

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY MEETING
Wednesday, September 19, 2018, 5:03 p.m.

VINCENT E. GRIEGO CHAMBERS
ALBUQUERQUE-BERNALILLO COUNTY GOVERNMENT CENTER
ALBUQUERQUE, NEW MEXICO 87102

A P P E A R A N C E S

COUNCILOR TRUDY JONES, Chair

COMMISSIONER DEBBIE O'MALLEY, Vice Chair (excused)

COUNCILOR PAT DAVIS, Member

COUNCILOR KLARISSA J. PENA, Member

COMMISSIONER STEVEN MICHAEL QUEZADA, Member
(telephonic)

COMMISSIONER LONNIE C. TALBERT, Member (excused)

MAYOR TIMOTHY M. KELLER, Member (excused)

PABLO RAEL, Trustee (excused)

SARITA NAIR, Alternate

BEFORE: KIM KAY SHOLLENBARGER, RPR, CCR #236
 Paul Baca Professional Court Reporters
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102

1 CHAIRWOMAN JONES: Good evening, ladies and
2 gentlemen. I call this September 19th, 2018 meeting
3 of the Albuquerque Bernalillo County Water Utility to
4 order. Commissioner Quezada will participate by
5 telephone and Commissioner O'Malley is excused. All
6 other members are present.

7 Let's start with the Invocation and Pledge
8 of Allegiance. We'll have a moment of silence, then
9 the Pledge of Allegiance led by Ms. Nair.

10 (Invocation/Pledge of Allegiance)

11 CHAIRWOMAN JONES: Thank you. Thanks for
12 being here this evening. We're going to change the
13 agenda a bit. We're going to move Item 10A up to the
14 first of the meeting, so that is Other Business,
15 which is a Water Report. We have two people giving
16 presentations. The first is New Mexico Drought
17 Report by Mr. Bustos. Or not. By Katherine Yuhas.

18 MS. YUHAS: I'm so glad I could be here with
19 you this evening.

20 CHAIRWOMAN JONES: Thank you.

21 MS. YUHAS: Madam Chair, Members of the
22 Board, we are still in a severe drought, but just
23 like last month our customers are doing a great job
24 conserving water, now that we're getting a little bit
25 of rain. You'll see over on the right that we have

1 used 386 million gallons less than we did for this
2 same time period last year. That equates to about
3 one-and-a-half gallons per person per day, and it
4 means that we will probably finish this year at about
5 a two-gallon per person per day reduction, which is
6 fantastic, given the drought conditions we've been
7 experiencing all year. So we have some very savvy
8 customers with their water use.

9 And more good news for you. This is the map
10 showing the probability of precipitation during the
11 months of December, January and February, so this is
12 our winter. And it looks like we're going to have a
13 wet winter and we should be developing some good
14 snowpack. So this should be a better year than last
15 year that way.

16 And with that, I'll answer any questions you
17 might have.

18 CHAIRWOMAN JONES: Thank you for making that
19 happen. My husband, who is a skier, will be happy.

20 Are there any questions, Commissioners?
21 Ms. Yuhas, thank you.

22 MS. YUHAS: Thank you.

23 CHAIRWOMAN JONES: Next we have a Threat
24 Assessment report by Diane Agnew.

25 MS. AGNEW: Good evening, Members of the

1 Board. I'm going to be sharing this presentation
2 with Kate Mendoza, together we make up the Source
3 Water Protection team. We left our capes in our
4 office, and so Kate is going to kick this off.

5 MS. MENDOZA: Hi, I'm Kate Mendoza. I'm a
6 water resource specialist. And Diane Agnew is our
7 water quality hydrologist.

8 We're excited tonight to get the opportunity
9 to talk to you about our Source Water Protection
10 Plan. And more specifically, the groundwater
11 assessment that we just completed for that.

12 Just want to also note real quick that our
13 plan was the American Waterworks Association 2018
14 Exemplary Source Water Protection Plan. We're the
15 only very large utility to receive that and we
16 received that in Las Vegas this summer.

17 So as part of the Source Water
18 Protection Plan, it is a plan to protect ultimately
19 our two sources of water, surface water and
20 groundwater, both.

21 So in this plan we look at, and as part of
22 this plan, we look at the potential sources of
23 contamination or threats that we may have to our
24 source waters. We look at and we evaluated all of
25 the threats and potential sources of contamination

1 that we may have and we developed a list of
2 protection measures that we can do to protect our
3 source water and reduce and eliminate those potential
4 sources from becoming actual sources.

5 Source water protection takes a team. The
6 Water Authority is very much the head of that, but it
7 takes partnerships with other entities, such as the
8 City and the County, both, to participate in source
9 water protection for our future.

10 So for the assessments we started off by
11 delineating the source water protection areas for
12 both groundwater and surface water, then we completed
13 an inventory of all of those potential sources of
14 contamination and that included land use, what the
15 land was used for in the area. It also included
16 sources from the New Mexico Environment Department,
17 where they keep a whole database of things that
18 they're tracking for source water protection. And
19 then with those assessments we finally determined a
20 susceptibility of our water supply to contamination
21 by looking at the vulnerability to the potential
22 sources of contamination and by looking at the
23 sensitivity of the wells to contamination.

24 So to explain the source water protection
25 area a little bit more, I have these two graphics up

1 for you. On the left you see the groundwater source
2 water protection area, SWPA, and the surface water
3 source water protection area.

4 So the outer ring, you see there's a well in
5 the middle and it has several zones, zones A through
6 D, where we looked at the potential sources in those
7 areas. So you may notice on this map there's some
8 dots and some lines and there's all kinds of stuff
9 going on. There are some parcels delineated from
10 land use that may be of interest, such as gas
11 stations or dry cleaners. And there's also on here,
12 you may see like green squares, those delineate
13 parks, for example. And although those are not
14 typically what you would think of as a source of
15 contamination, it's something to be aware of.

16 For example, overuse of fertilizers, that
17 could happen at a park. We are not saying that it
18 is, but it could. So it's a potential source. And
19 so it looked at arroyos, it looked at roads, it
20 looked at all different kinds of things were included
21 in those lists. So we got a comprehensive overview.

22 And then the surface water one, you can see
23 on the right, there's a lot more going on in that
24 picture. The scale is a little bit larger. You're
25 looking at our diversion in Albuquerque. And then

1 just upstream of that, three river miles, into the
2 Corrales area. So you may see lots of dots, there's
3 actually a lot of them, represent private wells in
4 the Corrales area. Again, same thing, not a source
5 of contamination, but potential.

6 And I'm going to turn it over to Diane to
7 discuss further.

8 MS. AGNEW: Thank you. So this graphic here
9 is -- one of the things you'll hear come up over and
10 over again in these assessment is this idea of a
11 potential source of contamination, or a threat.

12 So that phrase, potential source of
13 contamination, is pretty broad in its definition.
14 Like Kate said, it can be anything from a park, from
15 fertilizers, to insecticides, herbicides. Two things
16 that we traditionally associate with contamination,
17 gas stations, dry cleaners, you know, industrial
18 manufacturing facilities. And we also have in there
19 agricultural fields are accounted for because
20 agricultural fields, again, have fertilizer, but they
21 also have runoff of that that can go into the river,
22 it can go down into the groundwater. Doesn't mean it
23 definitely does, but it could.

24 This graphic is one that we actually created
25 for our assessments. One of the things we were

1 trying to figure out how to do is talk to our
2 customers about potential sources of contamination
3 without scarring them, but also educating them.
4 Because part of living in an industrialized city and
5 urban area is, we do have potential sources of
6 contamination.

7 So we created this graphic, which is
8 actually being picked up by the urban water groups.
9 There are a lot of community groups that are taking
10 our graphic and using it to talk to their residents,
11 because there are things that we can all do. There's
12 some things we need awareness on, and this graphic
13 communicates that.

