

ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY MEETING
Wednesday, February 26, 2020, 5:08 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

COMMISSIONER DEBBIE O'MALLEY, Chair

COUNCILOR KLARISSA J. PENA, Vice Chair

COMMISSIONER CHARLENE E. PYSKOTY, Member

COUNCILOR TRUDY E. JONES, Member

COMMISSIONER STEVEN MICHAEL QUEZADA, Member

COUNCILOR PAT DAVIS, Member

MAYOR TIMOTHY M. KELLER, Member (excused)

PABLO RAEL, Trustee

SARITA NAIR, Alternate

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

1 CHAIR O'MALLEY: Good evening, everyone, and
2 welcome. I call this meeting of the Bernalillo
3 County Water Utility to order for February 26, 2020.

4 All members are present. We are going begin
5 with an invocation followed by Pledge of Allegiance
6 led by Vice President Pena.

7 (Invocation/Pledge of Allegiance)

8 CHAIR O'MALLEY: Thank you. Takes us to
9 Item 3, which is the Approval of Minutes. I move
10 approval of the December 4, 2019 Minutes. Is there a
11 second?

12 VICE CHAIR PENA: Second.

13 CHAIR O'MALLEY: There's a motion and a
14 second. All those in favor say aye.

15 MEMBERS: Aye.

16 CHAIR O'MALLEY: All opposed say no. The
17 motion carries. Go to Item 4, which is Proclamations
18 and Awards. These are the Quarterly Employee
19 Incentive Awards. If the employee is here to
20 receive the award, if you would please come forward
21 when your name is called. I am going to do my best
22 to pronounce the names accurately.

23 The first person is Kenneth Lipe, \$200 plus
24 8 hours. Kenneth is recognized for making
25 innovative, no-cost improvements to screening

1 technology at the Southside Water Reclamation Plant,
2 saving the Utility approximately \$45,000. Thank you.

3 Followed by Steven Gonzalez, \$100.

4 Mr. Gonzalez is recognized for contributions to a
5 Water Authority initiative to provide emergency water
6 to the Navajo community of To'Hajaliie last summer.

7 Followed by Ron Montano, John Apt, Crestino
8 Romero and Ross Hurley, \$150 each. These individuals
9 are recognized for their innovative solutions to a
10 power supply problem at the Southside Water
11 Reclamation Plant, which eliminated a costly diesel
12 generator and is expected to save the Utility \$83,000
13 per year.

14 Next we have Martin Ortiz, Edward Chavez,
15 Christopher Aguilar, Richard Garcia and Archie Mares,
16 \$150 each. These individuals are recognized for
17 their effective response on october 21st, 2019 to an
18 illicit discharge into the sewer collection system
19 that threatened to disrupt the sewage treatment
20 process and could have led to serious permit
21 violations if not handled with speed and skill.

22 Next is Emerson Silva, \$150. Emerson is
23 recognized for volunteering to do a thorough site
24 survey to identify Water Authority assets ahead of
25 planned road improvement work on Ladera Drive.

1 Heidi Hilland, \$150. Heidi is recognized
2 for her willingness to always take on additional
3 tasks to assist her Water Authority colleagues.

4 Followed by Lisa Carreon, \$150. Lisa is
5 recognized for organizing a successful holiday
6 fundraising drive for the Joy Junction Homeless
7 Service Center located here the Southside Water
8 Reclamation Plant.

9 Reuben Martinez, \$200 plus 8 hours. Ruben
10 is recognized for identifying improvements to the
11 procurement process for hydraulic flow control
12 valves, saving the Utility about \$3,900 in
13 replacement costs per valve.

14 Next we have Jeremy Anderson, \$200 plus 8
15 hours. Jeremy is recognized for identifying \$70,000
16 in cost savings for planned improvements to the
17 Griego Pump Station.

18 John Lovato is next, \$150. John is
19 recognized for identifying deficiencies in the
20 electrical system at the Kiva Pump Station, leading
21 to safety improvements.

22 Next we have Ronny Lovato. Ronny is
23 recognized for leading the way on operational
24 improvements at the Southside Water Reclamation Plant
25 that have led to an unprecedented increase in the

1 number of assets in service and available for
2 operations saving thousands for the Water Utility.

3 Next we have Jose Trevino, 150. Jose is
4 recognized for his innovation and efficiency in
5 operation of the Utility's sodium hypochlorite
6 generating systems.

