000
Notes from direct borrowings	4,692,256	4,481,483
Water rights contract	1,242,757	1,206,021
Accrued interest for debt obligations	13,181,001	11,894,018
Total current liabilities	<u>\$95,420,912</u>	<u>88,882,638</u>
NONCURRENT LIABILITIES:		
Debt obligations, net of current portion:		
Revenue bonds	571,510,789	549,231,176
Notes from direct borrowings	32,279,020	37,053,284
Water rights contract	3,960,039	5,202,796
Total long-term debt obligations	<u>607,749,848</u>	<u>591,487,256</u>
Other non-current liabilities:		
Claims payable, net of current portion	1,913,763	2,078,628
Net pension liability	59,487,543	51,278,088
Net post-employment benefit obligations liability	34,650,853	36,642,124
Accrued compensated absences, net of current portion	96,159	140,834
Total other noncurrent liabilities	<u>96,148,318</u>	<u>90,139,674</u>
Total noncurrent liabilities	<u>703,898,166</u>	<u>681,626,930</u>
TOTAL LIABILITIES	<u>799,319,078</u>	<u>770,509,568</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to other post-employment benefits	9,331,810	8,204,942
Deferred amounts related to pensions	2,060,504	3,483,273
Total deferred inflows of resources	<u>11,392,314</u>	<u>11,688,215</u>
NET POSITION		
Net investment in capital assets	567,522,830	571,387,320
Unrestricted	66,728,731	51,319,214
TOTAL NET POSITION	<u>\$634,251,561</u>	<u>\$622,706,534</u>

The accompanying notes are an integral part of these financial statements.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

AS OF JUNE 30, 2019, AND 2018

	<u>2019</u>	<u>Restated 2018</u>
OPERATING REVENUES:		
Charges for services:		
Water system	\$141,267,719	\$148,315,450
Wastewater system	76,848,592	76,253,042
Miscellaneous	1,868,000	1,828,000
Total operating revenues	<u>219,984,311</u>	<u>226,396,492</u>
OPERATING EXPENSES:		
General and administrative	66,274,400	64,227,419
Source of supply, pumping, treatment and distribution	49,507,156	48,470,479
Non-capitalized major repair	13,012,052	7,784,840
Depreciation	84,319,801	82,630,526
Total operating expenses	<u>213,113,409</u>	<u>203,113,264</u>
OPERATING INCOME	<u>6,870,902</u>	<u>23,283,228</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment and interest income	3,050,647	831,945
Interest expense	(20,068,297)	(18,294,865)
Utility expansion charges	6,884,954	9,685,634
Water supply charges	437,646	363,963
Debt issuances costs	(629,086)	-
Lease of stored water income	1,845,393	78,537
Other revenues	3,007,604	2,583,477
Total non-operating revenues (expenses), net	<u>(5,471,139)</u>	<u>(4,751,309)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,399,763	18,531,919
Developer contributions	9,777,889	11,977,611
Other contributions	367,375	1,022,790
Total capital contributions	<u>10,145,264</u>	<u>13,000,401</u>
CHANGE IN NET POSITION, restated (Note III. E.)	11,545,027	31,532,320
NET POSITION:		
Net position, beginning of year	622,706,534	591,174,214
Net position, end of year	<u>\$634,251,561</u>	<u>\$622,706,534</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS

AS OF JUNE 30, 2019, AND 2018

	<u>2019</u>	<u>Restated 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$221,220,049	\$226,485,205
Cash payments for employee wages and benefits	(56,892,314)	(54,131,566)
Cash payments to suppliers for goods and services	(66,216,507)	(62,768,419)
Other operating income	4,852,997	2,665,177
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$102,964,225</u>	<u>\$112,250,397</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets, net	(54,126,226)	(76,401,047)
Principal payments of long-term debt obligations	(54,897,504)	(44,055,838)
Proceeds from loan agreements	416,113	880,895
Proceeds from revenue bonds	84,641,202	-
Interest paid on debt obligations	(27,359,527)	(28,334,537)
Payment of debt issuance costs	(629,086)	-
Capital grants, net	606,491	601,393
Utility expansion charges	7,050,496	9,545,511
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(44,298,041)</u>	<u>(137,763,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	3,050,647	831,945
Purchase of investments	(66,016,627)	(36,472,109)
NET CASH PROVIDED (USED) FOR INVESTING ACTIVITIES	<u>(62,965,980)</u>	<u>(35,640,164)</u>
NET INCREASE (DECREASE) IN CASH	(4,299,796)	(61,153,390)
CASH, BEGINNING OF YEAR	<u>121,793,689</u>	<u>182,947,079</u>
CASH, END OF YEAR	<u>\$117,493,893</u>	<u>\$121,793,689</u>
FINANCIAL STATEMENT PRESENTATION:		
Cash	70,325,876	\$112,342,356
Restricted cash	47,168,017	9,451,333
	<u>\$117,493,893</u>	<u>\$121,793,689</u>

The accompanying notes are an integral part of these financial statements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

STATEMENTS OF CASH FLOWS CONTINUED

AS OF JUNE 30, 2019, AND 2018

	<u>2019</u>	<u>Restated 2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$6,870,902	\$23,283,228
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	84,319,801	82,630,526
Other non-operating income (expenses), net	4,852,997	2,665,177
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable	1,235,738	88,713
Increase (decrease) in deposits	58,734	52,022
Increase (decrease) in accounts payable	2,437,714	(1,288,281)
Increase (decrease) in accrued payroll, employee benefits, and deferred amounts related to pensions and other post-employment benefits	3,301,320	4,468,536
Increase (decrease) in compensated absences payable	(112,981)	350,476
TOTAL ADJUSTMENTS	<u>96,093,323</u>	<u>88,967,169</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$102,964,225</u>	<u>\$112,250,397</u>
DISCLOSURE ON NON-CASH TRANSACTIONS:		
Amortization of deferred amounts on refunding	(\$2,946,496)	(\$2,946,496)
Amortization of premium on revenue bonds	11,524,709	12,153,279
Capital contributions received from private developers	9,777,889	11,977,611
Gain (Loss) on capital assets	-	(214,509)

The accompanying notes are an integral part of these financial statements.



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

I. Summary of Significant Accounting Policies

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 Joint Water and Wastewater Systems (System) would be transferred from the City of Albuquerque, New Mexico, (City) to the Water Authority. The legislation also provided that the debts of the City payable from Net Revenues of the 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 System. The legislation also required that the New Mexico Public Regulation Commission audit the System prior to the transfer of money, assets and debts of the System to the Water Authority; the audit was completed in December 2003. By operation of law, functions, appropriations, money records, equipment and other real and personal property pertaining to the System have been transferred to the Water Authority. All policymaking for the System resides with the Water Authority. During the 2005 New Mexico Legislative Session, Senate Bill 879 was passed which provided the Water Authority the statutory powers provided to all public water and wastewater utilities in the state and recognized the Water Authority as a political subdivision of the state.

The accompanying financial statements present the financial position of the Water Authority at June 30, 2019 and 2018, and the results of its operations for the years ended June 30, 2019 and 2018 in conformity with accounting principles generally accepted in the United States of America.

On an operational level, the Water Authority's relationship with the City of Albuquerque is set forth in a Memorandum of Understanding (MOU) dated July 1, 2013, the term of which has expired but the parties continue to abide by its provisions on a carryover basis. Some of the more prominent aspects of the MOU include the administration of the Water Authority's group employment insurance program, and the administration of the joint OPEB life insurance trust established during fiscal year 2014. The Water Authority continues to lease space in City-owned buildings; however, the Water Authority has provided notice to the City that it intends to vacate a substantial amount of leased space when construction of its new administration building is completed. Other than these limited connections, the Water Authority operates independently of the City and Bernalillo County, New Mexico (County).

A. Reporting entity

As a political subdivision of the state, the Water Authority is governed by an eight-member board consisting of three Albuquerque City Councilors, three Bernalillo County Commissioners, the Mayor of Albuquerque, and a non-voting member from the Village of Los Ranchos. The Water Authority has the primary accountability for fiscal matters, therefore the Water Authority is a reporting entity as defined by GASB Statement No. 14, The Financial Reporting Entity, as

amended by GASB Statement No. 61. As of June 30, 2019, the Water Authority does not have any component units.

The financial statements of the Water Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note.

B. Measurement focus, basis of accounting, and financial statement presentation

The Water Authority accounts for all activities to provide water and wastewater services for the residents of the City of Albuquerque and outlying areas. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services, which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Water Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services regarding the Water Authority's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include investment earnings, interest expense, and transactions that result from non-exchange transactions or ancillary activities.

The Water Authority is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow occurs.

C. Assets, liabilities, and net position

1. Cash, deposits, and investments

The Water Authority's cash, for purposes of the statements of cash flows, is considered to be cash on hand and demand deposits.

Investments are presented in the financial statements in accordance with GASB Statement No. 40, Deposits and Investment Risk Disclosures, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

The Water Authority also reports investments under the provisions of GASB Statement No. 72, Fair Value Measurement and Application. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

2. Prepaid items

Amounts paid to vendors for goods and services applicable to future accounting periods are recorded as prepaid items.

3. Accounts receivable

Accounts receivable include water and wastewater accounts that are considered 100% collectible and are subject to a property lien for nonpayment. The Water Authority has adopted Section 3-37-7 NMSA 1978, which permits the write off of uncollectable debt. This avoids excess accrual beyond four years of accounts receivable while also accurately reporting the financial position of the Water Authority and complies with state debt-collection law. Any accounts discharged through bankruptcy court are automatically written off.

4. Capital assets

State of New Mexico Administrative Code (Section 12-6-10 NMSA 1978) requires state and local governmental agencies to capitalize capital assets costing in excess of \$5,000. Currently, the Water Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost information is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

Construction costs of water and wastewater lines that are reimbursed by users or that are financed directly or indirectly by developers, property owners and granting agencies are capitalized and recorded as capital contributions.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements.....25 – 50 years
Machinery and equipment.....05 – 12.5 years

In accordance with GASB Statement No. 89, interest cost is not capitalized as part of the historical cost of a capital asset. Rather it is recognized as an expense on a basis consistent with GAAP.

5. Accounts payable

Accounts payable include both trade and construction contracts that are recorded as the liability is incurred. Trade payables represent payables from daily operations. Construction contracts payable are for the acquisition of new capital projects or for rehabilitation of existing water and wastewater lines and facilities. These contracts are funded by operational revenues, utility expansion charge revenues, and long-term debt proceeds.

6. Accrued compensated absences

The employees of the Water Authority may accumulate limited amounts of vacation pay that is payable to the employee upon termination or retirement. Vacation costs are recognized as a liability when earned by the employee. The amount reported in the current liabilities section is approximately equal to the amount of vacation leave paid in the current fiscal year. The balance is reported in the noncurrent liabilities section of the statement of net position.

The employees of the Water Authority may accumulate limited amounts of sick leave that is payable to the employee upon termination or retirement. Sick leave costs are recognized when vested or taken, whichever occurs first. The amount reported in the current liabilities section is the amount recognized for those employees who are currently eligible to retire as of the end of the fiscal year. The balance is reported in the noncurrent liabilities section of the statement of net position.

7. Long-term obligations

Long-term obligation proceeds are used to finance capital improvements, construction activities, expansions, renovations, and other costs as specified in bond indenture and loan agreements. The long-term obligations are payable from the Water Authority's revenues and are recorded in the Water Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method by CUSIP number. Bonds payable are reported net of the applicable bond premium or discount. Amortization expense during fiscal years 2019 and 2018 was \$11,524,709 and \$12,153,280, respectively. Bond issuance costs are expensed as incurred.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Water Authority has three items that qualify for reporting in this category. The

first is a deferred loss on refunding which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two deferred outflow of resources are related to pensions and other post-employment benefits.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority's deferred inflow of resources is related to pensions and other post-employment benefits.

See Note III. F. for cumulative change and for details of deferred outflows and inflows of resources related to pensions and see Note III. H. for cumulative change and for details of deferred outflows and inflows of resources related to other post-employment benefits.

9. Net position

The net position of the Water Authority is reported in the following three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is included in the calculation of net investment in capital assets.

Restricted net position - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Net position is reported as restricted when constraints placed on an assets use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The basic concept is that restrictions are not unilaterally established by the reporting government itself and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Water Authority with an explicit understanding between the Water Authority and the resource providers that the funds would be used for a specific purpose.

For example, grants, contributions, and donations are often given under those kinds of conditions. Bond indentures similarly limit the use of proceeds. When both restricted and unrestricted resources are available for use, it is the Water Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Unrestricted net position - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be used to meet the Water Authority's obligations to its customers and its creditors.

10. Estimated amounts reported in financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

11. New accounting pronouncements

The following GASB pronouncements, which may have a future impact on the Water Authority, have been issued, but are not yet effective, at June 30, 2019.

- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 87, Leases
- GASB Statement No. 90, Majority Equity Interest – an amendment of GASB Statement No. 14 and Statement No. 61
- GASB Statement No. 91, Conduit Debt Obligations

The Water Authority will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Management is still evaluating the financial impact of these pronouncements.

II. Stewardship, Compliance and Accountability

The budgetary data is prepared consistent with the basis of accounting described in Note I.B with these exceptions; debt service principal payments, certain cash transfers, capital contributions and capital outlay. The annual budget is formulated by the Water Authority's Management and submitted to the Water Authority Board by April 1 for the fiscal year commencing July 1. Public hearings are conducted to obtain citizen comments on the proposed budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the Water Authority Board and is subject to approval by the New Mexico Department of Finance and Administration (DFA). Once approved, notification is received from DFA, a formal appropriation and encumbrance system to control expenditures is maintained by the Water Authority's financial system. The appropriated amounts reflected in the accompanying supplementary information represent the Water Authority's budget by program. For FY2019, expenses may not exceed budgetary appropriations at the fund level. The Water Authority uses general ledger funds for internal accounting purposes. However, since the Water Authority is accounted for like an enterprise fund, it does not include in its financial statements financial information for individual general ledger funds.

III. Detailed Notes

A. Cash and investments

At June 30, 2019, the carrying amount of the Water Authority's deposits and investments was \$219,982,629 and the bank balance was \$222,093,694. The difference represents outstanding checks, deposits, and other reconciling items. In addition, the Water Authority has \$3,400 cash on hand. Cash and investments for both restricted and unrestricted balances, were comprised of the following at June 30, 2019 and 2018:

Cash and investments:	June 30, 2019	June 30, 2018
Restricted	\$47,168,017	\$9,451,333
Unrestricted:		
Cash	70,325,876	112,342,356
Investments	102,488,736	36,472,109
Total cash and investments reported in statements of net position	\$219,982,629	\$158,265,798

1. Custodial credit risk

Deposits. Custodial credit risk is the risk that in the event of the bank failure, the Water Authority's deposits may not be recovered. The Water Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). Furthermore, the Water

Authority Investment Policy requires all deposits with financial institutions to be collateralized in an amount not less than 102% of the uninsured balance in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). Such collateral is held by an independent third-party financial institution acceptable to the Water Authority. At June 30, 2019, \$118,855,743 of the Water Authority's bank balance was exposed to custodial credit risk as uninsured but collateralized with securities held by the pledging financial institution's trust department. Pledged collateral at June 30, 2019 consisted of the following:

	Rio Grande Credit Union	Wells Fargo Bank	Bank of Albuquerque
Total amount on deposit	\$249,215	\$115,599,396	\$3,756,347
Less: FDIC coverage	(250,000)	(250,000)	(250,000)
Total uninsured public funds	-	115,349,396	3,506,347
50% collateral requirement	-	57,674,698	1,753,174
Pledged securities, fair value	-	131,199,477	13,430,137
Pledged in excess of requirement	-	\$73,524,779	\$11,676,963

Fair Value Measurements. The Water Authority categorizes its fair value measurement with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Water Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Water Authority's Investment Policy requires all investment securities purchased by the Water Authority, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for Water Authority's portfolios will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. The custodian is required to provide reports, which list all transactions that occurred during the month and all securities held for Water Authority at month-end including the book and market value of holdings.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. Following are the Water Authority's investment balances at June 30, 2019:

Investment Type	Fair Value	Weighted Average Maturity	Category
U S Treasury Bills (U S Government obligations)	\$102,488,736	0.125	Level 1

2. Credit risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligation. The Water Authority’s adopted Investment Policy manages credit risk by requiring investment in only these security types, which are consistent with state law:

- U S Government obligations
- U S Government Agency obligations
- Repurchase agreements
- Bank, savings and loan association or credit union deposits
- Municipal securities
- Government money market mutual funds
- Local government investment pool

3. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an issuer’s investment in a single issuer. U.S. Government securities, mutual funds and external investment pools are exempt from this requirement. The Water Authority’s investments comply with the requirements of the investment policy. Generally accepted accounting principals require disclosure of certain investments in any one issuer that exceed five percent concentration of total investments.

4. Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Water Authority’s Investment Policy manages interest rate risk pay emphasis to the following factors when selecting a specific security for inclusion in the portfolio:

- a. Relative yield to maturity: comparison of return available from alternative investments for comparable maturity dates.
- b. Marketability: analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
- c. Intermarket yield analysis: analysis of the spread relationship between sectors of the market, i.e. treasury bonds or bills versus agency bonds or discount notes, to take advantage of aberrations in yield differentials.
- d. Yield curve analysis: analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.

- e. General economic and interest rate outlook: review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

As of June 30, 2019, the Water Authority's portfolio has no investment that matured beyond 24 months, and the weighted average maturity of the total portfolio was 0.125 years.

5. Pledged collateral by bank

Securities eligible as collateral are those defined under State Law (6-10-16 NMSA 1978). Collateral shall be held in a custodial bank per 6-10-21, NMSA 1978 and shall be assigned to the Water Authority per 6-10-18, NMSA 1978. Securities accepted as collateral may be subject to additional restrictions as specified by the Water Authority's Investment Committee.

B. Accounts receivable, notes receivable, and due from other governments

Accounts receivable are primarily revenues earned from the Water Authority's water and wastewater utility billing system. These are considered 100 percent collectible since a lien can be placed on the customer's property. They also include some miscellaneous receivables for other services. Accounts receivable at June 30, 2019, and 2018 were \$18,282,892 and \$19,518,630, respectively, net of an allowance for uncollectible accounts of \$635,772 and \$609,105, respectively.

Notes receivable are for utility expansion charges. The borrower can pay the Water Authority for the extension of water and wastewater lines over a ten-year period at 7 percent interest. Notes receivable at June 30, 2019, and 2018 were \$5,876,930 and \$5,604,826, respectively.

Due from other governments are primarily Federal and State grants that related to capital improvement projects and the Water Authority also has various miscellaneous receivables. Due from other governments as of June 30, 2019, and 2018 were \$183,575 and \$422,691, respectively.

C. Capital assets

Capital asset activity of the Water Authority for the years ended June 30, 2019 and 2018, are as follows:

	Restated Balances at June 30, 2018	Additions	Transfers/ Deletions	Balances at June 30, 2019
Capital assets not being depreciated:				
Land	\$25,204,444	\$61,162	-	\$25,265,606
Construction work in progress	32,261,354	17,141,322	(25,794,789)	23,607,887
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	106,717,166	17,202,484	(25,794,789)	98,124,861
Capital assets being depreciated:				
Buildings and other improvements	2,365,809,304	41,421,060	25,733,703	2,432,964,067
Machinery and equipment	39,999,256	5,280,570	(302,475)	44,977,351
Total capital assets being depreciated	2,405,808,560	46,701,630	25,431,228	2,477,941,418
Less accumulated depreciation:				
Buildings and other improvements	(1,296,728,712)	(80,721,102)	61,086	(1,377,388,728)
Machinery and equipment	(27,830,564)	(3,598,699)	302,475	(31,126,788)
Total accumulated depreciation	(1,324,559,276)	(84,319,801)	363,561	(1,408,515,516)
Total capital assets being depreciated, net	1,081,249,284	(37,618,173)	25,794,789	1,069,425,902
Total capital assets, net	\$1,187,966,450	(\$20,415,687)	-	\$1,167,550,763

	Balances at June 30, 2017	Additions	Transfers/ Deletions	Restated Balances at June 30, 2018
Capital assets not being depreciated:				
Land	\$25,170,378	\$34,066	-	\$25,204,444
Construction work in progress	22,764,278	23,767,818	(14,270,742)	32,261,354
Purchased water rights	49,251,368	-	-	49,251,368
Total capital assets not being depreciated	97,186,024	23,801,884	(14,270,742)	106,717,166
Capital assets being depreciated:				
Buildings and other improvements	2,289,257,450	59,097,462	17,454,392	2,365,809,304
Machinery and equipment	40,462,511	5,479,312	(5,942,567)	39,999,256
Total capital assets being depreciated	2,329,719,961	64,576,774	11,511,825	2,405,808,560
Less accumulated depreciation:				
Buildings and other improvements	(1,213,695,611)	(79,857,728)	(3,175,373)	(1,296,728,712)
Machinery and equipment	(30,777,547)	(2,772,798)	5,719,781	(27,830,564)
Total accumulated depreciation	(1,244,473,158)	(82,630,526)	2,544,408	(1,324,559,276)
Total capital assets being depreciated, net	1,085,246,803	(18,053,751)	14,056,233	1,081,249,284
Total capital assets, net	\$1,182,432,827	\$5,748,133	\$(214,509)	\$1,187,966,450

D. Long-term obligations

The Water Authority has outstanding revenue bonds and notes from direct borrowings with the New Mexico Finance Authority (NMFA) totaling \$577,825,000 and \$35,872,598, respectively. NMFA does not have the option or remedy to accelerate the Water Authority's payment obligations under the outstanding loan agreements in the event of a default.

The Water Authority also has an outstanding contract with the U.S. Department of Interior Bureau of Reclamation in the amount of \$5,202,796.

Changes in the long-term obligations for the years ended June 30, 2019 and 2018, are as follows:

	Restated Balances at June 30, 2018	Additions	Deletions	Balances at June 30, 2019	Amounts Due In One Year
Revenue bonds	\$551,950,000	\$75,085,000	(\$49,210,000)	\$577,825,000	\$51,335,000
Notes from direct borrowings	39,937,968	416,113	(4,481,483)	35,872,598	4,692,256
Water rights contract	6,408,817		(1,206,021)	5,202,796	1,242,757
Unamortized premiums	48,087,975	9,556,201	(11,524,709)	46,119,467	-
Accrued compensated absences	4,096,277	3,774,156	(3,887,137)	3,983,296	3,887,137
Total long-term liabilities	\$650,481,037	\$88,831,470	(\$70,309,350)	\$669,003,157	\$61,157,150

	Balances at June 30, 2017	Additions	Deletions	Restated Balances at June 30, 2018	Amounts Due In One Year
Revenue bonds	\$589,880,000	-	(\$37,930,000)	\$551,950,000	\$49,210,000
Notes from direct borrowings	44,012,540	880,895	(4,955,467)	39,937,968	4,481,483
Water rights contract	7,579,189	-	(1,170,372)	6,408,817	1,206,021
Unamortized premiums	60,241,254	-	(12,153,279)	48,087,975	-
Accrued compensated absences	3,745,801	3,974,382	(3,623,906)	4,096,277	3,955,443
Total long-term liabilities	\$705,458,784	\$4,855,277	(\$59,833,024)	\$650,481,037	\$58,852,947

Whenever any Event of Default has occurred as defined in the Water Authority Loan Agreement, the NMFA, as lender, may take any or all of the following actions as may appear necessary or desirable to collect the payments then due: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce the rights of the NMFA under the Loan Agreement and compel action from the Water Authority, (b) file suit to enjoin the Water Authority from violating the terms of the Loan

Agreement, (c) intervene in any judicial proceeding that affects the Loan Agreement or the Water Authority's System revenues, or (d) require the Water Authority to account for System revenues as a trustee. A judgment requiring a payment of money entered against the Water Authority may reach only the available System revenues pledged under the Loan Agreement. The remedies provided to the NMFA are not intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy as permitted under the Loan Agreement.

1. Senior Lien Obligations

Water Authority senior lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these bonds, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding senior lien obligations. If the annual net revenues are less than 133% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2019, the net revenues were 203% of the annual debt service on all outstanding senior lien obligations.

On April 27, 2018, the Water Authority entered into a reimbursable loan/grant subsidy senior lien agreement in the amount of \$1,010,000 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$505,000 and grant funds totaling \$505,000. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2021. This loan/grant is being used to fund the purchase of automated water meter infrastructure.

On June 29, 2018, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$1,000,000 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$250,000 and grant funds totaling \$750,000. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2021. This loan/grant is being used to fund Phase 2B Carnuel waterline construction.

On October 16, 2018, the Series 2018 Bonds sold at a purchase price equal to \$84,641,202 (representing the \$75,085,000 par amount plus a net original issue premium of \$9,556,202). The interest rate was 5.00 percent with a life of 12 years. Proceeds from the sale of the Series 2018 Bonds will be used to provide funds for (i) acquiring additional System assets through regular system improvements, expansion, maintenance, and upgrades pursuant to the Water Authority's Basic Capital Program, and (ii) payment of costs of issuance of the Series 2018 Bonds.

On April 26, 2019, the Water Authority entered into a reimbursable loan/grant senior lien agreement in the amount of \$3,430,081 with the NMFA/Drinking Water State Revolving Loan Fund which consists of an available loan amount of \$2,724,282 and grant funds totaling \$705,799. As of June 30, 2019, the Water Authority has not received any loan proceeds related

to this agreement. Payments due for the loan portion start no greater than twenty-seven (27) months after the closing date of the project beginning May 1, 2021. This loan/grant will be used to fund the South Valley waterline project.

2. Subordinate Lien Obligations

Water Authority subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. In ordinances, pursuant to the issuance of these loan agreements, the Water Authority has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the annual debt service requirements on all outstanding subordinate lien obligations. If the annual net revenues are less than 120% of the annual debt service requirements, the Water Authority shall either promptly increase rates to produce sufficient net revenues or employ a consultant or manager to make recommendations to revise the Water Authority's rate structure and other charges to satisfy the rate covenant as soon as practicable. For the year ended June 30, 2019, the net revenues were 170% of the annual debt service on all outstanding subordinate lien obligations.

3. Super Subordinate Lien Obligations

Water Authority super subordinate lien obligations are secured by a pledge of net revenues derived from the operations of the Water Authority's water and wastewater system. While super subordinate lien obligations are secured by a pledge or a lien on net revenues, this lien is subordinate to the lien on net revenues from senior lien and subordinate lien obligations. In addition, there is no minimum debt service coverage requirement established for super subordinate lien obligations.

4. Revenue bonds and notes from direct borrowings outstanding:

Revenue Bonds:	June 30, 2019	June 30, 2018
\$135,990,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2009A-1, due in annual installments of \$250,000 to \$9,285,000 through 7/1/2034; interest at 3.00% to 5.50%; call provision of 100% beginning 7/1/2019	\$8,395,000	\$16,410,000
\$62,950,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013A, due in annual installments of \$715,000 to \$5,840,000 through 7/1/2038; interest at 3.00% to 5.00%, call provision of 100% beginning 7/1/2023	46,210,000	50,135,000
\$55,265,000 Senior Lien Joint Water & Wastewater System Improvement Revenue Bonds, Series 2013B, due in annual installments of \$2,420,000 to \$9,455,000 through 7/1/2024; interest at 5.00%; no call provision	28,475,000	33,485,000
\$97,270,000 Senior Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014A, due in annual installments of \$1,090,000 to \$11,385,000 through 7/1/2026; interest at 2.00% to 5.00%; call provision of 100% beginning 7/1/2024	79,995,000	88,270,000
\$87,005,000 Subordinate Lien Joint Water & Wastewater System Refunding Revenue Bonds, Series 2014B, due in annual installments of \$450,000 to \$10,695,000 through 7/1/2025; interest at 1.00% to 5.00%; call provision of 100% beginning 7/1/2024	58,865,000	66,950,000
\$211,940,000 Senior Lien Joint Water & Wastewater System Refunding and Improvement Revenue Bonds, Series 2015, due in annual installments of \$3,210,000 to \$18,765,000 through 7/1/2033; interest at 2.85% to 5.00%; call provision of 100% beginning 7/1/2025	196,710,000	208,730,000
\$87,970,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2017, due in annual installments of \$3,880,000 to \$5,865,000 through 7/1/2034; interest at 3.38% to 5.00%; call provision of 100% beginning 7/1/2027	84,090,000	87,970,000
\$75,085,000 Senior Lien Joint Utility Revenue Bonds/Refunding and Improvement Revenue Bonds, Series 2018, due in annual installments of \$5,285,000 to \$8,610,000 through 7/1/2030; interest at 5.00%; call provision of 100% beginning 7/1/2026	75,085,000	-
Total revenue bonds outstanding	577,825,000	551,950,000
Plus: Unamortized premium	45,020,789	46,491,176
Net revenue bonds outstanding	\$622,845,789	\$598,441,176

Notes from direct borrowings:	June 30, 2019	June 30, 2018
\$10,426,232 Subordinate Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2008), due in annual installments of \$218,951 to \$638,537 through 5/1/2030; interest at 1.75%; prepayment provision of 100% beginning 11/7/2009	\$6,372,743	\$6,886,017
\$1,000,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2009), due in annual installments of \$45,415 to \$54,869 through 7/1/2031; interest at 0.75%; no prepayment provision	672,397	720,606
\$53,400,000 Senior Lien New Mexico Finance Authority Public Project Revolving Fund Loan (2011), due in annual installments of \$605,000 to \$4,770,000 through 6/1/2036; interest at 3.00% to 5.00%; prepayment provision of 100% beginning 6/1/2021	28,200,000	32,120,000
\$505,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2018), due in annual installments of \$20,784 to \$30,279 through 5/1/2040; interest at 2.00%; no prepayment provision	505,000	211,345
\$250,000 Senior Lien New Mexico Finance Authority Drinking Water Revolving Fund Loan (2018), due in annual installments of \$12,206 to \$12,799 through 5/1/2040; interest at 0.25%; no prepayment provision	122,458	-
Total notes from direct borrowings outstanding	35,872,598	39,937,968
Plus: Unamortized premium	1,098,678	1,596,799
Net notes from direct borrowings outstanding	\$36,971,276	\$41,534,767

Future maturities of revenue bonds and notes from direct borrowings as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$56,027,256	\$27,662,324	\$83,689,580
2021	58,545,699	24,932,761	83,478,460
2022	60,689,441	22,048,359	82,737,800
2023	57,170,860	19,156,258	76,327,118
2024	55,542,503	16,283,309	71,825,812
2025-2029	216,525,324	44,726,860	261,252,184
2030-2034	95,471,515	12,530,579	108,002,094
2035-2039	13,725,000	991,159	14,716,159
Total	\$613,697,598	\$168,331,609	\$782,029,207

5. Water Rights Contract

A Water Rights Contract with the United States Government was entered into by the Water Authority during the fiscal year ended June 30, 1963, to pay a portion of the construction, operation, and maintenance costs of the San Juan Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022 and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2019 and 2018, is \$5,202,796 and \$6,408,817, respectively.