14 Another one on here, I like to highlight, is
15 the landfill. Former landfills had regulations, and
16 current landfills, so it's identified as a potential
17 source of contamination.

18 So our Groundwater Source Water Assessment
19 looked at, as Kate said, the susceptibility of our
20 groundwater supply wells to contamination, and that
21 had several inputs. One of them was well
22 infrastructure. We worked with our engineering group
23 to look at their asset management plan and the
24 analysis that they had done on the wells
25 infrastructure to high risk of well failure, because

1 that could make it potentially more susceptible. We
2 also looked at hydrogeology, what is actually
3 occurring in the ground that could prevent
4 contamination from getting to a well.

5 I like to think of sensitivity as a
6 mitigation measure. Is there anything that you can
7 do to stop or prevent or slow contamination from
8 impacting a source.

9 And then the other part of it was
10 vulnerability. So how vulnerable are we if something
11 were to happen. So what is the type of contaminate.
12 Are we talking about a contaminate that likes to be
13 in water, it's soluble, or one that likes to be in
14 dirt is insoluble, the occurrence of that, how many
15 times does it occur within a protection area. And
16 then also, how close is it to the source. Are we
17 talking about a mile, half a mile. Really, you know,
18 within a quarter mile of a well.

19 We analyzed 83 individual wells and their
20 susceptibility actually went across the full range.
21 We had wells that ranked as low. We had one well
22 that ranked as high. That one high rating was a well
23 that was aging and so it scored really different,
24 mostly by its infrastructure, and was already flagged
25 for replacement, so it was a well that we expect that

1 we can bring down in its score.

2 We also identified six priority groundwater
3 contamination sites. So as part of our assessment
4 Kate and I built an inventory of known groundwater
5 contamination in Albuquerque, looked at those sites.
6 Looked at where they were in the regulatory process,
7 looked at proximity to our wells and came up with a
8 priority list.

9 So we're tracking all the groundwater
10 contamination sites, but these six are top priority
11 sites that we will take to our regulators, to our
12 local agencies so we can all focus our resources,
13 make sure these sites get remediated rapidly.

14 The susceptibility scores were used to make
15 the protection measures. The protection measures are
16 things we believe that we can do to either take that
17 score from high to moderate or low for the well, or
18 maintain a low status for a well.

19 So what were the protection measures. Well,
20 one of the things I think is really exciting is that
21 the groundwater source assessment, many of the
22 recommendations were things that the Water Authority
23 is already doing. I think that's really pretty
24 incredible. For example, the Water Authority is
25 already monitoring with increased frequency on a

1 voluntary basis at wells near known groundwater
2 contamination.

3 For example, the Kirtland bulk fuel spill
4 wells are in close proximity to that site; we've been
5 monitoring that monthly. We were already voluntarily
6 looking at all of our wells for a wide range of
7 analytes on an annual basis and that was one of the
8 recommendations that came out in the assessment. So
9 we were doing a lot of things already, including the
10 coordination and collaboration with other agencies.
11 So City and County, we are already talking to them on
12 a regular basis, talking about the programs that they
13 have, programs that we have, how we can partner on
14 outreach efforts, education efforts.

15 And that goes to the third goal. The public
16 education and outreach are key. So working with our
17 customers to know that they have a role in this.
18 Something I talked to Councilor Gibson about was the
19 prescription drug disposal. Don't flush it down the
20 toilet. And that's something that is pretty simple
21 to send the message out on. And then that actually
22 led to the development of the magnet that you each
23 received tonight. This is a first edition Source
24 Water Protection Program magnet. And we gave that
25 out to all of our customers at the customer

1 conversations. Hang it on the refrigerator at home.
2 And that web site link on the magnet actually takes
3 you to what we saw as one of biggest needs, was
4 one-stop shopping.

5 You know, I knew for myself that if I had to
6 go to multiple web sites to find information, I was
7 unlikely to go do that. You know, our customers are
8 the same way. So we put the information from that
9 link so they can easily get to, how to get rid of
10 household hazard waste, where they can find
11 prescription take-back programs, like neighborhood
12 clean-up days and those kinds of things. So all of
13 those are one-stop shopping link to make it easy and
14 accessible to all of our customers.

15 And with that, we'll stand for questions.

16 COUNCILOR DAVIS: Madam Chair.

17 CHAIRWOMAN JONES: Yes, Councilor Davis.

18 COUNCILOR DAVIS: Ms. Agnew, I'm getting
19 ahead of ourselves. I know there's another piece of
20 this we talked about, oil and gas sort of issues.
21 Are we going to include that here or are we doing
22 that in a water report later? But I think that's
23 another piece of this, really big work that you all
24 have been taking on.

25 MS. AGNEW: We did account for oil and gas

1 in our groundwater source water assessment. And we
2 didn't include it in the presentation tonight because
3 what it ended up being is that we found that there's
4 no risk in our service area that -- we looked at
5 permits, we looked at existing wells, found that they
6 had either been abandoned or the permits were with
7 companies that weren't in business anymore.

8 And then we also looked at the USGS study
9 and also the New Mexico Bureau of Geology and Mineral
10 Resources study that they had done for Sandoval
11 County, to look at the potential.

12 So asking the question, is there potential
13 for oil and gas in our service area in Bernalillo
14 County? And what those two assessments found the
15 answer to that is, no. And I highly recommend the
16 Bureau of Geology study, and they have a great
17 presentation that they can give to you.

18 But the clip notes are, that they looked at
19 the data for our basin, they looked at what could
20 potentially be occurring here, and if it was here, it
21 would be at depths that would be to 28,000 feet below
22 ground. And then if someone were to get down there
23 to get to the gas, it was going to be methane, which
24 is not an economic resource at this point. So we did
25 account for it and we can give more detailed

1 information for sure. It was not anything that came
2 out of the assessment as being something that we were
3 concerned about.

4 COUNCILOR DAVIS: Thank you. Madam Chair, I
5 just want to, if I may, follow that and say, the
6 staff has been really working at this. You all have
7 been working on this for quite some time. As you can
8 see, it's not just a quick look. It's a
9 comprehensive look at all 150-some odd wells we have,
10 sort of what are the contaminates, what are the
11 concerns going forward for the next few years and
12 really looking forward, because we've been looking
13 long before I was on this Board. Staff and this
14 Board has been looking at, how do we get to a place
15 with the Kirtland spill and how do we avoid that with
16 all of these future other areas. And I have to say,
17 having been able to sit in on some of these over the
18 last few months, I'm incredibly impressed at the
19 amount of data it took, and then compiling from all
20 these different places and silos. I think the next
21 step for us, and I think maybe Ms. Agnew and
22 Ms. Mendoza maybe want to ask. But I think the next
23 step for us is, as the Water Authority completes this
24 report and we look at what are our threat
25 assessments -- what are our threats around our wells

1 that -- maybe not the ones that are already slated to
2 be replaced, but the ones we certainly need to have
3 in service for the next 20 years, 50 years and 100
4 years for our water plant, it sounds to me like
5 there's a land use regulation role here for the City
6 and the County to really look at those source water
7 zones, right, and decide what type of land use is
8 necessary or restrictions or permitting might be
9 necessary to ensure that we don't accidentally get
10 another potential polluter over a source. Is that
11 sort of the next steps for this, as I understand?

12 MS. AGNEW: It's definitely a recommendation
13 that came out of the groundwater source water
14 assessment and it's -- you'll see a lot of large
15 municipalities, they call them wellhead protection
16 areas, so they're formal areas where they're exactly
17 what you're talking about. Looking at land use,
18 whether or not the -- you know, a designated wellhead
19 protection area, what can be zoned for being
20 constructed. And also look at how -- what kind of
21 rules are put into place for transferring properties
22 and that kind of stuff. So it's definitely something
23 that can be a tool for reducing susceptibility of
24 water. Our well resources for sure.