7 Next we have Lyman Waller, \$150. Lyman is
8 recognized for going above and beyond in keeping the
9 Southside Water Reclamation Plant working at the best
10 possible efficiency during the ongoing and extensive
11 rehabilitation construction projects at the plant.

12 Next we have Jon Ebia and Ivan Cortez, \$150
13 each. These individuals are recognized for their
14 excellent input and participation in the Water
15 Authority SCADA master plan project saving thousands.

16 And then next is Charles Lee, \$225 plus 8
17 hours. Charles is recognized for his leadership in
18 responding to a power failure at the Southside Water
19 Reclamation Plant and continued electrical work
20 saving over \$50,000.

21 Next we have Angelo Martinez, \$150. Angelo
22 Martinez is recognized for leadership in identifying
23 an opportunity to piggyback waterline installation
24 with a sewer line relocation project, saving the cost
25 of the additional excavation and saving South Valley

1 residents from having to endure two separate
2 construction projects.

3 Then we have Kathy Leonard, \$150. Kathy is
4 recognized for the improvements she has made to the
5 Utility's annual safety picnic and for her leadership
6 for organizing it.

7 Then we have Larry Lairson, Aimee Ashton,
8 Richard Ortiz and Marlon Luna, \$150 each. These
9 individuals are recognized for going above and beyond
10 in taking on the job of rehabbing of the cogeneration
11 cooling towers and other equipment at the Southside
12 Water Reclamation Plant rather than outsourcing the
13 work.

14 Thank you all very much for your excellent
15 work.

16 (Applause)

17 COMMISSIONER O'MALLEY: We would really be
18 honored if you could come up and shake our hands.

19 (Shaking hands)

20 CHAIR O'MALLEY: I want to thank Luz
21 Carreon, I know she puts all these things together.
22 So thank you Luz.

23 I'm going to move up Item 10A and 10B. It
24 says on my notes to move up Item 10A and 10B. We are
25 going next to Item 10A, this is the Election of

1 Officers. We begin with the Election of Chair, and I
2 call for nominations for the Chair position. Are
3 there any nominations for the Chair?

4 COMMISSIONER QUEZADA: Madam Chair, I
5 nominate Councilor Klarissa Pena for Chair.

6 CHAIR O'MALLEY: Are there any other
7 nominations for Chair? Being none, no others.
8 There's a nomination. I don't think it requires a
9 second, but sometimes it does. All those in favor
10 say aye?

11 MEMBERS: Aye.

12 CHAIR O'MALLEY: All opposed say no. The
13 motion carries. Thank you. Congratulations. For
14 the nomination of the Vice Chair, are there any
15 nominations?

16 COMMISSIONER QUEZADA: Madam Chair, I would
17 like to nominate Vice Chair O'Malley. I mean, Chair
18 O'Malley to be Vice Chair of the Water Authority. I
19 figure since we've got this leadership in place,
20 we'll just keep it. We'll jus switch it.

21 CHAIR O'MALLEY: Keep rotating it, I guess.
22 Thank you, I'm very honored. We have a motion to
23 nominate me as Vice Chair. All those in favor say
24 aye.

25 MEMBERS: Aye.

1 CHAIR O'MALLEY: All opposed say no. Motion
2 carries. And thank you all very much. I am very
3 honored. So this is kind of funny. We are going to
4 recognize one another. So I am going to present you
5 with an award. Well, actually, it's a gift box.
6 There's something in it. Kind of got to guess. I
7 want to thank you for your service as Vice Chair,
8 Councilor Pena.

9 VICE CHAIR PENA: On behalf of this Board,
10 we want to thank you for your service as Chair.

11 CHAIR O'MALLEY: Thank you all very much.
12 That moves us on to Item 10B, which is the
13 Conservation Report. Carlos Bustos, welcome.

14 MR. BUSTOS: Good afternoon, Madam Chair,
15 Vice Chair, and Members of the Board. The capita
16 usage is lowest to date with 121 GPCD. We made the
17 news. So it was a great year for Albuquerque. It is
18 good to see this trend in a year where we had a below
19 average rainfall and above average temperatures right
20 when landscapes and usage typically increases, which
21 is the hottest part of the irrigation season. Total
22 supply was 700 million gallons fewer than in 2018.
23 Approximately, household customers, which include
24 single family residential and multi-family usage,
25 saved 300 million gallons. And another 400 million