Future water rights contract maturities as of June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$1,242,757	\$158,477	\$1,401,234
2021	1,280,611	120,623	1,401,234
2022	1,319,619	81,615	1,401,234
2023	1,359,809	41,420	1,401,229
Total	\$5,202,796	\$402,135	\$5,604,931

6. Prior Year Debt Refunding (Defeasements)

The Water Authority has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements as the Water Authority satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2019, is the Series 2009A-1 Bonds in the amount of \$76,475,000.

E. Restatement of previously reported balances

The Water Authority fiscal year 2018 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2018 balances. The capital asset restatement related to developer contributions going back a project that started in 2016. During fiscal year 2019 management determined the title transfer was ultimately completed during fiscal year 2018. The net effect increased net position by \$6,169,438 and is presented in the comparative Statements of Net Position, Statements of Revenues, Expenses, and Change in Net Position, and Statements of Cash Flow. The following table presents the impact of these corrections to the Water Authority's previously issued 2018 audited financial statements:

	Previously Reported 2018 Balances	Effect of corrections	2018 Balance, as restated
Capital assets, net of accumulated depreciation	1,075,291,192	\$5,958,092	\$1,081,249,284
Depreciation expense	82,508,932	121,594	82,630,526
Developer contributions	5,897,925	6,079,686	11,977,611
Due from other governments	-	422,691	422,691
Other revenues	2,372,132	211,345	2,583,477
Loan agreements, noncurrent	36,841,939	211,345	37,053,284
Total net position, July 1, 2018	<u>\$616,537,096</u>	<u>\$6,169,438</u>	<u>\$622,706,534</u>

F. Defined benefit pension plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

1. *Plan description.* The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. The PERA Fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plans. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. The laws governing the administration of the fund is set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978). PERA serves as the administrator of the PERA Fund.

The Water Authority participates in one PERA plan; the Municipal General Plan 3.

Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and

the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member of the PERA Fund, unless specifically excluded.

PERA issues a publicly available financial report and audited comprehensive annual financial report that can be obtained at the following web address: <http://www.nmpera.org/financial-overview>.

2. *Benefits provided.* For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website. Following is a general summary of eligibility criteria, benefits, and contribution rates as of July 1, 2018:

Municipal General Plan 3		
	Tier 1	Tier 2
Highest Average Salary	3-Years	5-Years
Years of Service and Age of Eligibility	25-years any age 20-years age 60 Various ages 61-64 5-years age 65	Rule of 85 8-years age 65
Vesting Period	5-years	8-years
Benefit Percent per Year of Service	3.0%	2.5%
Maximum Benefit as Percent of Final Average Salary	90%	90%
Annual Cost of Living Adjustment	2.0% with graduated eligibility period	2.0% with 7-year eligibility period
Required Contribution Rates for:		
Employer	9.55%	9.55%
Employee < \$20,000	13.15%	13.15%
Employee > \$20,000	14.65%	14.65%

3. *Contributions.* The contribution requirements of PERA Fund members are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature.

The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

Statutorily required contributions to the pension plan from the Water Authority were \$3,237,258 and employer paid member benefits that were “picked up” by the employer were \$3,596,561 for the year ended June 30, 2019.

4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ended June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six district membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups.

The Water Authority's proportion share of the net pension liability for the membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Employer contributions on behalf of the employee were excluded from the calculation. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For year ended June 30, 2019, the Water Authority reported a liability of \$59,487,543, equivalent to 3.7300 percent, for its proportionate share of the net pension liability. At June 30, 2018 and 2017, the Water Authority's proportion was 3.7311 percent and 3.7318 percent, respectively.

For the year ended June 30, 2019, the Water Authority recognized pension expense of \$7,153,371. At June 30, 2019, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,719,310	\$1,561,826
Changes of assumptions	5,393,387	342,031
Net difference between projected and actual earnings on pension plan investments	4,411,897	-
Changes in proportion and differences between Water Authority contributions and proportionate share of contributions	212,650	156,647
Water Authority contributions subsequent to the measurement date	3,237,258	-
Total	\$14,974,502	\$2,060,504

The \$3,237,258 reported as deferred outflows of resources related to pensions resulting from Water Authority contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$6,293,975
2021	2,583,177
2022	578,248
2023	221,340
2024	-

5. *Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2017, for each of the membership groups. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Below is the summary of actuarial methods and assumptions:

Actuarial valuation date:	June 30, 2017
Actual cost method:	Entry age normal
Amortization method:	Level percentage of pay
Amortization period:	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25%-13.50%
Includes inflation at	2.50%
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar morality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighed the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	100.00%	

6. *Discount rate:* Previously, a select and ultimate rate of return assumption had been adopted for funding purposes, but new economic assumptions were adopted for the June 30, 2018 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are

sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. *Sensitivity of the Water Authority's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Water Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Water Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Water Authority's proportionate share of the net pension liability	\$91,666,319	\$59,487,543	\$32,886,639

8. *Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in PERA's audited comprehensive annual financial report and can be obtained at the following web address: <http://www.pera.org/financial-overview>.
9. *Payables to the pension plan.* As of June 30, 2019, there was \$314,884 PERA employee/employer contributions payable of which \$124,262 of employer-only contributions was for pay period ended June 21, 2019 and \$190,622 was for the accrual through June 30, 2019.

G. Defined contribution retirement plan

1. *Plan description.* The Water Authority provides a 401(a)-qualified defined contribution retirement plan through ICMA Retirement Corporation for Water Authority employees. Under this defined contribution plan, an employee's eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code. New eligible employees are provided a 30-day election period from the date of initial eligibility to elect to participate in the plan.

An employee's election is irrevocable and shall remain in force until the employee terminates employment or ceases to be eligible to participate in the plan. In the event of re-employment to an eligible position, the employee's original election will resume. In no event does the employee have the option of receiving the pick-up contribution amount directly. Participation is not mandatory. Temporary, seasonal and student employees are not eligible for this benefit.

2. *Benefits provided.* The 401(a) plan is a retirement savings plan that allows you to set aside money for retirement. The benefits provided enables employees to reduce current income taxes while boost retirement investments. Employees also have the ability to rollover savings to another

public-sector employer's 401(a) plan, a tax-sheltered 403(b) annuity plan, a 457 plan or an IRA if an employee changes employers. Pre-tax contributions are not subject to federal and (in most cases) state income taxes until withdrawn. Earnings accumulate tax-deferred. An employee is vested at 100% when enrolled. In-service distributions are permitted under the plan after the participant attains normal retirement age.

3. *Contributions.* The contribution requirements for defined contribution plan members and the Water Authority are established within the signed agreement with ICMA Retirement Corporation dated February 25, 2004 and as amended October 21, 2015. The contribution requirements may be amended by acts of both parties. Under the plan the employer contributes 19.01% of earnings for all participating employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for employees scheduled to work 20-hours or more per week for the plan year.

Total contributions and total payroll to the plan for 2019 and the three preceding years were as follows:

ICMA 401(a)	Employer Contributions	Total Payroll
Fiscal Year ended:		
6/30/2016	\$212,224	\$1,116,379
6/30/2017	271,617	1,428,810
6/30/2018	320,140	1,684,066
6/30/2019	398,151	2,094,428

H. Post-employment benefit obligations

In addition to providing pension benefits described in Notes E and F, the Water Authority provides certain life insurance and health care benefits for retired employees.

1. Water Authority Retiree Life Insurance Plan

Summary of Significant Accounting Policies.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water Authority Retiree Life Insurance Plan (Plan) additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for month market investments and participating interest-earning investment contract that have a maturity at the time of purchase of one year or less, which are reported at cost.

- a. *Plan Description.* In fiscal year 2014, the Albuquerque Pooled OPEB Trust Fund was established, by Resolution, as an irrevocable trust and operates pursuant to the OPEB agreement with the

City of Albuquerque (City) and the Water Authority to defray future expenses related to retiree life insurance. Prior to July 1, 2013, the Water Authority had been contributing only the amount required to pay retiree life insurance premiums each year into the City's Employee Insurance Fund when the Water Authority was formally a component unit of the City. The Albuquerque Pooled OPEB Trust Fund – a single-employer defined benefit plan is administered by the City. The Board of Trustees consists of five members. Two members are appointed based on positions with the City and the remaining members are appointed by the City Chief Administrative Officer. The OPEB Trust Fund is reported as a fiduciary fund in the City's CAFR and can be obtained at the following web address:

<http://www.cabq.gov/dfa/treasury/investor-information/comprehensive-annual-financial-reports/comprehensive-annual-financial-reports/>.

- b. *Benefits provided.* The Water Authority provides continuation of life insurance coverage to its retiring employees through an insured group life arrangement. This life insurance coverage is available for employees hired prior to July 1, 2013 who retire from the Water Authority under the Public Employees Retirement Association (PERA) of New Mexico. Eligibility for retirement under PERA varies based on employment date (Tier), employee type (general or safety) and type of retirement (service, duty disability and non-duty disability).

The benefit provided for Water Authority active employees who were hired before July 1, 2013 and retire on or after December 31, 2013 from the Water Authority will receive an employer paid life insurance premium in the amount of \$5,000. Retirees prior to January 1, 2014 will receive the original insurance coverage up to \$25,000. Water Authority employees hired after July 1, 2013 are not eligible for employer paid life insurance in any amount.

No supplemental or Accidental Death or Dismemberment is available after retirement, though employees may elect to convert coverage lost at retirement to individual coverage at their own expense at the current rates charged by the insurer.

- c. *Employees covered by benefit terms.* At June 30, 2019, the OPEB membership for the Water Authority consisted of the following:

Plan membership	
Number of inactive plan members entitled to but not receiving benefits	0
Number of active plan members	448
Number of inactive plan members currently receiving benefits	203
Total	<u>651</u>

- d. *Contributions.* The Water Authority has set the contribution rate each year based on an actuarial valuation. The Water Authority's has been and continues to prefund its OPEB liability contributing 100% or more of the Actuarially Determined Contribution (ADC) each year. The ADC consists of two basic components, which have been adjusted with interest to the Water Authority's fiscal year end: 1) The amounts attributed to service performed in the current fiscal year (the normal cost) and 2) amortization of the unfunded actuarial accrued liability (UAAL).

Therefore, the discount rate used in this valuation is 5.0%, the long term expected return on trust assets. Contributions to the trust for the year ended June 30, 2019 were \$61,103.

- e. *Total OPEB Plan liability.* The Water Authority's total OPEB liability of \$612,801 was measured as of June 30, 2019 and was determined by an actuarial valuation of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total liability in the June 30, 2019 actuarial valuation prepared by MacLeod Watts was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date.....	July 1, 2017
Measurement date.....	Last day of the current fiscal year (June 30, 2019)
Funding method.....	Entry Age Normal Cost, level percent of pay
Asset valuation method.....	Market value of assets
Long term return on assets.....	5.0% as of June 30, 2018 and June 30, 2017 net of plan investment expenses and including inflation
Discount rates.....	5.0% as of June 30, 2018 and June 30, 2017
Participants valued.....	Only current active employees hired prior to July 1, 2013 and retired participates are valued. No future entrants are considered in this valuation.
Salary increase.....	5.0% per year
Assumed wage inflation.....	3.0% per year; used to determine the amortization payment component of the actuarially determined contribution
General inflation.....	2.75% per year

The demographic actuarial assumptions used are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2016 actuarial valuation, except for a different basis used to project future morality improvements.

Mortality improvement.....	MacLeod Watts Scale 2017 on a generational basis from 2011 forward
Participation rates.....	<i>Active participants:</i> 100% of actives projected to survive in service to retirement are assumed to be eligible for the retiree life insurance benefit. Employees retiring on Disability are assumed to elect to receive a lump sum payment equal to one-half of the face amount of their retiree life insurance. <i>Retired participants:</i> Existing coverage is assumed apply until the retiree's death.
Dependent coverage.....	Not applicable; Water Authority does not provide life insurance coverage for the spouse or other dependents of retired employees.

Employer cost-sharing..... Water Authority pays 100% of the retiree life insurance premiums. The current premium rate for all active and retired employees is \$0.35 per \$1000 of life insurance. No future increase in the premium rate was introduced, assuming that reduction due to future mortality improvements would exactly offset increased expenses.

Development of age-related
Premiums..... The cost of life insurance benefits was valued on an age and gender specific basis by applying the post-service mortality rates described above.

GASB Statement No. 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year.

Recognition of plan changes and gains and losses – Under GASB Statement No. 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

Timing of recognition: Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Deferred recognition periods: These periods differ depending on the source of the gain or loss.

Difference between projected
and actual trust earnings..... 5-year straight-line recognition
All other amounts..... Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

- f. *Discounts.* The discount rate used to measure the OPEB Plan liability is on a pay-as-you-go basis. GASB Statement No. 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When the plan sponsor makes regular, sufficient contributions to the trust in order to prefund the OPEB liabilities, GASB Statement No. 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report of return overall lower liabilities due to future expected benefits being discounted at a higher rate.
- g. *Changes in the Total OPEB Plan Liability.* Year-to-year changes in the components of Net Position are illustrated below:

For reporting at Fiscal Year end Measurement date	6/30/2018 6/30/2018	6/30/2019 6/30/2019	Change During Period
Total OPEB liability	\$1,646,697	\$1,698,188	\$51,491
Fiduciary Net Position	961,133	1,085,387	124,254
Net OPEB liability (asset)	685,564	612,801	(72,763)
<i>Deferred Resource (Outflows) Inflows Due to:</i>			
Assumption Changes	(50,585)	(40,262)	10,323
Plan Experience	(155,489)	(130,957)	24,532
Investment Experience	21,314	47,197	25,883
Net Deferred (Outflows) Inflows	(184,760)	(124,022)	60,738
Impact on Statement of Net Position	\$500,804	\$488,779	(\$12,025)

Change in Net Position during the Fiscal Year

Impact on Statement of Net Position, FYE 6/30/2018	\$500,804
OPEB Expense (Income)	75,650
Employer Contributions During Fiscal Year	(87,675)
Impact on Statement of Net Position, FYE 6/30/2019	\$488,779

OPEB Expense

Employer Contributions During Fiscal Year	87,675
Deterioration (Improvement) in Net Position	(12,025)
OPEB Expense (Income), FYE 6/30/2019	\$75,650

- h. Sensitivity of liabilities to changes in the discount rate. The following presents the total OPEB liability of the Water Authority, as well as what the Water Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current discount rate:

1% Decrease (4.00%)	Current Rate (5.00%)	1% Increase (6.00%)
\$931,323	\$612,801	\$354,395

- i. *OPEB Plan expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* For the year ended June 30, 2019, the Water Authority recognized OPEB expense of \$61,103. At June 30, 2019, the Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$130,957	-
Changes of assumptions	40,262	-
Net difference between projected and actual earnings on investments	-	47,197
Total	\$171,219	\$47,197

Future recognition of these deferred resources are as follows:

Year ended June 30:	Recognized Net Deferred Outflows (Inflows) of Resources
2020	\$30,394
2021	30,394
2022	30,396
2023	31,517
2024	1,321
Thereafter	-

- j. *Payable to the OPEB Plan.* At June 30, 2019, the Water Authority satisfied the ADC to the Plan required for the year ended June 30, 2019.