25 COUNCILOR DAVIS: Madam Chair, my last one

1 is, what are our next steps, Mr. Sanchez, Ms. Agnew,
2 Ms. Mendoza? What are the next things we need to do?
3 We now have a great program. Clearly we've got the
4 early data from everybody, from oil and gas, to the
5 State, to the City and others. What's our next step
6 in this? Do we need to look at those source programs
7 for each of the wells and really start to do that?
8 What type of investment does it take from this Board
9 or program will it take to get that type of data so
10 that we can start to protect the land above our
11 water?

12 MS. AGNEW: That's a great question. So
13 short-term, I think we need to start working with the
14 City and County to implement some of these protection
15 measures. One of the things that we have flagged for
16 future updates to this assessment which, by the way,
17 that's one of the recommendations too, is regular
18 updates to this. So we're not going to put this on
19 our shelf and come back to it in ten years. We're
20 going to be looking at it continuously. Not on a
21 scale, but every year, what do we know more --
22 actually, literally, Monday a news site came up on my
23 radar, we're already getting into understanding the
24 site and innervating it into the assessment. So
25 doing the regular updates. And then looking at what

1 other source water protection programs are doing for
2 the wellhead protection areas. So some cities do
3 capture analysis, so they're actually looking at what
4 the well zone of influence is. There are other ways
5 to look at that protection area that may be more
6 representative and protective than the uniform
7 radius. So that's one of the things we flagged for
8 the next five-year update, is to be able to get to --
9 to look at how we did that and see if we really want
10 to keep doing that or if we want to go to the capture
11 zone or a more representative protection area. And
12 so that's in our future update.

13 COUNCILOR DAVIS: Thanks. Mr. Sanchez, help
14 me a little bit. Is it appropriate for us to do,
15 this Board, to adopt these findings or make a
16 resolution and a recommendation asking the City and
17 the County to begin that process? I know we work
18 through the Intergovernmental Committee anyway
19 already, but what is the right process for us to move
20 forward, from the Water Authority, to ask the City
21 and the County to help us protect those areas?

22 EXECUTIVE DIRECTOR SANCHEZ: Madam Chair,
23 Councilor Davis, I think that's certainly possible.
24 There's nothing inappropriate of that. I think our
25 plans are to continue the public education process in

1 a meaningful way. Our last round of customer
2 conversations were on source water protection and we
3 received a lot of feedback from the public about the
4 best ways to communicate these messages, so we plan
5 to do that. But we can certainly prepare a memorial
6 of some type that would go to the City and the
7 County, encouraging them to go through this report
8 and collaborate and adopt appropriate provisions.

9 COUNCILOR DAVIS: And whether it's that or
10 just something we can share with other councilors and
11 commissioners to help them understand why we think
12 this is so important, I think that would be great.
13 So thank you, Madam Chair, for the time. I
14 appreciate it.

15 CHAIRWOMAN JONES: Thank you, Councilor
16 Davis. Are there any other questions or comments?
17 Thank you. We now have the Water 2120 update with
18 Mr. John Stomp.

19 MR. STOMP: Good evening, Madam Chair and
20 Members of the Board. I came in September and I gave
21 a quick update on the Water 2120, sort of an
22 overview, and then talked a little bit about the
23 policies that were in the Water 2120 plan.

24 Tonight I'm going to review a little bit of
25 what I talked about last time in terms of the

1 policies, but I'm going to talk a lot more about
2 infrastructure tonight and kind of set the stage for
3 what's going to be required in terms of
4 infrastructure for those of you that weren't part of
5 2120 process or for those of you that need a nice
6 little review.

7 If you remember, one of the huge successes
8 that we have at the Water Authority and the City
9 before us is our conservation plan and efforts that
10 we've taken to reduce our water use. And this is a
11 picture of our water use over time.

12 If you look at the bottom portion of the
13 graph it shows our water use starting about 1992 and
14 it goes along to about 2017. In 1995 we were using
15 about 125,000 acre feet a year and over the last 5
16 years we've used less than 100,000 acre feet. So
17 here we are, we've increased the number of accounts
18 by about by 50 percent. We've grown by 50 percent
19 and the amount of water that we're using is
20 significantly less. That's an incredible story. Our
21 GPCD started at 250 and it's gone to 128. We've
22 adopted a new goal of 110 gallons per capita per day
23 by 2037.

24 One of the biggest benefits that we've seen
25 and is very hard to argue against is that the aquifer

1 is rising in the Middle Rio Grande. It's happening
2 everywhere in the Middle Valley. In Albuquerque
3 itself it's probably risen on average of about 40
4 feet.

5 These graphics show what happened as the
6 aquifer was dropping before 2008, when the Drinking
7 Water Project came online and there was a rapid
8 increase and the aquifer continuing to rise. That
9 little graphic that you see going down and coming
10 back up, I'm going to talk about that later in our
11 groundwater management strategy, because that plan
12 is, the aquifer is going to continue to rise for the
13 future, then what are we going to do to make sure
14 that we protect from this happening again.

15 The plan was developed by analyzing what our
16 future demands were going to be, looking at the
17 supplies that we have, incorporating climate change
18 and climate variability and the issues that we're
19 going to face in the future in terms of a potential
20 reduction of our water resources, how do we fill
21 those gaps. That is the difference between our
22 supply and our demand, and what are the alternative
23 strategies.

24 And if you remember, we looked at 57
25 different alternatives in terms of these portfolios

1 and we started to put these together. The demand
2 projections, as we know, are going to be wrong for
3 the future, but if you looked at a range of
4 projections, we looked at low projected demand and
5 high projected and we hope that we're somewhere in
6 the middle, but we know we're going to be wrong. We
7 picked the medium projected demand.

8 And just to put that in perspective, our
9 medium projected demand in the past was now
10 considered our high projected demand. So in other
11 words, the growth has slowed in the region in
12 Albuquerque and so our potential future usage is down
13 as compared to what it was even in 2007.

14 This is the climate variability portion of
15 it. We worked with the Bureau of Reclamation and we
16 used a 121 different hydrologic scenarios that they
17 used to evaluate the impacts of the climate
18 variability on the Colorado River, since our San
19 Juan/Chama water is Colorado River water.

20 They predict on the medium projected supply
21 a reduction of about 15 percent over the next 60
22 years. And the worst case scenario called the
23 hot/dry ensemble was about a 25 to 30 percent
24 reduction. So we use that information in terms of
25 projecting what our supplies might be. So we said,

1 "in the best case, what we got in the past is what we
2 got. In the worst case, we're going to have a 30
3 percent reduction over time."

4 So if you think about the gaps, we're going
5 to continue to grow. Our demand is going to
6 increase, but our supply availability could
7 potentially decrease, or most likely will potentially
8 decrease.

9 So the groundwater management reserve
10 concept, or the Groundwater Reserve Management Plan
11 is to protect the aquifer for the future generations.
12 So where we were in the past is, the aquifer was
13 dropping down. We didn't leave ourselves a lot of
14 options. We brought the Drinking Water Project
15 online, it began to rise. And we saw a pattern there
16 that will allow us to manage the aquifer for the
17 future.

18 So we voluntarily adopted policies, and when
19 I say, "we," you, this Board, adopted policies that
20 said, "we're going to reduce our overall groundwater
21 use in the future and we're going to implement
22 projects," that is, infrastructure to use our
23 existing resources so that we don't get in that
24 situation where the aquifer is dropping again.