1 gallons was saved by industrial, institutional and
2 commercial and irrigation-only accounts. We're
3 moving closer to the one-time GPCD goal by promoting
4 and emphasizing and incentivizing sound irrigation
5 best management practices. The xeriscape program
6 alone incentivized 450,000 square feet of high water
7 use storage compared to desert-friendly landscapes,
8 that's huge. A lot of our customers participate in
9 other rebates as well, so we incentivized almost
10 \$700,000 in rebates alone in 2019. That's our
11 customers investing in the future. They're partaking
12 in building resiliency, not only indoors, as proven,
13 but also outdoors. So we continue to work with our
14 customers. The xeriscape program alone, we're
15 starting to see savings around 30 to 45 percent for
16 all the convergents. A lot of it is happening
17 because we're improving outdated irrigation systems
18 out in our community, a lot of commercial sites, as
19 well as our distribution system also have aging
20 systems. So we're incentivizing, targeting sites
21 that were broke 30, 40 years ago so we can help those
22 needed improvements and improve irrigation practices
23 here in Albuquerque. So at the same time we're
24 spearheading funding to add more trees to the region
25 by incentivizing customers to choose the right tree

1 and to take care of existing trees. In 2019 alone
2 customers added another thousand trees to
3 Albuquerque. We also partner up, continue the
4 partnership with the City and the County. We're
5 incentivizing about 350 trees that are going into
6 common areas that we all use in City and County
7 parks, and we're doing all this while emphasizing
8 allocation and less enforcement. Last year our
9 department issued 723 warnings that resulted in only
10 77 violations. This is a humongous success. In the
11 past we used to issue between 500 and a thousand
12 violations every year, so moving and learning how to
13 work with our customers instead of issuing a
14 violation, now we offer irrigation consultation. So
15 it gives us the opportunity to provide a good
16 customer service, but also to help our customers
17 understand how to manage their own systems so they
18 can avoid future warnings or violations.

19 That's all I got for today.

20 CHAIR PENA: Well, thank you for the
21 presentation. Are there any questions? No. Thanks
22 for all the work you do.

23 MR. BUSTOS: Thank you.

24 CHAIR PENA: We are now on Item 5, Public
25 Comment. How many people do we have signed up to

1 speak?

2 MS. CARREON: We have two speakers.

3 CHAIR PENA: If you will call the first
4 name.

5 MS. CARREON: Elaine Hebard, followed by
6 Geraldine Amato.

7 MS. HEBARD: Good afternoon. Welcome back
8 new and old Board members. So much time has passed.
9 For those of you who don't know me, my name is Elaine
10 Hebard and using my experience as a chemist, an
11 attorney and a water planner over the past 25 years,
12 and attending these board meetings for the past 10, I
13 try to make my comments useful and informative. I
14 would suggest that you might expand your comment
15 period to six minutes, which is what MRGCD has done,
16 because these matters often are pretty complicated or
17 there are a number of issues to cover. I would like
18 to start off acknowledging what Carlos has just
19 talked about, yay team, the usage is down. The water
20 levels are rebounding, but that's not the whole
21 story. Depletions, which are impacted by water
22 levels, are not as down as much as the plan requires
23 them to be at this point. Reclaimed water, which is
24 that which can be utilized if depletions are higher
25 so you can reuse it, is a big part of Water 2120, but

1 that can't be utilized if depletions are high. So my
2 suggestion is to lower those depletions. But you
3 don't know that because you aren't told the
4 difference between groundwater and surface water use.
5 So in addition to Carlos' report of how much water in
6 general has been used, my suggestion is groundwater,
7 surface water, reused water, all of those different
8 sources of supply so that the Board has an idea of
9 actually what is happening. Temperature is also a
10 factor in use, and there is nothing in today's report
11 that talks about the fact that it's going to be
12 probably warmer all year, according to the Drought
13 Report that's put out every month. So in addition to
14 the water use, knowing what the temperature has been,
15 the snowpack is, what the temperature is likely to
16 be, will help the Board make certain decisions such
17 as, should they start instituting drought action now,
18 because you take action now to have results in the
19 hot summer months. So in addition to that, I would
20 suggest a special report on what is going to need to
21 be done to reduce pumping. A report back on actually
22 implementing the policies and objectives of Water
23 2120. How are we going to address that high water
24 usage by some of those people who use 700 gallons of
25 water a day? The operating plan should have targets

1 for depletions, what groundwater use, et cetera, and
2 there should be a better metric for GPCD, other than
3 just population. It could be disaggregated into
4 specific users and uses. Finally, as Dr. Gutzler has
5 said, climate change really impacts water usage. I
6 would suggest a resiliency plan working with the City
7 and the County. And for now, a resiliency goal with
8 objectives.