2. New Mexico Retiree Health Care Authority Plan

Summary of Significant Accounting Policies.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) additions to/deductions from the NMRHCA fiduciary net position have

been determined on the same basis as they are reported by the NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- a. *Plan Description.* Employees of the Water Authority are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico. That report and further information can be obtained at the following website: www.nmrhca.state.nm.us/Pages/audit-reports.aspx

- b. *Benefits provided.* The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.
- c. *Employees covered by benefit terms.* June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

<u>Plan membership</u>	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
Total	<u>156,025</u>
<u>Active membership</u>	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
Total	<u>93,349</u>

- d. *Contributions.* Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Water Authority were \$677,725 for the year ended June 30, 2019 equal to its required contributions for the year.
- e. *OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB*

At June 30, 2019, the Water Authority reported a liability of \$34,038,052 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Water Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Water Authority’s proportion was 0.78278 percent.

For the year ended June 30, 2019, the Water Authority recognized OPEB credit of \$849,985. At June 30, 2019 the Water Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$2,015,271
Net differences between actual and projected earnings on OPEB plan investments	-	424,782
Changes of assumptions	-	6,354,753
Changes in proportion	-	489,807
Water Authority contributions made after the measurement date	677,725	-
Total	\$677,725	\$9,284,613

Deferred outflows of resources totaling \$677,725 represent the Water Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other

amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	(\$2,338,343)
2021	(2,338,343)
2022	(2,338,343)
2023	(1,829,426)
2024	(440,158)

- f. *Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date:	June 30, 2017
Actuarial cost method:	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method:	Market value of assets
Actuarial assumptions:	
Inflation	- 2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	- 3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	- 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	- 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	- ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

- g. *Rate of return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected

future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1%
Non-U.S. – emerging markets	10.2%
Non-U.S. – developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity – small/mid cap	7.1%

- h. *Discount rate.* The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligations municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.
- i. *Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$41,194,058	\$34,038,052	\$28,397,524

The following presents the net OPEB liability of the Water Authority, as well as what the Water Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
\$28,774,087	\$34,038,052	\$38,165,118

- j. *OPEB plan fiduciary net position.* Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018 at www.nmrhca.state.nm.us/Pages/audit-reports.aspx.
- k. *Payable changes in the net OPEB liability.* At June 30, 2019, the Water Authority reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

I. Risk management

The Water Authority is exposed to various risks of loss related to torts and civil claims including theft, damage and destruction of its real and personal assets; contract disputes; employment related exposures; worker’s compensation losses; errors and omissions of its officers and officials; and natural disasters. The extent of the Water Authority’s third-party loss exposure is reduced because, as a New Mexico governmental entity, the Water Authority is protected by the limitations found in the New Mexico Tort Claims Act.

To manage the impact of all its loss exposure, the Water Authority obtains various commercial insurance policies with coverage for general liability, bodily injury and property liability, pollution liability, public official liability, cyber liability, and crime (Employee Theft/Computer Crime/Forgery/Robbery & Burglary) liability. To temper the cost of its insurance coverage, the Water Authority maintains a Self-Insured Retention (SIR) for a portion of its automobile liability, general liability, and workers compensation exposures and utilizes a liability reserve to finance and account for those liabilities and exposures up to the Self-Insured Retention (SIR). As an additional protection, the Water Authority carries excess policy coverage for both General Liability and Workers Compensation.

The claims liabilities reported are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include estimated amounts for claims that have been incurred but not reported (IBNRs) as of June 30, 2019, and 2018.

The amounts and change in claims liability in fiscal years 2019 and 2018 were:

	2019	2018
Claims liability at July 1	\$3,489,892	\$2,951,833
Current year claims/adjustments	2,923,226	1,979,367
Claims liquidated	(2,808,620)	(1,441,308)
Claims liability at June 30	\$3,604,498	\$3,489,892

The components of the claims liability at June 30 are:

	2019	2018
Current portion	\$1,690,735	\$1,411,264
Noncurrent portion	1,913,763	2,078,628
Total claims liability	\$3,604,498	\$3,489,892

J. Commitments and contingencies

Construction Commitments. At June 30, 2019, the uncompleted construction and other commitments for construction improvements and replacements was \$79,873,831. This amount will be paid from unspent bond proceeds used for construction, improvements and replacements, or from operating revenues.

Federal and State Grant Commitments. The Water Authority has received a number of federal and state grants for specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, Water Authority management believes that such disallowances, if any, will not be material.

Contingencies. In the normal course of business, the Water Authority is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. It is the opinion of Water Authority management that the ultimate resolution of other litigation will not have a material effect on the financial position of the Water Authority.

K. Subsequent events

On October 3, 2019, the Water Authority redeemed in full, with cash on hand, the senior lien NMFA Water Trust Board Loan (DW-4200) in the amount of \$505,000.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
MUNICIPAL GENERAL PLAN 3
LAST 10 FISCAL YEARS (*)

	2019	2018	2017	2016	2015
Water Authority's proportion of the net pension liability (asset)	0.9638%	0.9732%	0.9580%	0.8958%	0.8842%
Water Authority's proportionate share of the net pension liability	59,487,543	51,278,088	59,008,103	38,165,167	29,351,538
Water Authority's covered payroll	33,413,035	32,774,164	31,630,023	30,541,919	31,037,398
Water Authority's proportionate share of the net pension liability (asset) as percentage of its covered payroll	178.04%	156.46%	186.56%	124.96%	94.57%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

(*) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE OF THE WATER AUTHORITY'S PENSION CONTRIBUTIONS

MUNICIPAL GENERAL PLAN 3

LAST 10 FISCAL YEARS (*)

	2019	2018	2017	2016	2015
Contractually required contribution	\$3,237,258	\$3,190,941	\$3,129,931	\$3,020,676	\$2,959,288
Contributions in relation to the contractually required contribution	(3,237,258)	(3,190,941)	(3,129,931)	(3,020,676)	(2,959,288)
Contribution deficiency (excess)	-	-	-	-	-
Water Authority's covered payroll	\$33,897,914	\$33,413,035	\$32,774,164	\$31,630,023	\$30,541,919
Contributions as a percentage of covered payroll	9.55%	9.55%	9.55%	9.55%	9.55%

(*) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Changes of Benefit Terms. The PERA Fund cost-of-living (COLA) and retirement eligibility benefit changes in recent years are described in Note 1 of the PERA audited comprehensive annual financial report is available at the following web address: <http://www.nmpera.org/financial-overview>.

Changes of Assumptions. The PERA Annual Actuarial Valuation as of June 30, 2017, is available at the web address listed above. Future actuarial results may differ due to the following factors: changes in economic or demographic assumptions; and changes in plan provisions or applicable law. For details about changes in the actuarial assumptions, see Appendix B on page 54 of the PERA Annual Actuarial Valuation referenced above.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE OF CHANGES IN THE WATER AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2019	2018
Total OPEB liability		
Service Cost	\$12,404	\$14,174
Interest	81,674	67,539
Differences between expected and actual experience	8,671	187,222
Changes of assumption	-	60,908
Benefit payments	(51,258)	(39,498)
Total OPEB liability – beginning	1,646,697	1,356,352
Total OPEB liability – ending (a)	1,698,188	1,646,697
Plan fiduciary net position		
Contributions – employer	\$87,675	\$82,290
Net investment income	87,979	70,136
Benefit payments	(51,258)	(39,498)
Administrative fees	-	(516)
Change in trust receivable	377	-
Accrued audit service fees	(553)	-
Accrued interest and trust income	34	-
Net change in plan fiduciary net position	124,254	112,412
Plan fiduciary net position – beginning	961,133	848,721
Plan fiduciary net position – ending (b)	\$1,085,387	\$961,133
Net OPEB liability – ending (a) – (b)	\$612,801	\$685,564
Plan fiduciary net position as a percentage of the total OPEB liability	63.91%	58.37%
Covered-employee payroll	22,590,131	\$24,644,318
Net OPEB liability as a percentage of covered – employee payroll	2.71%	2.78%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. In 2019, no benefit changes were reported to those in place at the time the July 2017 valuation was prepared by MacLeod Watts. The results as of June 30, 2019 were developed by a one-year roll forward of the results from the July 1, 2017 funding valuation.

Changes of Assumptions. No assumptions were changed, and no plan experience was recognized other than the difference between actual and expected benefits payments during the measurement period. Actual trust investment income was higher than expected during the period.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE OF WATER AUTHORITY'S OPEB CONTRIBUTIONS

RETIREE LIFE INSURANCE PLAN

LAST 10 FISCAL YEARS (*)

	2019	2018
Actuarially determined contribution during fiscal year	\$61,103	\$59,081
Contributions in relation to the actuarially determined contribution	87,675	82,290
Contribution deficiency (excess)	\$(26,572)	\$(23,209)
Covered – employee payroll	22,590,131	\$24,644,318
Contributions as a percentage of covered – employee payroll	0.39%	0.33%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Valuation date:

Actuarially determined contribution rates are based on 1) a valuation date no more than 30 months plus 1 day prior to the close of the fiscal year end; and 2) a measurement date up to one year prior to the close of the fiscal year.

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2017
Measurement date	Last day of the current fiscal year (June 30, 2019)
Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	5.0% of June 30, 2018 and June 30, 2017
Discount rates	5.0% as of June 30, 2018 and June 30, 2017
Participants valued	Only current active employees hired prior to July 1, 2013 and retired participants are valued. No future entrants are considered in this valuation.
Salary increase	5.0% per year
Assumed wage inflation	3.0% per year; used to determine the amortization payment component of the Actuarially Determined Contribution
General inflation	2.75% per year

The demographic actuarial assumptions used in this valuation are based on the Public Employees Retirement Association (PERA) of New Mexico June 30, 2016 actuarial valuation, except for a different basis used to project future mortality improvements.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN
 LAST 10 FISCAL YEARS (*)

	2019	2018
Water Authority's proportion of the net OPEB liability	0.78278%	0.79345%
Water Authority's proportionate share of the net OPEB liability	\$34,038,052	\$35,956,560
Water Authority's covered payroll	\$33,586,090	\$33,052,329
Water Authority's proportionate share of the net OPEB liability as percentage of its covered – employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

SCHEDULE OF THE WATER AUTHORITY'S OPEB CONTRIBUTIONS
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY PLAN
 LAST 10 FISCAL YEARS (*)

	2019	2018
Contractually required contribution	\$1,223,225	\$2,519,576
Contributions in relation to the contractually required contribution	(1,208,289)	(1,264,547)
Contribution deficiency (excess)	14,936	1,255,029
Water Authority's covered payroll	\$33,586,090	\$33,052,629
Contributions as a percentage of covered – employee payroll	3.60%	3.83%

(*) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Water Authority will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RETIREE LIFE INSURANCE PLAN

Benefit changes. In 2019, no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: www.nmrhca.state.nm.us

Changes of Assumptions. No assumptions changes since the June 30, 2017 GASB Statement No. 74 valuation.



STATISTICAL SECTION





ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

INDEX TO STATISTICAL SECTION

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

FINANCIAL TRENDS

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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NET POSITION BY COMPONENT

SCHEDULE 1 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2019 – 2015

	2019	2018 ⁽²⁾	2017	2016	2015
Net investment in capital assets	\$567,523	\$571,387	\$560,766	\$568,245	\$576,678
Restricted for:					
Capital projects	-	-	-	-	-
Unrestricted	66,729	51,319	30,408	53,425	23,764
Total net position	\$634,252	\$622,706	\$591,174	\$621,670	\$600,442

FISCAL YEARS 2014 – 2010

	2014	2013	2012	2011 ⁽¹⁾	2010
Net investment in capital assets	\$595,695	\$617,398	\$636,174	\$668,171	\$692,921
Restricted for:					
Capital projects	-	-	-	-	11,072
Unrestricted	51,027	48,331	47,416	33,590	31,272
Total net position	\$646,722	\$665,729	\$683,590	\$701,761	\$735,265

⁽¹⁾ The 2011 net investment in capital assets amount has been increased and the unrestricted net position amount has been decreased by approximately \$12.1 million from the amounts presented in the prior fiscal year. The reclassification changes were primarily a result of a reevaluation of the Water Authority's unrestricted and restricted cash balances.

⁽²⁾ The 2018 net investment in capital assets amount has been updated to include capital assets previously omitted from the 2018 balances.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2019 – 2015

	2019	2018 ⁽²⁾	2017	2016	2015
Operating revenues:					
Water revenues	\$141,268	\$148,315	\$144,343	\$140,551	\$119,707
Wastewater revenues	76,848	76,253	69,101	68,167	64,171
Miscellaneous revenues	1,868	1,828	1,750	1,339	1,323
Non-operating revenues:					
Investment and interest income	3,051	832	86	155	44
Utility expansion charges	6,885	9,686	8,117	8,795	7,251
Water supply charge	438	364	429	462	290
Other revenues	4,852	2,662	2,917	5,828	2,158
Total revenues	235,210	239,940	226,743	225,297	194,944
Operating expenses:					
General and administrative	66,274	64,227	63,307	59,910	53,996
Source of supply, pumping, treatment and distribution	49,507	48,471	48,018	46,987	46,525
Noncapitalized major repair	13,012	7,785	5,796	4,285	6,429
Depreciation and amortization	84,320	82,630	81,648	80,357	83,094
Non-operating expense:					
Interest expense	20,068	18,295	18,449	18,034	19,857
Other expense	629	-	710	-	2,273
Total expenses	233,810	221,408	217,928	209,573	212,174
Income (loss) before capital contributions	1,400	18,532	8,815	15,724	(17,230)
Capital contributions	10,145	13,000	3,522	5,504	7,348
Change in net position	\$11,545	\$31,532	\$12,337	\$21,228	(\$9,882)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2014 – 2010

	2014	2013 ⁽¹⁾	2012	2011	2010
Operating revenues:			\$177,055	\$158,515	\$153,145
Water revenues	\$113,061	\$113,875	-	-	-
Wastewater revenues	61,327	58,031	-	-	-
Miscellaneous revenues	1,232	1,142	-	-	-
Non-operating revenues:					
Investment and interest income	160	42	148	209	866
Utility expansion charges	7,872	8,189	8,035	6,240	6,834
Water supply charge	-	8	-	-	-
Other revenues	8,245	1,659	1,470	1,331	1,535
Total revenues	191,897	182,946	186,708	166,295	162,380
Operating expenses:					
General and administrative	54,966	53,433	57,877	55,810	40,632
Source of supply, pumping, treatment and distribution	46,538	48,260	42,655	44,946	54,365
Noncapitalized major repair	5,642	-	-	-	-
Depreciation and amortization	84,788	87,087	84,849	83,447	81,443
Non-operating expense:					
Interest expense	27,546	24,566	23,806	25,324	24,977
Other expense	812	-	348	414	516
Total expenses	220,292	213,346	209,535	209,941	201,933
Income (loss) before capital contributions	(28,395)	(30,400)	(22,827)	(43,646)	(39,553)
Capital contributions	9,388	4,132	5,058	10,538	18,917
Change in net position	(\$19,007)	(\$26,268)	(\$17,769)	(\$33,108)	(\$20,636)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CHANGES IN NET POSITION CONTINUED

SCHEDULE 2 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2019 – 2010

⁽¹⁾ In 2013, operating revenues are demonstrated by type and franchise fees are not included as revenue or an expense of the Water Authority in these fiscal years. They are a pass-through, therefore, they are not considered to be either a revenue or an expense for the Water Authority. However, the franchise fees are included in charges for services and general and administrative expenses in fiscal years prior to fiscal year 2013. Also, the water supply charge has been separated from utility expansion charges.