25 So our goal is, if you look at this graphic,

1 we got the dotted orange line coming down. If you
2 remember that picture I showed you of the aquifer
3 dropping previously, that's a projection of that.
4 It's starting to rise and we think it's going to rise
5 for about ten years. And when we get to that top, so
6 to speak, where do we go from there?

7 So what we don't want to do is do nothing
8 and end up in the same situation we were in the past,
9 and that would be the white dotted line.

10 The orange dotted line is to implement that
11 infrastructure, which I'm going to talk about here in
12 a little bit. And so that we keep that aquifer above
13 what we are calling the three-quarter full lines. We
14 tried to remember if we had this concept, but trying
15 to explain to the public the gas gauge concept. Like
16 if you've got a full tank, the aquifer was full and
17 we don't want to use a full tank, so we want to save
18 some for the future. So we never want to get below
19 three-quarters of a tank.

20 And what that means is, that this Board has
21 set a policy that we are going to allow our kids and
22 future generations options in the future for water
23 resources management, that we're not going to use up
24 all the supplies that we have in the next hundred
25 years and leave our kids with no choices. So that's

1 what the Groundwater Management Plan is about.

2 The portfolio that we looked at, this was,
3 what are some of the 47 alternatives. Of course
4 we're going to use our existing supply, that's our
5 groundwater and our surface water.

6 I talked about the conservation plan. We're
7 going to do additional reuse. As we continue to pump
8 less from the aquifer. As we pump we owe water to
9 the river, we pay that back through our return flows.
10 As that obligation reduces over time we're going to
11 have excess return flows. And instead of just
12 letting it flow down the stream, we're going to be
13 using those return flows either to put on turf for
14 irrigation or actually to treat and to use as a
15 drinking water source.

16 Storm water capture is part of our long-term
17 management. Indirect potable reuse, which I just
18 talked about, and watershed management. So this was
19 one of the three portfolios that we put together,
20 some of those 47 alternatives, to fill those gaps.

21 So when we projected that gap for the future
22 we used the medium supply and we used the medium
23 demand. We had a gap that started in 2080 and went
24 up to as high of about 40,000 acre feet. When we
25 implemented portfolio number one that gap went away.

1 When we looked at the long-term supply
2 problems associated with the hot/dry scenario we
3 still had a gap and that gap started about 2085 and
4 again went up to about 40,000 acre feet. We had
5 alternatives in our bag that we could have put
6 together to fill that gap, but we felt strongly, when
7 I say, "we," again, this Board, felt very strong that
8 rather than trying to project what's going to happen
9 in 2085, wouldn't it be better to continue to
10 implement this plan, come back and update this plan
11 so we can continue to look at that gap. And if we
12 still have that gap a few decades from now, then we
13 should be able to fill that and come up with
14 alternatives to do that.

15 Some of the key elements of this plan, if
16 you remember, are, we are no longer purchasing water
17 rights. So for many, many decades we were the
18 leaders in transferring water rights out of
19 agricultural use into our groundwater permit, we are
20 no longer doing that. We stopped that when this plan
21 was adopted. And I'm happy to say that the only one
22 that's in the market anymore really is Rio Rancho.
23 And so this has made a huge difference in terms of
24 the long-term impacts in the Middle Valley and we're
25 very pleased about that.

1 We consider climate change and using our
2 existing resource, of course, as the primary element
3 of the plan. I'm not going to go through every one
4 of these key elements.

5 So in this plan we projected this
6 infrastructure that we were going to need for the
7 future, including aquifer storage and recovery and
8 the decade in the 2020s and then going out to 2065
9 looking at additional reuse and indirect potable
10 reused. That is, take effluent, either blend it with
11 another source, treat it and drink it.

12 So these we implemented and looked at in
13 decades, what kind of infrastructure would need to be
14 built. And if you remember the discussion we had,
15 this isn't an infrastructure necessarily that we're
16 going to build, could be developer-funded or
17 developer-built infrastructure that we accept or it
18 could be infrastructure that our ratepayers do, it's
19 going to be some combination of that. And it depends
20 on the capacity needed at the time and the capacity
21 that people potentially request from us in the future
22 in terms of when these potential projects might fall
23 in line.

24 So we have a series of projects here over in
25 the next 45 years. In terms of 2020 implementation,

1 I started to have this discussion in terms of, where
2 are we at? So we've adopted the Conservation Plan.
3 In terms of our Groundwater Management Plan, I put a
4 nice graphic in here and it's a little bit
5 complicated, but the black line is intended to show
6 you our impact on the river. So as we're pumping
7 more heavily over time, our impact intended to grown.
8 Since the Drinking Water Project came online, you can
9 see the black lines drop significantly. Our impact
10 on the river has dropped about 15,000 acre feet in
11 the last ten years.

12 And that blue-sort-of-area is where that
13 recharge is coming. So we've reversed the trend in
14 the aquifer from dropping, to rising, which means
15 that we're getting more recharge than we are
16 impacting from our pumping itself. So this is
17 incredibly good news. It's going to continue over a
18 period of time.

19 In terms of reuse and recycling, we talked
20 about a West Side Reuse Project, I'll talk a little
21 bit more about that in terms of construction. We
22 have an East Side Project where we're going to build
23 a reuse plant on Kirtland Air Force Base property.

24 And as you remember last month, you adopted
25 a resolution to request funding from the Water Trust

1 Board for a Winrock reuse facility.

2 Water conservation, I'm not going to talk in
3 detail about this. We adopted the plan. You know a
4 lot about it, but we are more focused on outdoor use.
5 So we're looking at reducing our consumptive use,
6 which has a long-term impact on our Water Rights
7 needs.

8 And then we looked at the West Side Reuse.
9 So this is the bosque plant. For those of you who
10 are not familiar, the Bosque High School is located
11 about Montano and the river. We purchased land from
12 the Bosque School about ten years ago. We're getting
13 ready to put a fence around that site, grade that
14 site. We're going to put a nice sign up that says,
15 "The future home of a water reclamation facility," so
16 that everybody knows that's what's happening. And we
17 are moving forward with the phasing and construction
18 of that site in the future. We think it's going to
19 provide about 2 to 5,000 or 2 to 7,000 acre feet of
20 water to serve existing turf areas on the West Side.

21 And one of the tremendous benefits from
22 transitioning to non-potable is you take that demand
23 off the potable system. So if we had, say, a four
24 million gallon a day demand that was needed to serve
25 these turf sites now, we now have four million

1 gallons of potable water available to use in some
2 other way by transitioning to a different source. So
3 that's one of the huge benefits of moving forward
4 with the West Side Reuse.

5 Here's some conceptual layouts of what that
6 might look like. We have a lot of requirements that
7 were built into this, and covenants that we built
8 into this agreement with the Bosque School. It's
9 going to look like the Bosque School. We're going to
10 have a space available to have science classes come
11 over and teach them about waste water treatment.
12 We're going to have free access for them to come to
13 our site and work together. We're going to continue
14 with the BEMP Program, which is the Bosque
15 Environmental Monitoring Program, so we've provided
16 funding for that. It will be completely enclosed.
17 And odor control, of course, will be a big issue.

18 We will not be treating solids at this
19 plant. We'll be treating and separating out the
20 liquids and using the liquids and pumping the solids
21 to the plant, so we won't be handling any solids
22 there.

23 So this is kind of what it might look like.
24 I'm sure it's going to change a lot over the next few
25 years, but we are moving forward with this.

1 On the East Side Reuse, we talked about the
2 Tijeras Plant. We got 60 acres that were donated
3 from Kirtland Air Force Base about six months ago.
4 We're in the process of getting the survey and
5 getting all the documents for that. But that plant
6 would be located right on the Tijeras Interceptor,
7 which runs right along the Tijeras Arroyo. And the
8 concept there is, we would treat that effluent and we
9 could use it for turf irrigation or we could clean it
10 up enough, let it go into the Tijeras Arroyo, let it
11 soak into the ground, build a series of wells and
12 pump it out. You have an aquifer storage and
13 recovery project where we're using some of our
14 effluent for reuse and for aquifer storage and
15 recovery. So that's the concept there.