9 Thank you.

10 CHAIR PENA: Thank you.

11 MS. CARREON: Our next speaker is Geraldine
12 Amato.

13 MS. AMATO: Good evening. Even though this
14 body is called an Authority, the fact is, this
15 Commission has no real authority on how the water in
16 this state is allocated and how it is used. Many
17 people complain that the fracking and the, what do
18 you call it, looking for gas and oil underground is
19 causing pollution and very little bit is done about
20 that because of the people who are in control, their
21 bottom line is their profits. Today we work with a
22 bank credit system. None of us own anything and
23 neither do these governments. The fact that you
24 would call the citizens of this area customers,
25 proves the fact that we are not under lawful order.

1 I even called the City Attorney's office and they
2 referenced the citizens as customers of the City
3 Attorney office. That is a grand -- I mean, bizarre
4 statement. If this is a genuine republic as
5 worshipping the federal flag at the beginning of the
6 meeting dictates, no citizen would be called a
7 customer, and people would not be talking to each
8 other when a member of the public is up here and
9 they're not the least bit interested in what any
10 particular person has to say. I am concerned that if
11 we, the people, don't get sharp and start putting our
12 own minds in gear and understand that we control
13 nothing in this nation today, all our resources have
14 been confiscated. And since many of you are in both
15 the City and the County, I want to ask this question
16 I haven't been able to get from the City Attorney's
17 office, who is it that decides how to implement the
18 trespass ordinance? It has been used against me by
19 the Nob Hill Food Co-op and they told me to my face,
20 "we don't need any excuse or any reason to ban you
21 from the premises, this is private property and we
22 can ban anyone we want for any reason, get out, and
23 if you come back we're going to charge you with
24 criminal trespass." So when people ask them behind
25 the scenes, "why did you ban Geraldine Amato," they

1 add slanderous gossip to top it off. They say,
2 "because she was shoplifting." How can you prove a
3 negative? That's the rumor or the slander that
4 they're sending around once people inquire, why are
5 you -- I tell people, "you know, I don't go to the
6 co-op because they banned me from the premises." And
7 I can get no results from the Albuquerque Police
8 Department's headquarters. The frontline guys are
9 told to do things like in the military, ask no
10 questions and do as you're told. I met one police
11 officer on the frontline, 5550 was his number, and
12 he's a yes-man. And he loves the fact that, oh,
13 did you commit criminal trespass? Meaning, did you
14 go back there? I said, "what am I going to go back
15 there for, just so to give them the opportunity to
16 charge me with criminal trespass?" No. I want some
17 redress and grievances here. Who is it that can
18 interpret how to implement the trespass ordinance?
19 That does not seem like a lawful implementation of
20 the trespass ordinance. Can anyone answer that
21 question here?

22 CHAIR PENA: Thank you.

23 MS. AMATO: The City Attorney said he has
24 nothing to do with it. That I find kind of peculiar.

25 CHAIR PENA: We are now on Item 6,

1 Announcements and Communications.

2 MS. AMATO: Oh, really? The handicap door,
3 it is not unlocked. It was locked a little while ago
4 for me to get out. Can you have the switch turned on
5 so I can get out of here, please. I don't know who
6 -- some people turn off the switch just for fun or
7 something.

8 CHAIR PENA: They're working on that. Thank
9 you. We are now on Item 6, Announcements and
10 Communications. First announcement is, the next
11 scheduled meeting is March 18th, 2020 at 5:00 p.m. in
12 the Vincent E. Griego Chambers.

13 The next announcement is, there are two
14 vacancies on the Technical Customer Advisory
15 Committee in the areas of financial, business
16 management and water system engineering. If Board
17 members have nominations, please direct them to the
18 online application on the Water Authority's website
19 at www.abcwua.org.

20 Next item is Introduction of Legislation.
21 We have Item A, O-20-1. Stan Allred. Are they
22 similar? Can you do them together, because the next
23 one is R-20-3, confirming the execution and delivery
24 of a loan subsidy agreement.