⁽²⁾ The Water Authority fiscal year 2018 balances have been restated to reflect certain capital asset and grant activity that was previously omitted in the fiscal year 2018 balances. Also, in 2018 interest income has been separated from utility expansion charges and is now combined with investment income.

Source: Water Authority Financial/Business Services Division

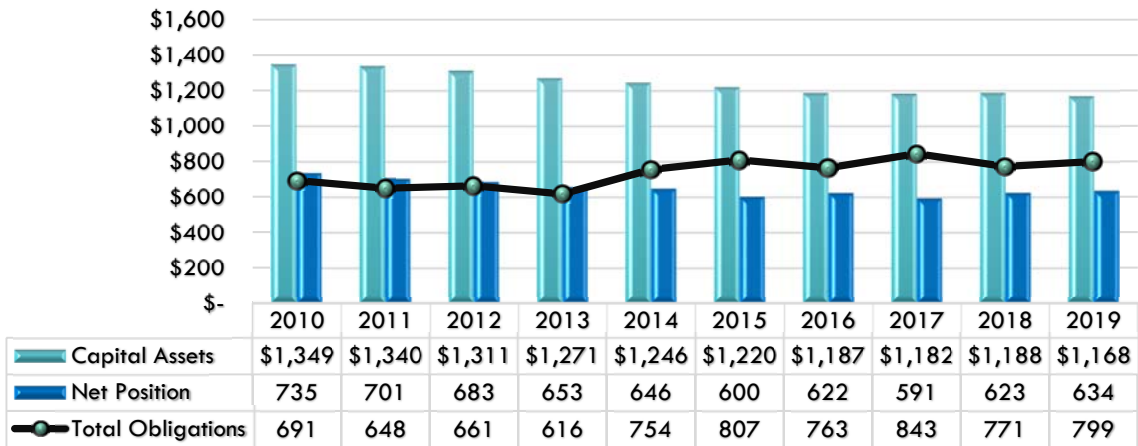
ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TREND ANALYSIS FOR NET POSITION AND OPERATIONS

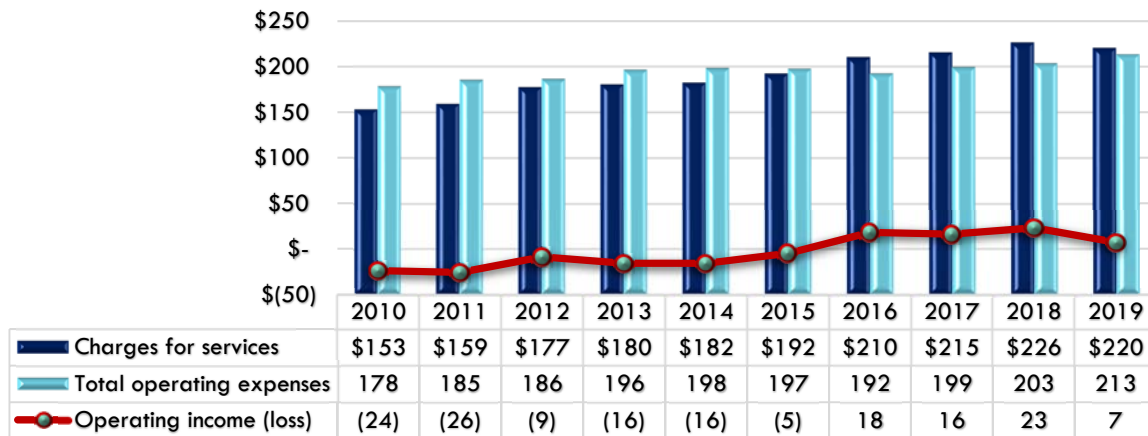
SCHEDULE 3 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEARS 2019 – 2010

Trend Analysis of Capital Assets, Total Obligations, and Net Position



Trend Analysis of Authority Operations



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

REVENUE FROM WATER AND WASTEWATER CHARGES AND OTHER OPERATING REVENUES

SCHEDULE 4 – LAST TEN FISCAL YEARS

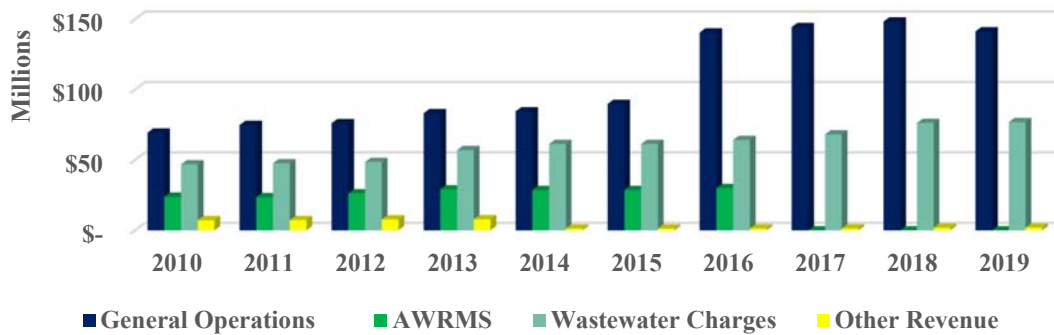
FISCAL YEARS 2019 – 2010

Fiscal Year	General operations	AWRMS ⁽¹⁾	Wastewater charges	Other revenue	Total operating revenue
2019	\$141,267,719	-	\$76,848,592	\$1,868,000	\$219,984,311
2018	148,315,450	-	76,253,042	1,828,000	226,396,492
2017	144,342,932	-	69,101,050	1,750,000	215,193,982
2016	140,551,140	-	68,166,636	1,339,000	210,056,776
2015	89,768,328	29,939,349	64,171,110	1,323,000	185,201,787
2014	84,500,221	28,561,586	61,327,115	1,232,000	175,620,922
2013 ⁽²⁾	84,713,861	29,161,139	58,031,483	1,142,000	173,048,483
2012	83,145,457	29,096,281	56,982,228	7,830,724	177,054,690
2011	76,072,550	26,219,494	48,504,637	7,718,145	158,514,826
2010	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852

⁽¹⁾ In fiscal year 2016 the Albuquerque Water Resource Management Strategy (AWRMS) revenues were combined with General operations revenue as part of the new rate ordinance structure.

⁽²⁾ In fiscal year 2013, General operations revenues are excluding franchise fees as revenue for the Water Authority. They are a pass-through, therefore, should not be included as revenue for the Water Authority.

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

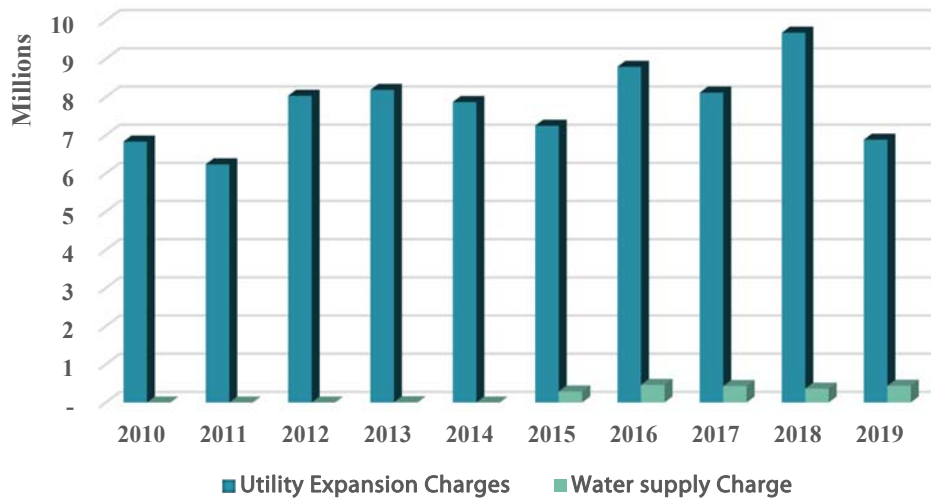
REVENUE FROM UTILITY EXPANSION AND WATER SUPPLY CHARGES

SCHEDULE 5 – LAST TEN FISCAL YEARS

FISCAL YEARS 2019 – 2010

Fiscal Year	Utility expansion charges	Water supply charge
2019	\$6,884,954	\$437,646
2018	9,685,634	363,963
2017	8,116,695	429,283
2016	8,795,436	461,502
2015	7,250,838	290,363
2014	7,872,237	-
2013	8,189,953	7,063
2012	8,035,123	-
2011	6,240,073	-
2010	6,834,261	-

Source: Water Authority Financial/Business Services Division



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY CLASS:

2019 – 2015

Class	2019	2018	2017 ⁽¹⁾	2016	2015
Residential	183,942	183,018	181,814	187,479	186,461
Multi-family	7,876	7,851	7,801	7,268	7,115
Commercial	12,100	12,023	11,913	11,901	11,923
Institutional	3,701	3,680	3,650	2,187	2,150
Industrial	121	122	119	110	113
Other metered	824	720	616	-	-
Subtotal	208,564	207,414	205,913	208,945	207,762
Solid waste only	1,392	1,365	1,362	-	-
Other non-metered	3,135	3,120	2,940	-	-
Total	213,091	211,899	210,215	208,945	207,762

2014 – 2010

Class	2014	2013	2012	2011	2010
Residential	174,193	174,909	174,277	173,339	172,787
Multi-family	6,569	6,430	6,393	6,364	6,349
Commercial	11,303	11,321	11,287	11,226	11,272
Institutional	2,196	2,391	2,316	2,279	2,223
Industrial	99	99	102	99	106
Other	-	-	-	-	-
Total	194,360	195,150	194,375	193,307	192,737

⁽¹⁾ In Fiscal Year 2017, the water users by meter size are illustrated between metered and non-metered accounts.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF WATER USERS BY METER SIZE:

2019 – 2015

Meter size	2019	2018	2017 ⁽¹⁾	2016	2015
¾"	184,464	183,398	182,232	185,894	184,743
1" and 1 ¼"	17,843	17,975	17,796	17,392	17,447
1 ½"	2,522	2,467	2,381	2,300	2,269
2"	2,713	2,575	2,509	2,386	2,349
3"	626	606	603	590	575
4"	287	284	282	278	276
6"	66	66	68	64	63
8" and over	43	43	42	41	40
Subtotal	208,564	207,414	205,913	208,945	207,762
Non-metered	4,527	4,485	4,302	-	-
Total	213,091	211,899	210,215	208,945	207,762

2014 – 2010

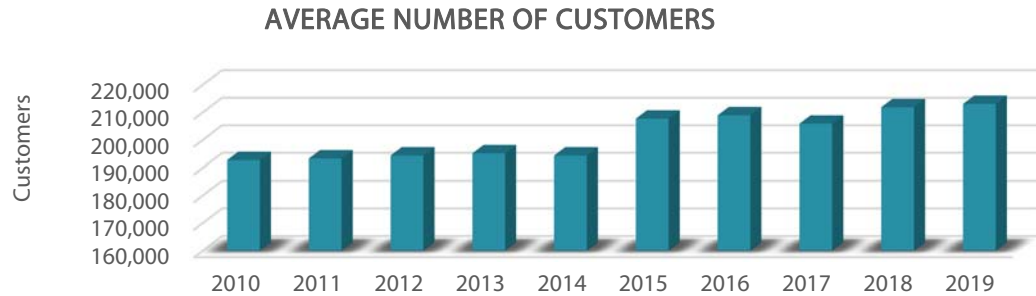
Meter size	2014	2013	2012	2011	2010
¾"	171,395	171,874	171,103	169,984	169,414
1" and 1 ¼"	17,474	17,645	17,717	17,820	17,820
1 ½"	2,238	2,249	2,221	2,195	2,195
2"	2,303	2,352	2,320	2,228	2,228
3"	578	634	634	714	714
4"	270	286	273	268	268
6"	60	63	61	58	58
8" and over	42	47	46	40	40
Total	194,360	195,150	194,375	193,307	192,737

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

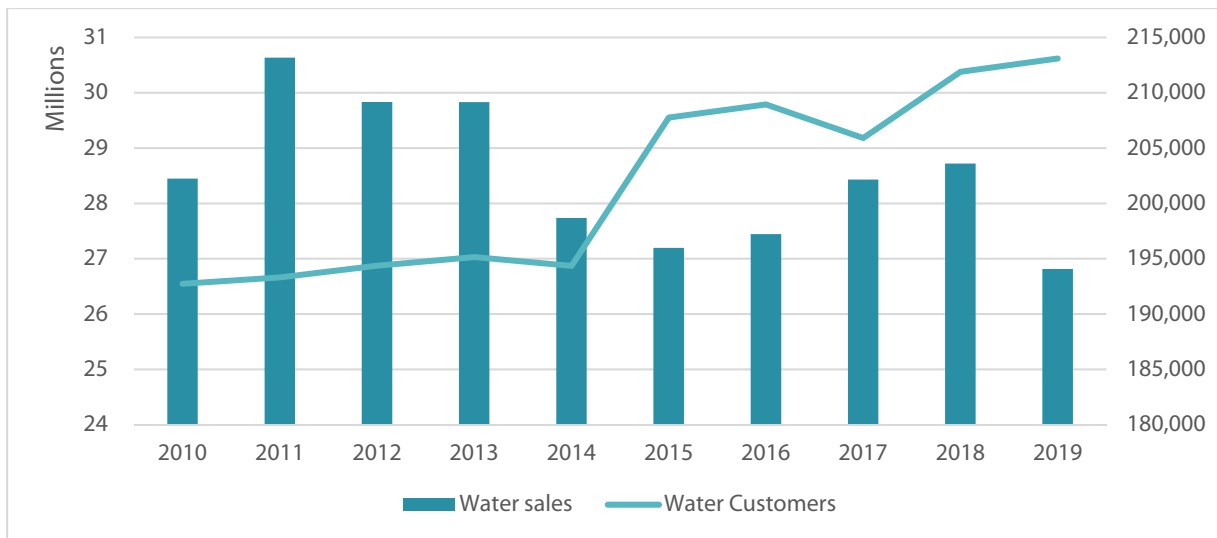
WATER AND WASTEWATER USERS BY CLASS AND METER SIZE CONTINUED

SCHEDULE 6 – LAST TEN FISCAL YEARS

HISTORY OF AVERAGE NUMBER OF ACCOUNTS:
2010 – 2019



WATER SALES VS. NUMBER OF WATER ACCOUNTS:
2010 – 2019



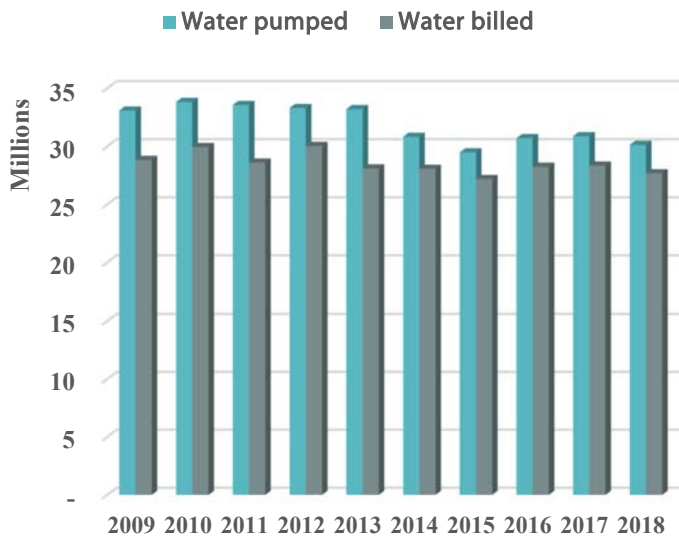
Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