16 The Tijeras Arroyo is a perfect arroyo.
17 It's a direct contact with the deep aquifer, so it's
18 a perfect spot to do SR. The only problem with it
19 is, it's located with lots of contamination along the
20 Tijeras Arroyo so we got to make sure, if you guys
21 know, the bulk fuel facility is just upstream of
22 this, but we'd have to be careful of where we're
23 putting it in. But this is one of the projects
24 that's moving forward.

25 Direct and indirect potable reuse. We've

1 looked at, and our planning and engineering manager,
2 Dave Price, has started looking at advance wastewater
3 treatment at the South Side Water Reclamation Plant.
4 So when we have excess reuse available we can start
5 to treat that, think about what that might look like
6 in terms of a drinking water source. So this is
7 going to be part of our future. This is what we've
8 adopted. So we're moving forward with these plans
9 now.

10 On the storage front, as you know, we are
11 moving forward with that. Increase storage in
12 Abiquiu Reservoir where we're purchasing the
13 easements to add 35,000 acre feet up there. We just
14 processed the agreement this last month that you
15 agreed to in September for 50,000 acre feet in
16 Elephant Butte and future potential storage either in
17 the aquifer or even potentially off-channel storage
18 reservoir in and around Albuquerque as another option
19 that was talked about in the plan.

20 Storage gives you a lot of flexibility. So
21 when we have excess water that's available we can
22 store it and use it for future times. We don't get a
23 lot of excess water, but when we do, rather than just
24 wiping our brow and say, "thanks, you know, it's
25 great," we may be able to save some of that and use

1 it for the future.

2 In terms of our environmental part of our
3 water operations, I'm happy to say you guys approved
4 the lease from the Bureau of Reclamation last month.
5 They've been using that water. They've used about
6 3,500 acre feet of the 20,000 acre feet. So far the
7 Albuquerque stretch of the river remains wet on the
8 various quantities at different times depending on
9 what's going on upstream of us. We're going to get
10 rain. In fact, it was raining outside right now when
11 I just came in. So that's going to increase the
12 river flows, but you're going to see the Albuquerque
13 stretch wet the rest of the remaining of the
14 irrigation season, which is a very positive outlook
15 in terms of endangered species act collaboration.

16 Adaptive management. This is a process that
17 we're going to continue to update the strategy every
18 five years.

19 This is just some pictures from Abiquiu and
20 Elephant Butte in terms of the increase in storage.

21 Madam Chair, that's all I have tonight. I'd
22 be glad to answer any questions and I look forward to
23 the October presentation to give you some additional
24 information. And thank you so much for your
25 patience.

1 CHAIRWOMAN JONES: Mr. Stomp, thank you.
2 Great report. Very nice. Any questions? Thank you,
3 you answered every question we might have. Thank
4 you, Mr. Stomp, that's great news. Moving right
5 along. I make a motion to approve the August 2018
6 minutes.

7 COUNCILOR PENA: Second.

8 CHAIRWOMAN JONES: There's a motion and a
9 second to approve the minutes. All those in favor
10 say yes.

11 MEMBERS: Yes.

12 CHAIRWOMAN JONES: Opposed? Motion carries.
13 Next we have Proclamations and Awards. Mr. Stomp, I
14 think this is you again.

15 MR. STOMP: Madam Chair, Members of the
16 Board, thank you so much.

17 CHAIRWOMAN JONES: Mr. Stomp, welcome.

18 MR. STOMP: I wanted to present to you this
19 Peak Performance Award we got from the National
20 Association of Clean Water Agencies. We received the
21 Silver Award for having less than five violations at
22 the Wastewater Plant. And I'm actually happy to say,
23 we went 14 months without a violation at the
24 Wastewater Plant the entire fiscal year 2018, so we
25 have significantly done way better at the Wastewater

1 Plant. This is part of that performance. Our next
2 award is the Gold Award, and that is when you have
3 zero violations in a year. Five Gold Awards and you
4 get the Platinum Award, so we have some strides to
5 go. We're proud of this, but this isn't the end of
6 where we're head. So I just wanted to present this
7 award to you. And platinum is our goal, really. So
8 thank you very much.

9 CHAIRWOMAN JONES: Mr. Stomp, thank you.
10 Thanks to all of your crew and everyone that makes
11 this possible. It's not just one person or one
12 division, so thank you all. This is great for
13 Albuquerque and Bernalillo County.

14 MR. STOMP: We have an amazing staff, we
15 really do.

16 CHAIRWOMAN JONES: Thank you. Yes, you do.
17 Thank you. I believe next we have Public Comment.
18 Do we have any speakers? We have three speakers.
19 Would you call the first one, please.

20 MS. CARREON: Elaine Cimino followed by
21 Elaine Hebard.

22 CHAIRWOMAN JONES: And a reminder, you will
23 have three minutes, with a warning at two-and-a-half
24 minutes.

25 MS. CIMINO: My name is Elaine Cimino. I

1 wrote 'The Soul Source Aquifer Designation' that EPA
2 granted to the State of New Mexico for 3,000 square
3 miles in Northern New Mexico. I've sat on the
4 Aquifer Recovery Board when we were writing the
5 regulations for that and I've sat on the Source Water
6 Protection Committee for Rio Rancho. I have also
7 been dealing with the oil and gas issue in Rio
8 Rancho as well. I see that I probably will have to
9 write some kind of a report about this, because while
10 there are some very good things in your Source Water
11 Protection Report, it's missing some really key
12 evidence, and it may be because your staff isn't
13 aware of that evidence.

14 During our research on oil and gas and
15 dealing with Sandoval County for three years now in
16 writing an ordinance, we discovered that they were
17 going to use the brine wells out in the Rio Puerco.
18 They could use raw brine to frack with. So this has
19 kind of changed the issue of where they're going to
20 get their water and how they were going to use it for
21 15,000 wells in Sandoval County.

22 What we discovered in the brine issue was
23 that there was a report that was covered up in a
24 district court hearing that went to the Supreme
25 Court, and that report was a hydrology report that

1 was created for the Interstate Stream Commission, and
2 it was the Schumacher Report for 2009 and 2013. That
3 shows that if they pump that brine of 47,000 acre
4 feet a year they would impact the Rio Grande. And
5 that report was covered up. Then went to the
6 legislature and still covered up that information,
7 and then disallowed beneficial use on brine.

8 So this is really important, because if they
9 frack with brine they can also impact a lot of the
10 shallow aquifers. And so, this information isn't
11 widely known. And it's important that this committee
12 and your staff look into these things and integrate
13 that into this report.

14 There's many more things that I would like
15 to speak to you about, but I think we'll probably
16 have some time coming up next month.

17 CHAIRWOMAN JONES: Thank you, ma'am. If I
18 may ask a question?

19 MS. CIMINO: Yes.

20 CHAIRWOMAN JONES: You say that you wrote
21 the report and we did the study. Who do you
22 represent, please?

23 MS. CIMINO: I'm working with a group of
24 residents in Rio Rancho and we're trying to protect
25 our water.

1 CHAIRWOMAN JONES: So it's a group of
2 residents.

3 MS. CIMINO: I'm not a big NGO or anything
4 like that. We're just trying to protect our drinking
5 water out in Rio Rancho.