25 MR. ALLRED: Madam Chair, Members of the

1 Board, I'll cover both, Items 7A and 7B. This is an
2 execution of a loan subsidy agreement with New Mexico
3 Finance Authority. It's for two million and twenty
4 thousand dollars with a loan amount of one million
5 five hundred fifteen thousand dollars, which will be
6 a 32 year note at 1 percent interest, and then it
7 will have a \$505,000 grant subsidy to this loan.
8 This is for work on Phase 2C of the Carnuel work up
9 in the Carnuel area. This system expansion is guided
10 by the Bernalillo County Tijeras Canyon Carnuel Plan,
11 which identifies priorities for water and wastewater
12 services. So this is just a loan to continue with
13 the work that we've already started in the Carnuel
14 area.

15 And I stand for any questions.

16 CHAIR PENA: Any questions? No. So then
17 we'll move on to R-20-4, amendment of the approved
18 capital implementation program. That's you as well,
19 Mr. Allred.

20 MR. ALLRED: Madam Chair, I was informed
21 there's a speaker on this ordinance. A public
22 speaker for this ordinance.

23 CHAIR PENA: Oh, there is, okay. Those are
24 on the two, correct? Item A and B.

25 MS. HEBARD: That should be O-19-3.

1 CHAIR PENA: So just for the record, we're
2 covered A and B under 7, correct?

3 MR. ALLRED: Yes, ma'am.

4 CHAIR PENA: Now we're on R-20-4.

5 MR. ALLRED: Madam Chair, Members of the
6 Board, we have before you an authorization to amend
7 our capital budget. Based on the impending loan,
8 bond sale that we will have tomorrow morning, there
9 are four projects that we would like to appropriate
10 and add to the CIP plan. One is for \$10 million for
11 the watering at the water treatment plant. \$10
12 million to finish the customer service and operations
13 facility that is being built. \$2 million to finish
14 IT projects. We have implemented a work order system
15 for asset management, so it's to complete that. And
16 \$8 million to finish work on our clarifiers for odor
17 control.

18 I stand for any questions.

19 CHAIR PENA: Are there any questions? No.
20 Thank you for the presentation. I mean, for the
21 introduction. We are now on Item D, R-20-5, this is
22 approving a development agreement for Adagio
23 Apartments. Actually, this needs immediate
24 action so that we could put it under Approvals,
25 because I guess we had skipped a meeting. So this

1 isn't up yet. I'm just going to make a motion to
2 move Item R-20-5 under Approvals this evening.

3 COUNCILOR JONES: Second.

4 CHAIR PENA: There's a motion and a second.
5 All those in favor say yes.

6 MEMBERS: Yes.

7 CHAIR PENA: Opposed ,no. Motion passes.
8 Now we are on R-20-6, approving development agreement
9 for Pejman Subdivision. And the same motion, move it
10 under Approvals for immediate action.

11 VICE CHAIR O'MALLEY: Second.

12 CHAIR PENA: There's a motion and a second.
13 All those in favor say yes.

14 MEMBERS: Yes.

15 CHAIR PENA: Opposed, no. Motion passes.
16 Item 8, Consent Agenda. So I make a motion for the
17 Approval of the Consent Agenda.

18 VICE CHAIR O'MALLEY: Second.

19 CHAIR PENA: There's a motion and a second.
20 All those in favor say yes.

21 MEMBERS: Yes.

22 CHAIR PENA: Opposed, no. Motion passes.

23 We are now under Approvals, Item 9. The first item
24 is O-19-3, authorizing the issuance and sale of
25 Albuquerque Bernalillo County Water Utility Authority

1 Senior Lien Joint Water and Sewer System Revenue
2 Bonds. Mr. Eric Harrigan. And it looks like we
3 might be able to listen to Item A and B, R-19-26, as
4 well.

5 MR. HARRIGAN: Madam Chair, that is correct.
6 Both of those items regard the same action, but
7 related to the issuance of the proposed bonds.

8 CHAIR PENA: It looks like we have a
9 speaker, so should we have the speaker first or would
10 you -- Elaine, would you want to just hear his
11 presentation first before we do that?