WATER CONSUMPTION

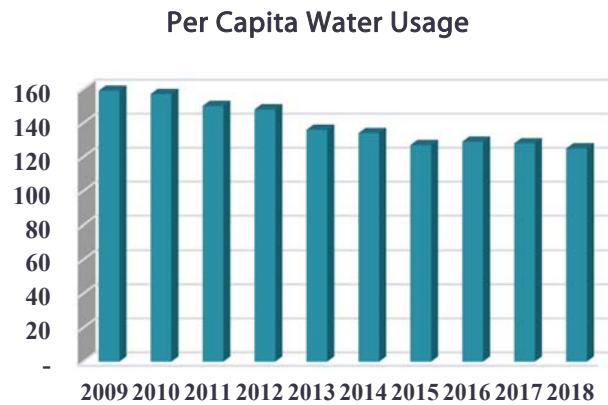
SCHEDULE 7 – LAST TEN CALENDAR YEARS

CALENDAR YEARS 2018 – 2009



Calendar year	Water Pumped	Water Billed	% Billed
2018	30,139,000	27,696,655	91.90%
2017	30,895,000	28,357,626	91.79%
2016	30,720,000	28,250,591	91.96%
2015	29,498,000	27,195,260	92.19%
2014	30,836,000	28,075,612	91.05%
2013	33,222,000	28,113,371	84.62%
2012	33,318,000	30,044,094	90.17%
2011	33,577,000	28,621,945	85.24%
2010	33,830,964	29,949,844	88.53%
2009	33,098,373	28,844,216	87.15%

Calendar year	Per Capita Water Usage
2018	125
2017	128
2016	129
2015	127
2014	134
2013	136
2012	148
2011	150
2010	157
2009	159



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WATER REVENUE - FISCAL YEAR 2019

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$8,575,985	1	6.07%	2,554,647
Albuquerque Public Schools	2,805,045	2	1.99%	598,617
University of New Mexico	1,229,761	3	0.87%	267,276
Kirtland Air Force Base	700,584	4	0.50%	154,261
Bernalillo County	640,319	5	0.45%	173,405
Central NM Community College	283,881	6	0.20%	63,436
Lovelace Health	267,760	7	0.19%	81,335
Water Authority	261,798	8	0.19%	57,907
Sumitomo	257,807	9	0.18%	104,746
Albuquerque Academy	195,409	10	0.14%	87,662
Total	\$15,218,349		10.77%	4,143,292

2019 Total Water Revenue	\$141,267,719
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WATER REVENUE - FISCAL YEAR 2010

Customer Name	Water Revenue	Rank	% of Total Revenue	Consumption
City of Albuquerque	\$3,583,840	1	3.65%	1,723,216
Albuquerque Public Schools	1,389,671	2	1.41%	448,339
University of New Mexico	563,694	3	0.57%	228,298
Kirtland Air Force Base	307,914	5	0.31%	142,324
Bernalillo County	314,333	4	0.32%	133,921
Central NM Community College	151,924	8	0.15%	46,952
Lovelace Health	186,691	7	0.19%	98,651
Water Authority	188,884	6	0.19%	67,617
Sumitomo	105,997	10	0.11%	59,839
Albuquerque Academy	121,616	9	0.12%	65,649
Total	\$6,914,564		7.04%	3,014,806

2010 Total Water Revenue	\$98,257,064
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

PRINCIPAL REVENUE PAYERS CONTINUED

SCHEDULE 8 – CURRENT FISCAL YEAR AND NINE YEARS AGO

WASTEWATER REVENUE - FISCAL YEAR 2019

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$1,418,464	1	1.85%	745,216
University of New Mexico	1,162,523	2	1.51%	588,650
Albuquerque Public Schools	798,567	3	1.04%	134,016
City of Albuquerque	693,905	4	0.90%	101,364
Creamland Dairies	559,682	5	0.73%	53,781
Bernalillo County	174,754	6	0.23%	43,837
Lovelace Health	148,886	7	0.19%	57,641
Central NM Community College	123,772	8	0.16%	30,858
Sandia Peak Services	102,139	9	0.13%	74,073
Four Hills Mobile Home Park	86,972	10	0.11%	34,901
Total	\$5,269,664		6.86%	1,864,337

2019 Total Wastewater Revenue	\$76,848,592
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WASTEWATER REVENUE - FISCAL YEAR 2010

Customer Name	Wastewater Revenue	Rank	% of Total Revenue	Consumption
Kirtland Air Force Base	\$947,437	1	1.99%	554,046
University of New Mexico	543,532	3	1.14%	327,411
Albuquerque Public Schools	548,263	2	1.15%	123,612
City of Albuquerque	375,335	4	0.79%	138,188
Creamland Dairies	261,126	5	0.55%	25,511
Bernalillo County	106,259	7	0.22%	44,389
Lovelace Health	132,809	6	0.28%	84,250
Sandia Peak Services	68,181	8	0.14%	63,843
General Electric	60,942	9	0.13%	26,644
Towne Park Home Owners Association	36,875	10	0.08%	21,746
Total	\$3,080,759		6.46%	1,409,640

2010 Total Wastewater Revenue	\$47,685,066
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OUTSTANDING DEBT RATIO

SCHEDULE 9 – LAST TEN FISCAL YEARS (in thousands of dollars)

FISCAL YEAR 2019 – 2010

Fiscal Year	Revenue Bonds	Notes from direct borrowings	Water Rights Contract	Lines of Credit	Un-Amortized Premium	Total	Per Capita*	Per Customer*
2019	\$577,825	\$35,873	\$5,203	-	\$46,119	\$665,020	979	3,121
2018	551,950	39,938	6,409	-	48,088	646,385	955	3,050
2017	589,880	44,013	7,579	-	60,241	701,713	1,286	3,419
2016	566,455	54,819	8,715	-	58,712	688,701	1,232	3,296
2015	601,985	63,627	9,817	-	71,578	747,007	1,170	3,250
2014	515,450	131,515	10,887	-	23,864	681,716	1,204	3,198
2013	420,780	210,805	11,925	-	13,334	656,844	1,172	3,366
2012	443,015	229,644	12,932	-	17,400	702,991	1,267	3,617
2011	467,145	193,620	13,910	103	12,631	687,409	1,239	3,556
2010	489,210	206,642	14,858	760	12,529	723,999	1,322	3,768

Note:

1. Per Capita is based on the estimated 2014 population provided by the US Census Bureau.
2. Per customer is based on the number of customers for the Water Authority.
3. Updated FY2017 schedule includes unamortized premium amounts, which includes restated amounts for the per capita and per customer for 2008 – 2016.

* Not presented in thousands of dollars

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SENIOR / SUBORDINATE LIEN DEBT COVERAGE

SCHEDULE 10 – LAST TEN FISCAL YEARS (in thousands of dollars)

SENIOR LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2019	\$235,578	\$115,782	\$119,796	\$45,093	\$25,534	(\$11,525)	2.03	1.33
2018	241,177	112,698	128,479	31,018	23,948	(12,153)	3.00	1.33
2017	227,044	111,326	115,718	37,497	23,899	(12,407)	2.36	1.33
2016	226,774	106,897	119,877	43,031	23,794	(12,866)	2.22	1.33
2015	203,834	107,597	96,237	33,819	22,579	(9,046)	2.03	1.33
2014	199,234	108,177	91,057	41,151	31,502	(4,684)	1.34	1.33
2013	184,338	96,611	87,727	39,732	23,773	-	1.38	1.33
2012	180,272	94,085	86,187	38,674	22,878	-	1.40	1.33
2011	166,652	88,790	77,862	37,329	29,146	-	1.17	1.33
2010	158,528	87,768	70,760	34,094	33,953	-	1.03	1.33

SENIOR AND SUBORDINATE LIEN

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Amortized Premium	Coverage	Required Coverage
2019	\$235,578	\$115,782	\$119,796	\$53,691	\$28,485	(\$11,525)	1.70	1.20
2018	241,177	112,698	128,479	42,216	27,303	(12,153)	2.24	1.20
2017	227,044	111,326	115,718	46,901	27,673	(12,407)	1.86	1.20
2016	226,774	106,897	119,877	43,964	27,865	(12,866)	2.03	1.20
2015	203,834	107,597	96,237	34,491	25,746	(9,046)	1.88	1.20
2014	199,234	108,177	91,057	42,081	31,889	(4,684)	1.31	1.20
2013	184,338	96,611	87,727	41,265	24,197	-	1.34	1.20
2012	180,272	94,085	86,187	41,574	23,404	-	1.33	1.20
2011	166,652	88,790	77,862	38,270	32,089	-	1.11	1.20
2010	158,528	87,768	70,760	36,413	34,570	-	1.00	1.20

Note: Gross revenues include operating, non-operating, and miscellaneous revenue. Operating expenses exclude depreciation and non-capitalized major repairs. Interest, with accruals, less amortization of premium and/or discount with annual amortization displayed as of 2014.

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

DEMOGRAPHIC AND ECONOMIC STATISTICS

SCHEDULE 11 – LAST TEN FISCAL YEARS

FISCAL YEAR 2019 – 2010

Fiscal Year	Population Albuquerque MSA*	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2019	679,096	27,484,373	40.472	4.8%
2018	676,953	26,162,880	38.648	4.5%
2017	545,852	20,689,428	37.903	6.0%
2016	559,121	20,650,016	36.933	6.1%
2015	557,169	20,035,240	35.959	5.7%
2014	566,059	19,385,257	34.246	6.4%
2013	560,454	18,359,913	32.759	6.8%
2012	554,905	18,192,560	32.785	7.2%
2011	554,905	17,664,291	31.833	7.6%
2010	549,411	16,695,501	30.388	8.0%

Source: US Census Bureau, the University of New Mexico Bureau of Business and Economic Research (BBER).

*Metropolitan Service Area (MSA), and <https://www.abq.org/demographics.aspx> for 2018 population.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

TOP TEN MAJOR EMPLOYERS

SCHEDULE 12 – CURRENT FISCAL YEAR AND NINE YEARS AGO

FISCAL YEAR 2019 AND 2010

Employer	2019			2010		
	Number of Employees	Rank	% of Albuquerque MSA*	Number of Employees	Rank	% of Albuquerque MSA*
Albuquerque Public Schools	14,810	1	3.33%	14,000	3	3.52%
Kirtland Air Force Base (civilian)	10,125	2	2.28%	24,140	1	6.07%
Sandia National Laboratories	9,852	3	2.22%			0.00%
Presbyterian Hospital	7,310	4	1.65%	7,369	4	1.85%
UNM Hospital	6,021	5	1.36%	5,950	5	1.50%
City of Albuquerque	5,500	6	1.24%	5,940	6	1.49%
State of New Mexico	4,950	7	1.11%	5,910	7	1.49%
University of New Mexico	4,210	8	0.95%	15,890	2	4.00%
Lovelace Health System	4,000	9	0.90%	3,700	8	0.93%
Bernalillo County	2,425	10	0.55%	2,618	10	0.66%
Intel Corporation	-		0.00%	3,300	9	0.83%
Total	69,203		15.58%	88,817		20.32%
Total Employment:			444,200			397,552

Sources: University of New Mexico Bureau of Business and Economic Research (BBER)

https://www.abq.org/uploads/files/Albuquerque%20MSA%20Business%20Location%20Overview%20PDF_5-15-2017.pdf

*Metropolitan Service Area (MSA)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FULL-TIME EQUIVALENT WATER AUTHORITY EMPLOYEES BY FUNCTION

SCHEDULE 13 – LAST TEN FISCAL YEARS

FISCAL YEAR 2019 - 2010

FUNCTION	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Administration:										
Water Authority	15.0	14.0	13.0	8.0	8.0	13.0	12.0	12.0	12.0	12.0
Legal/Risk	0.0	0.0	7.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Legal	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Risk	5.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	15.0	14.0	13.0	13.0	13.0	13.0	13.0	12.0	19.0	19.0
Financial/Business Services:										
Finance	29.5	30.5	31.5	31.5	28.5	27.0	23.0	23.0	23.0	20.0
Customer Service	91.0	91.0	90.0	92.0	80.0	80.0	74.0	73.0	75.0	77.0
Information Technology	27.0	26.0	26.0	25.0	27.0	25.0	25.0	22.0	22.0	19.0
Plant:										
Wastewater Treatment	91.0	92.0	92.0	99.0	99.0	99.0	109.0	109.0	107.0	106.0
Groundwater	53.0	54.0	55.0	26.0	27.0	28.0	68.0	79.0	55.0	59.0
San Juan-Chama Water Plant	33.0	30.0	28.0	56.0	56.0	57.0	24.0	11.0	9.0	22.0
Field:										
Wastewater Collections	62.0	62.0	61.0	60.0	60.0	65.0	63.0	63.0	61.0	61.0
Water Field Operations	123.0	124.0	124.0	117.0	126.0	126.0	122.0	123.0	146.0	130.0
Other:										
Compliance	44.5	44.5	45.5	46.0	46.0	44.0	44.0	41.0	38.0	38.0
Water Resources Management	0.0	0.0	0.0	40.0	41.0	35.0	36.0	35.0	33.0	33.0
Planning and Engineering	31.0	26.0	23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water Resources	12.0	11.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CIP Funded	0.0	7.0	7.0	9.0	9.0	9.0	0.0	0.0	0.0	0.0
Total	633.0	633.0	632.0	627.5	625.5	621.0	613.0	603.0	600.0	596.0

Note: In 2017, Water Resources Management function separated; now the Planning and Engineering and Water Resources divisions and in 2018 the Legal/Risk function separated; now the Legal and Risk divisions.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2018 - 2014

FUNCTION	2018	2017	2016	2015	2014
Estimated Population (Service Area)	680,946	676,298	670,779	658,238	656,305
Number of Meters (Billed)	207,858	206,606	208,140	208,200	206,944
Estimated Persons Per Meter	3.28	3.27	3.22	3.16	3.17
Annual Pumpage (1,000 Gallons)	30,139,000	30,895,000	30,720,000	29,498,000	30,836,000
Annual Water Billed (1,000 Gallons)	27,696,655	28,357,626	28,250,591	27,195,260	28,075,612
Average Daily Pumpage (Gallons)	82,572,603	84,643,836	84,164,384	80,816,438	84,482,192
Peak Day Pumpage (Gallons)	147,000,000	150,600,000	159,000,000	146,000,000	144,000,000
Peak Day Consumption (Gallons)	143,000,000	147,300,000	141,000,000	148,000,000	150,000,000
Average Daily Production Per Meter (Gallons)	397	410	404	388	408
Well Pumping Capacity (Per 24-hour period)	176,000,000	176,000,000	178,000,000	184,000,000	183,000,000
Storage Capacity (Gallons)	245,000,000	245,000,000	245,000,000	245,000,000	253,000,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	84,000,000	84,000,000
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OPERATING INDICATORS BY FUNCTION CONTINUED