6 CHAIRWOMAN JONES: Thank you. Thank you
7 very much. Are there any other questions? Thank
8 you, ma'am.

9 MS. CARREON: Elaine Hebard, followed by
10 Nancy Bearce.

11 CHAIRWOMAN JONES: Good evening, Ms. Hebard.

12 MS. HEBARD: What's the chance of having two
13 Elaines back to back.

14 CHAIRWOMAN JONES: Pretty Slim. But thank
15 you.

16 MS. HEBARD: Hi. My name is Elaine Hebard.
17 As always, given the short comment time, I have to
18 pick and choose among the various topics that I could
19 discuss and I have to leave out a lot of detail,
20 which would be helpful.

21 John Stomp's presentation is delightful.
22 However, the devil is in the details. Let me just
23 give you a couple of thoughts. As shown in the water
24 report, the reduction per capita use and the rising
25 levels is quite a story, but it leaves ample

1 opportunity for asking questions and making
2 suggestions. It tells us that less water was used
3 last year than the year before.

4 I have here a graphic that I've taken from
5 2010 to 2018 for the months January through August
6 from the reports that are submitted to the State
7 engineer by the Water Utility. Actually, it's
8 interesting, it shows a little bit more was used, but
9 not significantly. What's more interesting is the
10 difference on groundwater versus surface water, and
11 that's something that this Board should be taking
12 into consideration.

13 And you can see that the groundwater, which
14 is the blue, is much less now, so that's a good
15 thing. But is it enough? In this dry year that's
16 been 43 percent. In the Water 2120, the goal is that
17 the aquifer levels will rise to be 50 feet below
18 predevelopment level, that still leaves 50 feet not
19 ever refilled. Right now, that hole, if you
20 will, is about 95 to 100 feet, so those river
21 depletions are caused by that hole. And those river
22 depletions were about 60,000 acre feet, almost as
23 much as what was produced so far this year total in
24 water. What had to be going back to fill those holes
25 by the river. What will it take then to fill that

1 extra 50 feet? Well, since we've seen in the last
2 eight years maybe 15 feet rise, and we've got 50
3 feet, that means it's going to have to rise like
4 three times what it has in the last eight years to
5 achieve the goal in the 2020s. How will that be
6 done? By reducing depletions, by reducing pumping.
7 One of the major ways to do that is by reuse, but as
8 you saw from the presentation, reuse kicks in in
9 2035. Right now it's about four percent, half of
10 that, or more than half, is covered by the San
11 Juan/Chama water for the north I-25 project.

12 Anyway, there's a lot more that could be
13 said, but the idea is that triggers, measurements and
14 goals have to have objective targets to breach. And
15 what you have in here is a lot of projects that are
16 going to be used, but what's needed are some very
17 specific triggers and objectives year by year to
18 reach that goal. Thank you.

19 CHAIRWOMAN JONES: Thank you, Ms. Hebard.
20 Are there any questions? And we have a final
21 speaker. Good evening, Madam Treasurer.

22 TREASURER BEARCE: Good evening. Thank you,
23 Madam Chair, Members of the Board here. I come
24 simply to give some information to you that I don't
25 know if you're aware of or not.

1 I recently went to a very nice Sierra Club
2 meeting that devoted itself to this 45-minute video
3 that's out, Sacred Land, Sacred Water. And it is
4 about primarily the fight in Sandoval County. And
5 it's very well done. And I think what I really took
6 away from it was that, you know, the 17 or 18 years
7 that I've been following the Kirtland jet fuel spill
8 and making sure that from a community level that that
9 gets cleaned up, that, you know, we were on the right
10 path for that. That you can have community, you can
11 have residents come together and understand science.
12 You can have scientists come and speak to community
13 people in understandable ways. Although, I know
14 people behind me are not surprised by that comment,
15 especially Diane, who's probably looking at me right
16 now. But what's really great about this video is to
17 have a wonderful geologist, retired geologist, who's
18 worked in the Rio Grande rift for years and years,
19 this is where his profession was, and talk about
20 educating elected officials like yourself, governing
21 bodies, regular laycitizens, people who just, you
22 know, go home and want to turn on their water and
23 have safe water, and that a way we can do that is all
24 engaging together. Because when you look at this
25 picture, which is a cross-section of the Albuquerque

1 rift that we have, that really goes from Cochiti all
2 the way down to Belen, which is why we raised the
3 issue with the Kirtland jet fuel spill. Because we
4 said, "do you realize this will affect the largest
5 urban area in New Mexico?" This is not a Southeast
6 Heights issue. This is major New Mexico issue. So
7 when we come together on these things, I think we can
8 and we must do our part to make sure that that
9 happens. Because it's complicated stuff, you know
10 that from sitting on this Board, but you can
11 understand it, you can make decisions, and you can
12 work off of it. Thank you very much.

13 CHAIRWOMAN JONES: Thank you. Thanks for
14 coming here. I think Councilor Davis has a comment.

15 COUNCILOR DAVIS: Madam Treasurer, thanks so
16 much for bringing that to us. And you're absolutely
17 right, it is a good video. You may have been here
18 actually, Commissioner O'Malley and Councilor and I
19 hosted a town hall with Don and some of the folks
20 that were working on this project earlier in the year
21 and we're going to follow that up with a preview, or
22 a public showing of that video at the Kimo, since we
23 have the mic, on October 14th at 2:00 p.m. So Nob
24 Hill and others are helping to get that organized to
25 continue that public education. And so for the

1 handful of people who watch these meetings on T.V.,
2 we'll ask them to come join us on October 14th and
3 I'd love to have you be there, because you've been a
4 part of that Kirtland piece from the very beginning.

5 TREASURER BEARCE: That would be wonderful.
6 I did purchase this video, so any of you Councilors
7 would like to borrow it for any community meeting,
8 I'm sure it can be lent out to you. Thank you.

9 CHAIRWOMAN JONES: Thank you, ma'am. We
10 will send you a bill for that commercial, Councilor
11 Davis. The next item is the next scheduled meeting,
12 which will be October 17th, 2018 at 5 p.m. in the
13 Vincent E. Griego Chambers.

14 Customers wishing to participate in this
15 year's customer conversations on drinking water
16 quality can register on our web site at
17 www.abcwua.org. All the meetings are at 6 p.m. on
18 the following dates and locations: October 18th at
19 the Manzano Mesa Multi-Generational Center; October
20 24th at the Don Newton-Taylor Ranch Community Center;
21 November 8th at the South Valley Senior Center; and
22 November 13th at the Sid Cutter Pilot's Pavilion
23 Center. Again, all these meetings will be at 6 p.m.
24 If you have questions, of course you can call the
25 office.

1 We have no Introductions of Legislation. We
2 have no Consent Agenda. So we'll move right along to
3 the Approvals. And we have one speaker.

4 MS. CARREON: Elaine Hebard.

5 CHAIRWOMAN JONES: Hello again.

6 MS. HEBARD: Hi. Good evening, again. When
7 discussing Item 9A, authorizing the borrowing of 83
8 million, I would also refer you to Item 9C being the
9 resolution to approve the unaudited FY18 Financial
10 Report and Item 9D, being the Fourth Quarter
11 Performance Indicator Report.

12 According to the memo on the financial
13 report, revenues were higher, expenses were lower,
14 and there was \$20 million more in the cash reserves
15 than at the beginning of FY17. So if there was such
16 a surplus, why is borrowing going to be \$27 million
17 more than what the plan had been when it was proposed
18 a couple of years ago.

19 Indeed, why has there been the need to
20 borrow more than the biennial amount of 56 million
21 for the last three borrowings. Given the surplus of
22 projection, which was projected -- sorry, the surplus
23 of revenue, which was projected, why is there a need
24 to borrow an additional 40 million above the 218
25 million that was supposed to be borrowed between now

1 and 2024?