12 MS. HEBARD: It's up to you.

13 CHAIR PENA: We'll hear the presentation
14 first.

15 MR. HARRIGAN: Good evening, Madam Chair,
16 Members of the Authority. Eric Harrigan with RBC
17 Capital Markets. We're the Authority's municipal
18 advisor. So what is before you today is an ordinance
19 and conforming resolution for the issuance of revenue
20 bonds for the projects that are laid out below, in
21 the total amount is \$86 million. The estimated
22 borrowing rate on the presentation is 2.49 percent,
23 but we have seen some pretty extraordinary
24 circumstances in the market as of late and it's
25 really been due to what's been happening with the

1 Coronavirus and the spread of that. The stock market
2 has dropped over 2,000 points in the last few days,
3 and what has happened is investors are rushing
4 towards the safety of bonds and we have seen almost
5 historical drop in interest rates in both tax exempt
6 and taxable bonds, did touch the all-time historical
7 low ever for the ten-year U.S. treasuries and tax
8 exempt rates have dropped to the all-time historical
9 low for tax exempt rates. So the Authority's timing
10 on this couldn't be better. In fact, based upon the
11 estimated rates today, we expect the borrowing rate,
12 if rates hold tomorrow at pricing, to be closer to
13 1.53 percent for a 13 year borrowing, which is really
14 tremendous. The Water Authority did have bond rating
15 meetings with both Standard and Poor's and Fitch and
16 maintain their strong bond ratings of triple A,
17 Standard and Poor's and with Fitch as well. The
18 proceeds are listed below and we'll kind of go over
19 the transaction. This is the repayment schedule.
20 Because of the Authority's very rapid declining debt
21 service payments, the Authority is able to layer in
22 these bonds with very little impact to the existing
23 debt service that the Authority currently pays and
24 that is one of the reasons that the Authority
25 maintains a strong bond rating. As well, one of the

1 things that I would like to mention as well, in
2 talking to Standard and Poor's, they did mention
3 world class management, top class management for the
4 Authority of its peer across the United States. So I
5 think staff is to be congratulated on the excellent
6 job that they have done with the Authority. From a
7 timing standpoint we do plan to be into the market
8 tomorrow morning to price the bonds and to lock in
9 the rates, and then the bonds would be scheduled to
10 close at the beginning of April and that is when
11 funds would be available for the Authority to spend
12 on the projects. I did kind of talk a little bit
13 about the market before, so I'll kind of just touch
14 briefly upon this. Even though that we are seeing
15 these very, very low short-term rates, we're still
16 seeing significant amount of money flowing into
17 municipal bond funds, which is directly correlated to
18 demand for tax-exempt debt. And over the last month
19 and a half we've seen over \$6.4 billion flowing into
20 municipal bond funds. As you can see, where interest
21 rates have been over the last week, this does not
22 take into account the recent movement that we saw
23 earlier this week and even last week when we were not
24 where we are. Rates last week were 99.97 percent
25 lower than they've ever been historically and now are

1 100 percent lower than they have ever been
2 historically. With that, I would be happy to answer
3 any questions. Katherine McKinney with the Modrall
4 Law Firm is also here to address any questions on the
5 documents.

6 CHAIR PENA: Any questions? Councilor
7 Davis.

8 COUNCILOR DAVIS: Thank you, Madam Chair.
9 We were just asking sort of in terms of, the Water
10 Authority is in a really good position thanks to, as
11 you mentioned, staff sort of forward looking insight.
12 But not specifically on this item, but does the Water
13 Authority have any other sort of indebtedness that we
14 ought to look at in terms of refinancing sort of
15 during this current period of really great options
16 for us or are we pretty well positioned from what
17 we've done in the past?

18 MR. HARRIGAN: So that's a great question.

19 COUNCILOR DAVIS: It was Commissioner
20 O'Malley's question, I just...

21 MR. HARRIGAN: Unfortunately, back in 2017
22 when the Tax and Jobs Cut Act was implemented, one of
23 the things that it did is that it did eliminate
24 tax-exempt issuers from advance refunding with
25 tax-exempt debt. Now, that doesn't preclude issuers

1 from issuing taxable bonds to advance refunding given
2 where even taxable rates have gotten so low it would
3 probably be worth looking at those at some of the
4 Authority's to refund on a taxable basis. You are
5 paying a higher rate because they are taxable, but
6 you're sort of saying, "where will rates be in the
7 future, where will tax-exempt rates be in the
8 future."

9 COUNCILOR DAVIS: That's all too
10 complication for me, but it's a good answer. We
11 ought to take a look at some of the old stuff. So
12 thanks.