SCHEDULE 14 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2013 - 2009

FUNCTION	2013	2012	2011	2010	2009
Estimated Population (Service Area)	643,881	638,887	634,284	623,700	543,971
Number of Meters (Billed)	205,316	203,912	201,884	200,498	194,087
Estimated Persons Per Meter	3.14	3.13	3.14	3.11	2.80
Annual Pumpage (1,000 Gallons)	33,222,000	33,318,000	33,577,000	33,830,964	33,098,373
Annual Water Billed (1,000 Gallons)	28,113,371	30,044,094	28,621,945	29,949,844	28,844,216
Average Daily Pumpage (Gallons)	91,019,178	91,282,192	91,991,781	92,687,573	90,680,474
Peak Day Pumpage (Gallons)	157,000,000	175,000,000	182,000,000	226,902,542	186,819,804
Peak Day Consumption (Gallons)	148,000,000	164,000,000	161,500,000	160,000,000	144,030,800
Average Daily Production Per Meter (Gallons)	443	448	456	462	467
Well Pumping Capacity (Per 24-hour period)	187,000,000	196,000,000	282,000,000	282,000,000	314,250,000
Storage Capacity (Gallons)	249,000,000	249,000,000	249,000,000	228,700,000	228,700,000
Surface Water Treatment Plant Capacity (Gallons)	84,000,000	84,000,000	84,000,000	-	-
Surface Water Pumping Capacity (Gallons)	140,000,000	140,000,000	140,000,000	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Southside Water Reclamation Plant Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

CAPITAL STATISTICS BY FUNCTION

SCHEDULE 15 – LAST TEN CALENDAR YEARS

CALENDAR YEAR 2018 - 2014

FUNCTION	2018	2017	2016	2015	2014
Fire Hydrants	15,853	15,731	15,646	15,572	15,344
Number of Miles of Lines:					
Water	2,756	2,739	2,729	2,721	2,691
Wastewater	1,914	1,908	1,904	1,900	1,879
San Juan-Chama	38	37	37	37	37

CALENDAR YEAR 2013 - 2009

FUNCTION	2013	2012	2011	2010	2009
Fire Hydrants	15,249	15,110	14,996	14,879	14,778
Number of Miles of Lines:					
Water	2,680	2,663	2,650	2,636	2,626
Wastewater	1,875	1,869	1,866	1,863	1,858
San Juan-Chama	37	37	37	37	37

Source: Water Authority Financial/Business Services Division

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA

SCHEDULE 16 – LAST TEN FISCAL YEARS (Data in Acre-Feet (Billion Gallons))

FISCAL YEAR 2019 - 2015

FUNCTION	2019	2018	2017	2016	2015	Average	Maximum
Groundwater Diversion	40,718.2	31,174.1	34,746.7	34,842.0	40,497.3	36,395.7	40,718.2
	(13.27)	(10.16)	(11.32)	(11.35)	(13.20)	(11.86)	(13.27)
System Wells Only	39,791.7	30,434.7	34,040.3	34,194.7	39,377.1	35,567.7	39,791.7
	(12.97)	(9.92)	(11.09)	(11.14)	(12.83)	(11.59)	(12.97)
Surface Water Diversion	51,088.5	66,371.0	62,716.3	59,481.5	54,033.9	58,738.2	66,371.0
	(16.65)	(21.63)	(20.44)	(19.38)	(17.61)	(19.14)	(21.63)
Recovered Surface Water from River	0.0	0.0	0.0	1,077.2	0.0	N/A	1,077.2
	(0.00)	(0.00)	(0.00)	(0.35)	(0.00)	N/A	(0.35)
Total System Water Diversion	90,880.2	96,805.7	96,756.6	94,753.4	93,411.0	94,521.4	96,805.7
	(29.61)	(31.54)	(31.53)	(30.88)	(30.44)	(30.80)	(31.54)
Groundwater Use	39,791.7	30,434.7	34,040.3	34,194.7	39,377.1	35,567.7	39,791.7
	(12.97)	(9.92)	(11.09)	(11.14)	(12.83)	(11.59)	(12.97)
Surface Water Use	51,088.5	66,370.0	62,716.3	60,558.8	54,033.9	58,953.5	66,370.0
	(16.65)	(21.63)	(20.44)	(19.73)	(17.61)	(19.21)	(21.63)
Percent Groundwater Use	43.8%	31.4%	35.2%	36.1%	42.2%	37.6%	43.8%
Percent Surface Water Use	56.2%	68.6%	64.8%	63.9%	57.8%	62.4%	68.6%
GPCD*	-	125.0	128.0	129.0	127.0	127.3	129.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2018		17,875.0	4,916.7	8,547.2	26,422.2	48,200.0	74,622.2

Note – *GPCD is calculated by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

OTHER STATISTICAL DATA CONTINUED

SCHEDULE 16 – LAST TEN FISCAL YEARS (Data in Acre-Feet (Billion Gallons))

FISCAL YEAR 2014 - 2010

FUNCTION	2014	2013	2012*	2011*	2010*	Average	Maximum
Groundwater Diversion	53,198.7 (17.33)	55,723.5 (18.16)	59,556.9 (19.41)	62,479.1 (20.36)	61,617.5 (20.08)	58,515.1 (19.07)	62,479.1 (20.36)
System Wells Only	51,842.3 (16.89)	54,189.8 (17.66)	58,052.0 (18.92)	61,052.9 (19.89)	60,181.6 (19.61)	57,063.7 (18.59)	61,052.9 (19.89)
Surface Water Diversion	42,660.6 (13.90)	49,732.2 (16.21)	46,074.6 (15.01)	44,095.1 (14.37)	45,099.0 (14.70)	45,532.3 (14.84)	49,732.2 (16.21)
Recovered Surface Water from River	- -	- -	- -	- -	- -	N/A N/A	N/A N/A
Total System Water Diversion	94,502.9 (30.79)	103,922.0 (33.86)	104,126.6 (33.93)	105,148.0 (34.26)	105,280.6 (34.31)	102,596.0 (33.43)	105,280.6 (34.31)
Groundwater Use	51,842.3 (16.89)	54,189.8 (17.66)	58,052.0 (18.92)	61,052.9 (19.89)	60,181.6 (19.61)	57,063.7 (18.59)	61,052.9 (19.89)
Surface Water Use	42,660.6 (13.90)	49,732.2 (16.21)	46,074.6 (15.01)	44,095.1 (14.37)	45,099.0 (14.70)	45,532.3 (14.84)	49,732.2 (16.21)
Percent Groundwater Use	54.9%	52.1%	55.8%	58.1%	57.2%	55.6%	58.1%
Percent Surface Water Use	45.1%	47.9%	44.2%	41.9%	42.8%	44.4%	47.9%
GPCD*	134.0	136.0	148.0	155.0	157.0	146.0	157.0
Water Rights Holdings		Vested (V)	Acquired Pre-1907	Acquired (A)	Total V + A	San Juan-Chama	Total
As of December 31, 2013		17,875.0	4,916.7	8,397.1	26,272.1	48,200.0	74,472.1

Note – *GPCD is calculated by calendar year. 2010-2012 are reported by calendar year.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2019 - 2015

RATIO TYPE	2019	2018	2017	2016	2015
Operating Ratio Calculation:					
Operating Revenues	\$219,984	\$226,396	\$215,194	\$210,057	\$192,312
/Operating Expenses	213,113	203,113	198,770	191,540	197,155
(1) Operating Ratio:	1.0	1.1	1.1	1.1	1.0

Operating Revenues	219,984	226,396	215,194	210,057	192,312
/Operating Expenses (excl. Depr.)	128,793	120,482	117,122	111,183	114,060
(1) Operating Ratio, excl. Depreciation:	1.7	1.9	1.8	1.9	1.7

Days Cash on Hand Calculation:					
Unrestricted Cash	172,815	148,814	125,990	101,196	68,886
/Operating Expense (excl. Depr.)	353	330	321	305	295
(2) Days Cash on Hand:	489.8	450.8	392.6	332.2	233.6

Days of Working Capital Calculation:					
Current Unrestricted Assets	192,220	169,102	146,372	121,366	85,288
Less: Current Liabilities	(95,421)	(88,883)	(78,147)	(81,583)	(74,295)
/Operating Expenses (excl. Depr.)	353	330	321	305	295
(3) Days of Working Capital:	274.3	243.0	212.6	130.6	37.3

Current Ratio Calculation:					
Unrestricted Cash	172,815	148,814	125,990	101,196	68,886
+ Receivables, net	19,406	20,288	20,381	20,170	16,401
/Current Liabilities	95,421	88,883	78,147	81,583	74,295
(4) Current Ratio:	2.0	1.9	1.9	1.5	1.1

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2014 - 2010

RATIO TYPE	2014	2013	2012	2011	2010
Operating Ratio Calculation:					
Operating Revenues	\$182,350	\$179,678	\$177,055	\$158,515	\$153,145
/Operating Expenses	198,721	195,437	185,893	184,962	176,836
(1) Operating Ratio:	0.9	0.9	1.0	0.9	0.9

Operating Revenues	182,350	179,678	177,055	158,515	153,145
/Operating Expenses (excl. Depr.)	113,933	108,349	100,609	101,113	94,996
(1) Operating Ratio, excl. Depreciation:	1.6	1.7	1.8	1.6	1.6

Days Cash on Hand Calculation:					
Unrestricted Cash	60,636	38,582	47,108	57,387	37,288
/Operating Expense (excl. Depr.)	297	297	276	277	260
(2) Days Cash on Hand:	205.2	130.0	170.9	207.2	143.3

Days of Working Capital Calculation:					
Current Unrestricted Assets	78,784	57,201	64,820	71,989	53,910
Less: Current Liabilities	(66,823)	(67,802)	(68,707)	(70,704)	(67,090)
/Operating Expenses (excl. Depr.)	297	297	276	277	260
(3) Days of Working Capital:	40.3	(35.7)	(14.1)	4.6	(50.6)

Current Ratio Calculation:					
Unrestricted Cash	60,836	38,582	47,108	57,387	37,288
+ Receivables, net	17,948	18,603	17,619	14,602	16,622
/Current Liabilities	66,823	67,802	68,707	70,704	67,090
(4) Current Ratio:	1.2	0.8	0.9	1.0	0.8

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

FINANCIAL BENCHMARKS CONTINUED

SCHEDULE 17 – LAST TEN FISCAL YEARS (In thousands of dollars)

FISCAL YEAR 2019 - 2010

Notes for Financial Benchmarks:

1. Operating Ratio measures self-sufficiency; to keep operations running. Fiscal Year 2014 – 2017 operating expenses exclude non-capitalized major repairs and bad debt expense.
2. Days Cash on Hand is a measure of the ability of the Water Authority to withstand a significant temporary reduction in revenue to continue paying for daily operations.
3. Working Capital is a measure of the Water Authority's liquidity, efficiency, and overall health.
4. Current Ratio is a measure of short-term liability or the ability to pay current bills. National Benchmark: >1.0:>2.0 is preferred

Source: Water Authority Financial/Business Services Division

OTHER SUPPLEMENTARY INFORMATION SECTION



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
REVENUES:				
<i>OPERATING:</i>				
Water service	\$90,578,000	\$90,578,000	\$100,909,717	\$10,331,717
Water facilities rehab	32,402,000	32,402,000	36,616,414	4,214,414
Wastewater service	64,869,000	64,869,000	42,754,110	(22,114,890)
Wastewater facilities rehab	27,602,000	27,602,000	34,094,481	6,492,481
Water resources management	4,500,000	4,500,000	4,119,498	(380,502)
COA administrative fees	1,868,000	1,868,000	1,868,000	-
Investment income	540,000	540,000	2,538,570	1,998,570
Miscellaneous revenue	3,484,000	3,484,000	1,430,192	(2,053,808)
<i>CAPITAL:</i>				
Transfer from operating	26,589,000	26,589,000	26,589,000	-
Transfer from debt service	5,000,000	5,000,000	5,000,000	-
Loan proceeds	-	2,724,282	622,458	(2,101,824)
Bond proceeds	-	84,638,763	84,638,762	(1)
Federal grants	-	705,799	656,029	(49,770)
State grants	-	37,500	10,674	(26,826)
Lease of water rights	-	2,000,000	1,845,393	(154,607)
Water supply charge	-	-	436,047	436,047
Interest income	-	-	3,464	3,464
Miscellaneous	-	-	1,273,086	1,273,086
<i>DEBT SERVICE:</i>				
Utility Expansion Charges	9,500,000	9,500,000	6,884,954	(2,615,046)
Water supply charge	-	-	1,599	1,599
Interest income	-	-	380,668	380,668
Bond proceeds	-	2,439	2,439	-
Transfer from Operating	71,631,000	72,267,000	72,267,000	-
TOTAL REVENUES	\$338,563,000	\$429,307,783	\$424,942,555	\$(4,365,228)

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
EXPENSES:				
<i>OPERATING:</i>				
Administration	\$2,684,000	\$2,717,673	\$2,764,538	\$(46,865)
Legal	760,000	760,000	890,583	(130,583)
Risk	4,534,000	4,910,951	5,117,149	(206,198)
Human resources	1,588,000	1,588,000	1,468,622	119,378
Finance	4,184,000	4,019,684	3,698,197	321,487
Customer service	9,050,000	9,050,000	9,025,568	24,432
Information technology	7,096,000	7,212,558	7,033,188	179,370
Wastewater plant	11,426,000	11,351,067	11,585,634	(234,567)
SJC water treatment plant	3,971,000	4,142,229	4,102,640	39,589
Groundwater operations	6,629,000	6,538,794	6,147,697	391,097
Wastewater collection	6,701,000	6,701,000	7,163,456	(462,456)
Water field operations	19,595,000	19,651,111	17,535,903	2,115,208
Compliance	5,261,000	5,261,000	4,976,593	284,407
Planning and engineering	3,899,000	3,899,000	3,792,890	106,110
Water resources	3,861,000	3,935,933	3,725,958	209,975
General government*	22,303,000	22,303,000	22,286,217	16,783
San Juan-Chama	2,247,000	2,747,000	2,665,733	81,267
Transfer to debt service	71,631,000	72,267,000	72,267,000	-
Transfer to capital	26,589,000	26,589,000	26,589,000	-
<i>CAPITAL:</i>				
Capital expense	88,343,326	123,138,848	67,757,362	55,381,486
<i>DEBT SERVICE:</i>				
Debt service	80,730,000	81,366,000	82,176,296	(810,296)
Transfer to capital	5,000,000	5,000,000	5,000,000	-
TOTAL EXPENSES	\$388,082,326	\$425,149,848	\$367,770,224	\$57,379,624

* General government expenses include power and chemicals, taxes, and overhead.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	BUDGET		Actual Budgetary Basis	Variance from Final Budget – Budgetary Basis
	Original	Final		
NET EFFECT:				
Revenues over (under) expenses	\$(49,519,326)	\$4,157,935	\$57,172,331	(\$61,744,852)

Revenues (expenses) not budgeted:	
Depreciation	(84,319,801)
Amortization on premium and discounts	8,578,213
Non-budgeted miscellaneous expenses	(3,546,619)
Net expenses over revenues not budgeted	(79,288,207)

Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	53,691,483
Principal payments on water rights contract	1,206,021
Expenses recorded in capital general ledger funds	54,116,224
Bond proceeds	(84,641,201)
Capital grants	(357,375)
Loan proceeds	(627,458)
Unrealized gain in fair value of investments	127,945
Capital contributions	10,145,264
Net changes to conform to generally accepted accounting principles	\$33,660,903

Changes in net position	\$11,545,027
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ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF DEPOSITS AND INVESTMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