2 If the cash reserves are actually more than
3 the 1/12th necessary to have as reserved, why not use
4 those to pay down some of the obligations and
5 expenses? No matter what, is the CIP spending
6 keeping up?

7 So this chart that I'm showing you right now
8 is the graphic that was showed last April and it
9 shows CIP spending to be for 2019 somewhere in the
10 neighborhood of 64 million. However, as you can see
11 from the budget, it was actually 84 million. That
12 may be because, as shown by this graphic, there was a
13 \$20 million carryover from the previous year. So in
14 FY17 to FY18 there was a carryover. There's probably
15 a good 25 to \$30 million carryover this time.

16 So again, I'm wondering how these decisions
17 are being made. How does the ABCWUA compare to other
18 utilities in its borrowing? Well, you'll notice that
19 the red line, which is the Utility, is way higher
20 than everybody else. This is the FY17 Performance
21 Plan. Lower values are good. Not higher values. So
22 that's not reported in the indicators that will be
23 provided tonight.

24 But as you can see, my three minutes are up.
25 It's not enough to give a full report. What I would

1 suggest is there be some assistance provided to the
2 Board to go through a lot of these issues, rather
3 than a three-minute snapshot. Sort of a rapid-fire
4 snapshot, if you will. Thank you.

5 CHAIRWOMAN JONES: Thank you, ma'am.

6 EXECUTIVE DIRECTOR SANCHEZ: Madam Chair, I
7 think all those issues will be addressed during the
8 presentations.

9 CHAIRWOMAN JONES: Moving to Approvals. Is
10 Commissioner Quezada on the phone? No, okay. First
11 is 0-18-7, authorizing the issuance and sale of the
12 Water Authority Senior Lien Joint Water and Sewer
13 Revenue Bonds, Series 2018 in the aggregate principal
14 amount not to exceed 83 million. Mr. Eric Harrigan
15 from RBC. Good evening.

16 MR. HARRIGAN: Thank you. Good evening,
17 Madam Chair, Members of the Authority. Eric
18 Harrigan, RBC Capital Markets.

19 So I have before you a presentation that
20 I'll walk you through that covers not only this
21 agenda item, but the next agenda item, which is the
22 conforming resolution.

23 So for the 2018 bonds, we expect to sell
24 this at a negotiated sale on October 16th, and the
25 estimated borrowing rate, which is a little

1 conservative, given current market conditions, it's a
2 little above three percent. This will be sold as a
3 12-year final maturity, which is conservative given
4 where most utilities borrow, but you're able to
5 retire more of your debt quicker and really provides
6 for a very attractive debt maturity schedule for the
7 bond-buying community.

8 The issuance of these 2018 bonds conforms
9 with the Authority's debt policy. The Authority has
10 ratings with Standard and Poor's, Moody's and Fitch.
11 We had a rating meeting with Standard and Poor's and
12 Moody's on Monday, but similar to the last time the
13 Authority borrowed, we're not seeking a Fitch rating.
14 We expect that those ratings will be maintained.

15 The proceeds of the 2018 bonds will be used
16 for the following: 56 million for a general project;
17 12 million for special projects, specifically,
18 clarifiers; 9 million for consolidated customer
19 services and field operations; 2 million for IT
20 projects; 2 million for aquifer storage and recovery;
21 and then 3 million for the solids dewatering plant,
22 for a total of 84 million.

23 From a time schedule standpoint, as I
24 mentioned, we plan to, subject to your approval, we
25 plan to market these bonds on and around the 16th of

1 October, and then would schedule to come before the
2 Board and report the sale results to you. And then
3 we would close at the end of October and that's when
4 funds would be available for the Authority to expend
5 on the projects that I covered.

6 On the following page we have a breakdown of
7 the sources and uses of funds, as well as the
8 anticipated maturity schedule based upon on current
9 interest rates. Just like to point out that the
10 estimated par amount will be about 75 million. The
11 reason that is, we expect a premium because the
12 coupons that will be sold to investors will be higher
13 than the equivalent yields; and therefore, investors
14 pay a premium for that higher coupon, that's why a
15 lower par amount. But it will fund \$84 million in
16 projects, cost of issuance of 400,000, that makes up
17 rating agency fees, financial advisory fees.

18 We have an agreement through the Water
19 Utility Authority that we've piggybacked off the
20 County agreement that was awarded through an RFP.
21 And then the underwriter discount, J.P. Morgan and
22 R.W. Baird will serve as the underwriters for the
23 Authority on this transaction.

24 On the following page, this is all of the
25 Authority's outstanding debt for the proposed 2018

1 borrowing layered in. From a market standpoint, we
2 have seen a rise in interest rates this year. We saw
3 a little bit of a dip in August and early September,
4 but with the very vibrant labor market, if you will,
5 and increasing median wages, there's been some
6 pressure on interest rates as of late because of what
7 may be potentially looking at four increases by the
8 Federal Reserve next year. Originally that was
9 suggested to be two. But from a historical
10 standpoint, if I can go to the back, when you look at
11 where we are historically from where interest rates
12 have been, interest rates have been higher 82 percent
13 of the time since they are now. So it's still an
14 attractive time to be in the market and we do expect
15 to achieve attractive interest rates on this bond
16 sale.

17 Katherine Creagan with the Modrall Law Firm
18 is here to answer any questions that you have. And
19 I'll pause to see if you have any questions on the
20 information that I've gone over.

21 CHAIRWOMAN JONES: Thank you, Mr. Harrigan.
22 Are there any questions? Great job. Thank you.
23 Thank you, both. With that, I'll move approval of
24 O-18-7.

25 COUNCILOR PENA: Second.

1 CHAIRWOMAN JONES: There's a motion and a
2 second. All those in favor say yes?

3 MEMBERS: Yes.

4 CHAIRWOMAN JONES: Opposed? Motion carries.
5 Also move approval of R-18-20.

6 COUNCILOR DAVIS: Second.

7 CHAIRWOMAN JONES: There's a motion and a
8 second for approval of R-18-20. All those in favor
9 say yes.

10 MEMBERS: Yes.

11 CHAIRWOMAN JONES: Motion carries. Next is
12 approving fiscal year 2018 unaudited fourth quarter
13 financial report year ending June 30th, 2018.
14 Mr. Allred, good evening.

15 MR. ALLRED: Madam Chair, Members of the
16 Board, my name is Stan Allred. I'm the Chief
17 Financial Officer for the Water Authority. What
18 we'll present to you is our fourth quarter financial
19 dashboard. Part of this presentation is a resolution
20 attached to this. There was a change made by the
21 State of New Mexico Department of Finance
22 Administrative Services that requires a resolution
23 that I present the fourth quarter financials, and
24 therefore they will approve our 2019 budget.

25 So what I have before you is our fourth

1 quarter. This is unaudited numbers. They're subject
2 to change, but I don't expect them to change that
3 much. Our revenues in 2018 were 223 million.
4 Remember we had a rate increase effective July 1 of
5 2017. We had budgeted about \$220 million of revenue
6 to be generated, and we generated 223, so we were
7 about \$3 million above what we projected from the
8 rate increase. That was primarily, by the way, we
9 did the rate increases. We try to stabilize the
10 water rates by putting more of the rate on the fix
11 rate versus the commodity. So 49 percent of our rate
12 now is based upon the base rate.

13 Due to our capital spending we put a little
14 more on the sewer side, which is more stable than on
15 the water side. So we're still conserving water, but
16 then we're actually keeping our rates fairly stable
17 so we don't have another 2011. But as you can see,
18 it's been increasing from FY16 through '17, we had
19 the rate increase and that was the spike in '18.