13 MR. HARRIGAN: Unfortunately the Authority
14 does not have any currently called debt.

15 CHAIR PENA: No other questions. We will
16 have Elaine come up for public comment.

17 MS. HEBARD: Thank you. Again, my name is
18 Elaine Hebard and I'm here to address the CIP
19 amendment, which was read into the record under
20 R-20-4, as well as this bond procedure, because they
21 are related. The borrowing of \$30 million is
22 additional to the \$56 million that was in the plan
23 just last year. That borrowing of the 30 million
24 includes 10 million for the water administration
25 building, which is about to open, but it's not been

1 approved by the Board, which is why under C-20-4
2 there's a motion to approve it next month. So you're
3 borrowing money tomorrow to pay for a project
4 that is already being built. Something seems really
5 wrong with build, borrow, approve, and that is
6 basically how, at least, that project is being done.
7 That roll-over of \$55 million last fall added to the
8 68 million that was the CIP budget that you approved.
9 Now it is another 30 million. So is the CIP budget
10 actually 153 million? It seems pretty high and it
11 seems pretty high compared to the amount of cash that
12 will be available, since it is supposed to be 50
13 percent. So again, the debt right now after the
14 borrowing will be about \$820 million, that's pretty
15 high. Think of it, if you're the City, it's little
16 higher, but the City has three times the revenue
17 stream. It is one-third the debt for the County, but
18 the County has twice the revenue stream that the
19 Utility has. So again, it puts that into
20 perspective. A couple of other notable, the
21 borrowing has been higher for the last four cycles.
22 The indebtedness is higher than all other combination
23 utilities throughout this region -- sorry, the
24 nation. And there is an increasing backlog of
25 infrastructure backlog for which the asset management

1 plan is supposed to address, but that has been
2 delayed too. And finally, there are looming fiscal
3 needs under Water 2120 and are we ready to address
4 those? So my thoughts are, obtain a report as to
5 which specific priority one level renewal projects
6 were carried over, from when and when they will be
7 finished. Ensure that the updated AMP, the asset
8 management plan, is completed and the proposed
9 projects are in line with the risk evaluations
10 therein. And consider rates that are lowest in the
11 region and having actually a work group focus on
12 those and not just bringing it to the TCAC. And put
13 in an objective to being in the median range of
14 utilities for the debt ratio portion and establish a
15 position for an inspector general. Those are my
16 comments. And it's been suggested that I submit
17 those, so I am going to. Thank you.

18 CHAIR PENA: Thank you. Yes, Ms. Nair.

19 MS. NAIR: Thank you, Madam Chair. I was
20 just wondering if we wanted to give Director Sanchez
21 an opportunity to respond to any of those numbers or
22 those concerns.

23 DIRECTOR SANCHEZ: Madam Chair, Board Member
24 Nair, of course. First of all, the project is not an
25 administrative building. It is a consolidation of

1 our field services and our customer service
2 operation. The administration will continue to be
3 housed in this building. That project was approved
4 by this Board. As Mr. Harrigan mentioned earlier, we
5 are triple A rated. Our debt is not out of the realm
6 of typical utilities. What has occurred for us is
7 much of that debt was to bring on line the San Juan
8 Chama project, which today is helping us with
9 groundwater. It was a good thing. A hundred year
10 plan is based on continuing the surface water and
11 moving towards reuse water. As Mr. Harrigan
12 mentioned and illustrated, our debt is going to drop
13 dramatically in 2026, that will give us an
14 opportunity to start financing many of these various
15 expensive reuse projects. So I think a lot of this
16 is already in the works, but it's going to take time
17 to carry it out. And we'd be happy to give you a
18 much more detailed presentation, if you'd like.

19 CHAIR PENA: Thank you, Mr. Sanchez. Any
20 other questions, comments? No. Thank you. So now
21 we're back to O-19-3. I move approval.

22 VICE CHAIR O'MALLEY: Second.

23 CHAIR PENA: There's a motion and a second.
24 All those in favor say yes.

25 MEMBERS: Yes.

1 CHAIR PENA: Opposed, no. Motion passes.

2 Item R-19-26, I move approval.

3 VICE CHAIR O'MALLEY: Second.

4 CHAIR PENA: There's a motion and a second.

5 All those in favor say yes.

6 MEMBERS: Yes.

7 CHAIR PENA: Opposed, no. Motion passes.

8 We are now on R-20-5, approving development agreement

9 for -- what's the name of this apartment complex?

10 Adagio Apartments. Mr. Kris Cadena.

11 MR. CADENA: Madam Chair, Members of the
12 Board, I present to you a development agreement for a
13 52 unit apartment complex located on Universe near
14 Oakridge. And the property lies within 4W pressure
15 zone on the west side and the services are contingent
16 upon the developer provided public water and sewer to
17 the site, and the project will be responsible for
18 paying the utility expansion charges and water supply
19 charges.