BY FINANCIAL INSTITUTION

Account Name	Type of Account	Bank Balance	Outstanding	Book Balance
Bank of Albuquerque:				
Lockbox	Checking	\$3,756,347	-	\$3,756,347
Wells Fargo Bank:				
General Fund	Checking	105,912,461	(2,114,465)	103,797,996
Money Market	Savings	639,007	-	639,007
Money Market Reserve	Savings	9,000,000	-	9,000,000
Flex Spending	Checking	47,928	-	47,928
Rio Grande Credit Union:				
Money Market	Savings	249,215	-	249,215
Cash on hand		-	-	3,400
US Bank:				
Treasury Money Market	Investments	11,329	-	11,329
U S Treasury Bill	Investments	65,104,614	-	65,104,614
U S Treasury Bill	Investments	6,208,971	-	6,208,971
U S Treasury Bill	Investments	6,241,032	-	6,241,032
U S Treasury Bill	Investments	6,233,612	-	6,233,612
U S Treasury Bill	Investments	6,241,441	-	6,241,441
U S Treasury Bill	Investments	6,243,507	-	6,243,507
U S Treasury Bill	Investments	6,204,230	-	6,204,230
Total Cash Deposits		\$222,093,694	(\$2,114,465)	\$219,982,629

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

BY FINANCIAL INSTITUTION

Collateral Description	CUSIP Number	Current Market	Maturity Date	Coupon Rate
Bank of Albuquerque, N.A.:				
FHMS K043 A1	3137BGJZ3	6,218,863	10/25/2023	2.532%
FHMS K055 A1	3137BPVZ9	875,023	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	875,023	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	875,023	04/24/2025	2.263%
FHMS K055 A1	3137BPVZ9	2,625,068	04/24/2025	2.263%
FN AL6163	3138ENZ51	1,961,138	11/01/2021	2.674%
Location of collateral: Bank of Oklahoma – Oklahoma City, OK				
Wells Fargo Bank, N.A.:				
FMAC FGPC	3128MJZX1	23,193,956	04/01/2047	3.500%
FNMA FNMS	31418CPE8	47,092,313	09/01/2047	3.500%
FNMA FNMS	31418CU77	13,501,248	03/01/2048	3.500%
FNMA FNMS	31418CUA0	47,411,961	02/01/2048	3.500%
Location of collateral: Bank of New York Mellon – New York, NY				
Total Collateral of Cash Deposits		\$144,629,615		

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA and Pass-Through Entity's Identifying Numbers</u>	<u>Total Federal Expenditures</u>
U.S. Department of Environmental Protection Agency <i>Passed-Through</i> New Mexico Finance Authority (NMFA)		
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4200	\$587,309
Capitalization Grants for Drinking Water State Revolving Funds	66.468 DW-4202	489,833
Total U.S. Department of Environmental Protection Agency		\$1,077,142
Total Expenditures of Federal Awards		\$1,077,142

The accompanying notes are an integral part of this schedule.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Water Authority under programs of the federal government for the year ended June 30, 2019. The information in the schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Water Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Water Authority.

Note 2 – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Water Authority did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantors or the 2019 *Catalog of Federal Domestic Assistance*.





Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Brian Colón
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Albuquerque Bernalillo County Water Utility Authority (the "Water Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements, and the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003.

The Water Authority's Responses to Findings

The Water Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Water Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

REDWLLC

Albuquerque, New Mexico
November 22, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors of the Albuquerque
Bernalillo County Water Utility Authority
and
Mr. Brian Colón
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the Albuquerque Bernalillo County Water Utility Authority's (the "Water Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Water Authority's major federal program for the year ended June 30, 2019. The Water Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Water Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Water Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Water Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Water Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Water Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Water Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

REDWLL

Albuquerque, New Mexico
November 22, 2019



ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no
- Other deficiencies identified that are not significant deficiencies or material weaknesses? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major program

CFDA Numbers
66.468

Name of Federal Program
Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

2019-001 (2018-002 and 2017-002) – Public Money Act
(Other Noncompliance)

Criteria: According to 2.2.2.10(J)(3) New Mexico Administrative Code (NMAC), compliance with the Public Money Act, 6-10-1 to 6-10-63 NMSA 1978 is required. According to section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978, must be deposited before the close of the next succeeding business day.

Condition: Based on our testwork over daily deposits, it was determined that the Water Authority did not deposit cash receipts before the close of the next succeeding business day for two out of the thirty deposits tested prior to February 2019, using the old courier, totaling \$83,543. Beginning in February 2019, the Water Authority contracted with a new courier service who could better meet the compliance requirements. Additionally, management has worked with the bank to allow for deposits at closer branch locations when there are times when the courier is at risk of missing the next business day deposit requirement. The receipts tested after contracting with the new courier service in February 2019, were deposited before the close of the next succeeding business day.

Cause: The Water Authority has developed internal controls to ensure that all cash receipts are deposited before the close of the next succeeding business day. However, the Water Authority outsources this function to a third-party courier service and in some instances the courier service will not always arrive by the agreed-upon contracted times, which will result in delays in the deposits of the cash receipts.

Effect: The Water Authority did not comply with the applicable requirements for deposits tested with receipt dates prior to February 2019.

Auditors' Recommendations: We recommend that the Water Authority continue to monitor the new courier to ensure compliance with State Statutes and ensure cash receipts are deposited by the close of the next succeeding business day.

Management's Response: Management concurs with this finding. A new courier contract was established on February 16, 2019 and an alternate deposit delivery site is available in the event the courier is at risk of missing the deposit requirement according to 2.2.2.10(J)(3) New Mexico Administrative Code (NMAC), and in compliance with the Public Money Act, 6-10-1 to 6-10-63 NMSA

1978. The Water Authority Treasurer will continue to communicate with and monitor the performance of the new courier in accordance with the terms and conditions of their contract.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

2019-002 (2018-003) – Compliance with Personnel Rules and Regulations
(Other Noncompliance)

Criteria: During fiscal year 2019, there were two Personnel Records policies in place.

Effective November 1, 2013, according to Section 1001 – Personnel Records – of the Albuquerque Bernalillo County Water Utility Authority Personnel Rules and Regulations, certain employee documentation should be maintained in each employee’s official personnel file and accessible to the public. These documents include the following:

- A. Employee’s application for employment and resume;
- B. Personnel Action Forms;
- C. PERA/ICMA membership application/documents; and
- D. Certifications, degrees, permits, licenses and awards.

Effective March 28, 2019, Section 1001—Personnel Records—was amended to allow the following: “The Human Resources Division is responsible for maintaining required data in the employee’s personnel record or electronically in a Human Resources Information System.” All required data is specified in attributes A-D above.

Condition: Pay periods tested prior to March 28, 2019, were not compliant with the November 1, 2013, policy stating that all personnel records must be maintained in the employee’s official personnel file. Fourteen of the twenty-five files examined, were for pay periods prior to March 28, 2019, and did not have the physical required documents in the official personnel file. For all twenty-five payroll files tested, all personnel records were maintained electronically to comply with the current policy, effective March 28, 2019.

Cause: Internal controls were not in place to ensure that current Personnel Action Forms were maintained in accordance with the applicable Personnel Records policy in effect.

Effect: The Water Authority was not in compliance with the applicable Personnel Records requirements.

Auditors’ Recommendations: Implement internal control procedures to ensure that Personnel Action Form information is being maintained in accordance with applicable Personnel Records policies.

Management's Response: Management concurs with this finding that the Personnel Rules and Regulations were not retroactive to July 1, 2018, to conform with the current process. As of March 28, 2019, the Personnel Rules and Regulations were amended. The Human Resources Division staff are responsible for maintaining required data in the employee's personnel record or electronically in a Human Resources Information System and the Human Resources Manager will monitor its activity for quality assurance in accordance with the Personnel Rules and Regulations.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

2019-003 – New Mexico Per Diem and Mileage Act
(Other Noncompliance)

Criteria: According to Section 100-8-4 of the New Mexico Per Diem and Mileage Act, NMSA 1978, Travel reimbursements from state funds shall be either per diem or actual expenses for lodging. Approving actuals in advance would have allowed the Utility Authority to pay the full amount. Additionally, the Utility Authority cannot reimburse employees partial day per diem, unless the travel is in excess of a 9 hour workday according to 2.42.2.8B(1). Specifically, 2.42.2.11(G) NMAC indicates that mileage accrued while on official business shall be reimbursed for travel on official business. An agency head or designee may authorize by memorandum reimbursement for mileage from a point of origin farther from the destination than the designated post of duty in appropriate circumstances. The memorandum must accompany the payment voucher. If official business is transacted while commuting from home to post of duty or from post of duty to home, mileage shall not be paid for the number of miles between post of duty and home. Odometer readings showing additional miles accrued for official business must be provided to the agency for payment.

Condition: During our testing of travel and per diem expenses, including mileage reimbursements, for one of fourteen transactions, the Water Authority underpaid \$0.84 to an employee related to a mileage reimbursement. This issue was not discovered until the audit and required reimbursement to the employee.

Cause: The Water Authority did not have internal controls in place to ensure compliance with the New Mexico Per Diem and Mileage Act.

Effect: The Water Authority was not in compliance with the applicable New Mexico Administrative Code and State Statutes.

Auditors' Recommendations: We recommend that the Water Authority implement internal controls to ensure compliance with the State Statutes related to the New Mexico Per Diem and Mileage Act.

Management's Response: Management agrees with this finding that all mileage reimbursements should be in accordance with Section 100-8-4 of the New Mexico Per Diem and Mileage Act, NMSA 1978. Internal procedures will be updated to include an annual Internal Revenue Service (IRS) mileage rate inquiry on January 2nd of each year along with updating all corresponding Water Authority reimbursement forms by the Fiscal Officer with final acceptance by the Controller.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PRIOR YEAR AUDIT FINDINGS

2018-001 - Disposition of Capital Assets

Status: Resolved

2018-002 – Public Money Act

Status: Repeated and modified. The Water Authority established a new courier service contract on February 16, 2019 and will monitor courier services to ensure compliance with State Statutes and ensure cash receipts are deposited by the close of the next succeeding business day.

2018-003 – Compliance with Personnel Rules and Regulations

Status: Repeated and modified. The Water Authority did not retroactively implement the updated Personnel Rules and Regulations policy which was effective March 28, 2019.



CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2019-001 Public Money Act

Corrective action plan: A new courier contract was established on February 16, 2019 and an alternate deposit delivery site is available in the event the courier is at risk of missing the deposit requirement. The Water Authority Treasurer will continue to communicate with and monitor the performance of the new courier in accordance with the terms and conditions of their contract.

Persons(s) responsible: Jeffrey Li, Treasurer

Estimated completion date: February 16, 2019

2019-002 Compliance with Personnel Rules and Regulations

Corrective action plan: As of March 28, 2019, the Personnel Rules and Regulations were amended. The Human Resources Division staff are responsible for maintaining required data in the employee's personnel record or electronically in a Human Resources Information System and the Human Resources Manager will monitor its activity for quality assurance in accordance with the Personnel Rules and Regulations.

Persons(s) responsible: Judy Bentley, Human Resources Manager

Estimated completion date: March 28, 2019

2019-003 Travel and Per Diem

Corrective action plan: Internal procedures will be updated to include an annual Internal Revenue Service (IRS) mileage rate inquiry on January 2nd of each year along with updating all corresponding Water Authority reimbursement forms by the Fiscal Officer with final acceptance by the Controller.

Persons(s) responsible: Gerri Maurino, Fiscal Officer; Susan Lander, Controller

Estimated completion date: Retroactively amend procedure to begin July 1, 2019, January 2, 2020, and each January 2nd thereafter.

ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

EXIT CONFERENCE

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

An exit conference was held on Thursday, November 21, 2019 at the office of the Water Authority with the following present:

On behalf of the Water Authority:

Debbie O'Malley, Chair

Mark S. Sanchez, Executive Director

Stan Allred, Chief Financial Officer

Marta Ortiz, Controller

Susan Lander, Budget Analyst

On behalf of REDW LLC:

James Montoya, Principal

Chris Bitakis, Senior Manager

Appendix B

CUSIP Numbers

Bond Issue name	D/S Month & Year	CUSIP	Principal
Joint Water and Sewer 2013A	July 2020	013493EA5	\$4,325,000
	July 2021	013493EB3	4,540,000
	July 2022	013493EC1	4,770,000
	July 2023	013493ED9	5,005,000
	July 2024	013493EE7	5,255,000
	July 2025	013493EF4	5,520,000
	July 2026	013493EG2	715,000
	July 2027	013493EH0	750,000
	July 2028	013493EJ6	790,000
	July 2029	013493EK3	830,000
	July 2030	013493EL1	870,000
	July 2031	013493EM9	915,000
	July 2032	013493EN7	960,000
	July 2033	013493EP2	1,005,000
Joint Water and Sewer 2013B	July 2020	013493EW7	\$5,635,000
	July 2021	013493EX5	5,980,000
	July 2022	013493EY3	6,330,000
	July 2023	013493EZ0	2,790,000
	July 2024	013493FA4	2,420,000
Joint Water and Sewer 2014A	July 2020	013493FC0	\$1,575,000
	July 2020	013493FJ5	7,450,000
	July 2021	013493FD8	9,415,000
	July 2022	013493FE6	2,185,000
	July 2022	013493FK2	7,785,000
	July 2023	013493FF3	10,395,000
	July 2024	013493FG1	10,910,000
	July 2025	013493FH9	11,385,000
	July 2026	013493FP1	5,000,000
	July 2027	013493FQ9	5,255,000
Joint Water and Sewer 2014B	July 2020	013493FV8	\$2,235,000
	July 2020	013493GE5	6,045,000
	July 2021	013493FW6	8,235,000
	July 2022	013493FX4	8,435,000
	July 2023	013493FY2	8,505,000
	July 2024	013493FZ9	8,570,000

Bond Issue name	D/S Month & Year	CUSIP	Principal
	July 2025	013493GA3	8,635,000
	July 2030	013493GU9	7,060,000
	July 2031	013493GV7	7,295,000
	July 2032	013493GW5	7,660,000
	July 2033	013493GX3	8,035,000
Joint Water and Sewer 2015	July 2020	013493GJ4	\$16,215,000
	July 2021	013493GK1	17,380,000
	July 2022	013493GL9	11,785,000
	July 2023	013493GM7	16,595,000
	July 2024	013493GN5	17,275,000
	July 2025	013493GP0	15,510,000
	July 2026	013493GQ8	17,875,000
	July 2027	013493GR6	18,765,000
	July 2028	013493GS4	11,150,000
	July 2029	013493GT2	11,495,000
	July 2030	013493GU9	7,060,000
	July 2031	013493GV7	7,295,000
	July 2032	013493GW5	7,660,000
	July 2033	013493GX3	8,035,000
Joint Water and Sewer 2017	July 2020	013493HA2	\$4,245,000
	July 2021	013493HB0	4,455,000
	July 2022	013493HC8	4,680,000
	July 2023	013493HD6	4,910,000
	July 2024	013493HE4	5,160,000
	July 2025	013493HF1	5,415,000
	July 2026	013493HG9	5,685,000
	July 2027	013493HH7	5,970,000
	July 2028	013493HJ3	6,270,000
	July 2029	013493HK0	6,585,000
	July 2030	013493HL8	4,830,000
	July 2031	013493HM6	5,070,000
	July 2032	013493HN4	5,320,000
	July 2033	013493HP9	5,590,000
	July 2034	013493HQ7	5,865,000

Joint Water and Sewer 2018

July 2020	013493HR5	\$5,285,000
July 2021	013493HS3	5,550,000
July 2022	013493HT1	5,825,000
July 2023	013493HU8	6,120,000
July 2024	013493HV6	6,425,000
July 2025	013493HW4	6,745,000
July 2026	013493HX2	7,080,000
July 2027	013493HY0	7,435,000
July 2028	013493HZ7	7,810,000
July 2029	013493JA0	8,200,000
July 2030	013493JB8	8,610,000