20 On the next page is our operating
21 expenditures. As you can see, our general admin
22 expenditures have been actually getting smaller from
23 one year to the next, that's because we create a lot
24 of efficiency within the Utility. Like AIM we
25 basically took our water meter readers and made them

1 utility techs. So we kept people in. Our service
2 areas are growing, our number of customers are
3 growing, but we're changing our workforce, making
4 them smarter, giving them opportunities to move up
5 and we use a lot of mobile technology to try to
6 offset those expenditures.

7 The one expenditure that has been increasing
8 was the transfers. It's increasing primarily for two
9 reasons, for debt service, but also for the transfer
10 that we transfer to capital to pay for the capital
11 expenditures.

12 As you're aware from the graphic you've seen
13 before, we increased our spending transfer by \$3
14 million a year. We do not do that through debt
15 financing. We do those through transfers from our
16 operating expenditures. You will see this bar start
17 reducing in 2021. We retire \$6 million worth of debt
18 in fiscal year 2020 and we retire another \$7 million
19 worth of debt service payments in 2021.

20 On the next page, this is a quick depiction
21 of how much we actually spend per month. Our heavy
22 months are September and June, and those are
23 primarily due to chemicals to run our water treatment
24 plant. But other than that, we've really held our
25 expenditures in check.

1 On the next page, days cash on hand. At the
2 end of FY18 we had 463 days cash on hand. In FY11 the
3 market dropped. We had the drought come into place.
4 We had people stop using water. Conservation was
5 really kind of taking off and we had a complete drop
6 off in FY13, which you kind of see was about 120 days
7 cash on hand.

8 Our working capital balance at that point in
9 time was a negative \$18 million. We've worked through
10 that. At the end of this year it will be a positive
11 \$34 million. We did this year in FY18 reduce -- I'm
12 sorry, I'm not moving along with you. We did reduce,
13 took some of that fund balance and we transferred \$3
14 million to capital from the operating to pay for some
15 of the work in the South Valley.

16 We do have a fund balance now that's in
17 place, but we're looking at -- we're expecting to do a
18 rate increase in FY20, but I think we'll offset not
19 doing a rate increase and wait and pushing that out
20 using that fund balance and giving a break to our
21 ratepayers.

22 On the next slide, I'll move along with you
23 guys now, is our year-to-date expenditures for
24 capital. So for capital we actually appropriate money
25 each year to that, and that appropriation never dies.

1 So for those projects we never have to re-appropriate
2 them every year. So we appropriate \$60 million per
3 project in 2016, that appropriation lives until that
4 project is done and we encumber funds against those
5 projects.

6 As you can see, in the prior years our
7 spending was a lot less, actual cash going out the
8 door, but the cash was sitting there. And in the last
9 couple of years it actually increased in 2017/2018.
10 So it wasn't really a fact that we appropriated money
11 to make sure we had money to do projects, so we
12 encumber funds against those projects. And then we
13 really took off and did a lot projects in 2017 and
14 2018, and a lot of that was by using money that was
15 appropriated in 2016. So that's kind of what was
16 happening here. But we really picked up on a lot of
17 our rehab spending in the last two years for capital.

18 This is our debt coverage ratio, it's 2.99
19 for our senior lien. In 2018 with covenants level of
20 1.33. It was 2.33 for all debt levels with a covenant
21 level of 1.2. So as you can see, as we start our cash
22 balances increasing, our debt coverage has increased
23 dramatically along with that.

24 Real quick on our water use production. We
25 actually used a little bit more water this year in

1 May. It was a lot drier in May, but it's been pretty
2 consistent over the last two years. Same thing with
3 our water consumption, it's been really consistent
4 over the last two years.

5 Really quickly, this is our usage compared to
6 rainfall. So September of last year there was a lot
7 of rain and our consumption was down. When we have a
8 lot less rain we use more water. So you kind of see
9 how precipitation affects the water usage across our
10 service area.

11 And I stand for any questions.

12 CHAIRWOMAN JONES: Thank you, Mr. Allred.
13 Are there any questions? Thank you. Yes, Councilor
14 Davis.

15 COUNCILOR DAVIS: Mr. Allred, real quickly.
16 I just noticed that in June of '18 we exceeded our
17 expenditures, our projected expenditures, by a fairly
18 notable amount, not a lot, but more than -- we had
19 been keeping up pretty well ahead of that. Can you
20 just tell us, what is that end-of-year sort of
21 catch-up stuff there?

22 MR. ALLRED: So the way this graph works,
23 Councilor Davis and Madam Chair, the budget
24 expenditure is a straight line. And then we actually
25 show what we actually spend in those months. For

1 June, primarily, that's purely chemicals for the Water
2 Treatment Plan. We ramp up the Water Treatment Plant
3 and we spend a lot of money on the chemicals in that
4 month.

5 COUNCILOR DAVIS: Thanks.

6 CHAIRWOMAN JONES: Thank you, Mr. Allred.
7 Are there any other questions? I move approval of
8 R-18-24.

9 COUNCILOR PENA: Second.

10 COUNCILOR JONES: There's a motion and a
11 second for approval. All in favor say yes.

12 MEMBERS: Yes.

13 CHAIRWOMAN JONES: Opposed? Motion carries.
14 Next is Mr. Frank Roth with the FY18 Fourth Quarter
15 Performance Indicator Report. Good evening.

16 MR. ROTH: Good evening, Madam Chair, Members
17 of the Commission. These performance indicators are
18 aligned to our goals and objectives, benchmarking and
19 customer opinion survey. It's presented by the
20 service level categories, regulatory, reliability,
21 quality, customer service and finance.

22 Overall, we achieved our targets in 19 of the
23 22 indicators. Three are what we call a work in
24 progress where we were very close in meeting our
25 targets. And we set these targets very high and

1 challenge ourselves to be high-performing and meet our
2 customers expectations in service delivery.
3 Sometimes it takes several years to realize the
4 progress in these indicators. It may be a couple of
5 years.

6 For example, in past years we didn't meet our
7 targets in customer service, but this year we did and
8 this is a continue improvement process where we
9 re-evaluate our targets and look at whether or not we
10 should increase these targets and where to improve our
11 performance. Overall this is a year-end report for
12 fiscal year '18.

13 Happy to answer any questions.

14 CHAIRWOMAN JONES: Are there any questions?
15 Thank you, Mr. Roth. Do I need to move approval of
16 this? I move approval of C-18-31.

17 COUNCILOR PENA: Second.

18 CHAIRWOMAN JONES: There's a motion and a
19 second. All those in favor say yes.

20 MEMBERS: Yes.

21 CHAIRWOMAN JONES: Motion carries. And last
22 is approving a service connection agreement for water
23 and sewer service with Kids Academy Preschool, LLC at
24 10751 Fineland Drive, Northwest. Mr. Cadena, good
25 evening.

1 MR. CADENA: Madam Chair, Members of the
2 Board. I present to you a service connection
3 agreement for a proposed Kids Academy located on the
4 northeast quadrant of Unser and McMahon. The property
5 is outside the adopted service area, therefore it
6 needs Board approval. The development will pay the
7 applicable water resource charge, as well as the UECs.
8 It's just simple connections to existing
9 infrastructure.

10 CHAIRWOMAN JONES: Thank you. Are there any
11 questions? I move approval of C-18-32.

12 COUNCILOR PENA: Second.

13 CHAIRWOMAN JONES: There's a motion and a
14 second to approve C-18-32. All in favor say yes.

15 MEMBERS: Yes.

16 CHAIRWOMAN JONES: Oppose? Motion carries.
17 Thank you. That's the end of the meeting this
18 evening. Thank you for attending.

19 (Meeting adjourned at 6:15 p.m.)

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REPORTER'S CERTIFICATE

I, Kim Kay Shollenbarger, New Mexico Certified Court Reporter, No. 236, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings taken to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this matter and that I have no interest in the final disposition of this matter.

Kim Kay Shollenbarger
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