20 VICE CHAIR O'MALLEY: Second.

21 CHAIR PENA: Any questions? Nobody signed
22 up to speak. All those in favor of -- there's a
23 motion and a second for R-20-5. All those in favor
24 say yes.

25 MEMBERS: Yes.

1 CHAIR PENA: Opposed, no. Motion passes.

2 Mr. Cadena, you're on R-20-6, approving another
3 development agreement.

4 MR. CADENA: Hello, Madam Chair, Members of
5 the Board. This development agreement is for a 16
6 unit subdivision located near Paseo Del Norte and
7 Holbrook in the northeast part of town. The property
8 is within the County, but outside the adopted water
9 service area. The property is within 6C pressure
10 zone in the Alameda trunk, and this project is
11 required to extend public water and sewer to serve
12 this site and will also pay utility expansion charges
13 and water supply charges.

14 CHAIR PENA: There's a motion for approval
15 of R-20-6.

16 COMMISSIONER QUEZADA: Second.

17 CHAIR PENA: There's a motion and a second.
18 All those in favor say yes.

19 MEMBERS: Yes.

20 CHAIR PENA: Opposed, no. Motion passes.

21 Thank you. We are now on C-20-4, comprehensive
22 annual financial report for the fiscal years ending
23 June 30, 2019 and 2018. Mr. Allred.

24 MR. ALLRED: Madam Chair, Members of the
25 Board, what you have before you is our FY2019 CAFR.

1 We are required by state statute to deliver this to
2 the board, the governing body, at the first meeting
3 after it's been approved. We finished the audit
4 November 25th, sent it to the state. The state
5 auditor approved our audit and released it on
6 December 20th of last year. REW was our independent
7 auditor and basically their opinion says the
8 following: The financial statements referred to
9 above presents fairly in all material respects the
10 financial position of the Water Authority as of June
11 30th, 2019 and 2018 and the changes in its financial
12 position and cash flows. Therefore, for the years
13 then ended in accordance with accounting principles
14 generally accepted in the United States of America."
15 These financials are also presented to the two rating
16 agencies as we were doing our rating presentations
17 and it basically showed a very good financial picture
18 for the Water Authority.

19 And I stand for any questions.

20 CHAIR PENA: Are there any questions?

21 VICE CHAIR O'MALLEY: Madam Chair, I move
22 approval.

23 CHAIR PENA: There's a motion and a second
24 for approval of C-20-4. All those in favor say yes.

25 MEMBERS: Yes.

1 CHAIR PENA: Opposed, no. Motion passes.

2 We are now on C-20-5, FY2020 second quarter operating
3 financial reports. Mr. Allred.

4 MR. ALLRED: Madam Chair, Members of the
5 Board, this is our second quarter financials. I'll
6 make sure I try to keep up with the slides as I'm
7 talking, because sometimes I don't. The first slide
8 is year-to-date operating revenues. So operating
9 revenues in FY20 through the second quarter are
10 above those at FY18 and substantially above FY19.
11 As you can remember, FY19 we were a little behind
12 revenues than what we originally projected. For FY20
13 we are at or above what we project for revenues. We
14 had a lot of sales in the first two months, or the
15 last two months of the calendar year, so we're right
16 at pace in the budget for revenues. The next slide
17 is just a depiction of our operating expenses. The
18 increase for FY20 is primarily due to the increase in
19 the transfer to capital. So based on this Board's
20 recommendation we basically put an ordinance in every
21 year and increase the transfer from operating to the
22 capital budget by \$3 million a year. This reflects
23 that \$3 million increase and we continue to do that
24 each year. So every year we actually -- last year we
25 did \$58 million we transferred to the capital budget

1 from cash from the operating budget. This next
2 budget cycle will go up to \$61 million, so that's
3 just a reflection of the increase of that transfer.
4 The next slide is just our operating expenses by
5 month. Again, August is always high because that's
6 for chemicals and power for the San Juan Chama Plant
7 as we divert water and service for customers. This
8 is just a straight line picture. And basically we're
9 spending on an average basis less than what we had
10 budgeted. So we're projecting to be slightly under
11 budget for expenditures by the end of the year. Our
12 days cash on hand, at the end of FY19 we had almost
13 500 days of cash on hand July 1st is when we make
14 our debt service payments. So there was a debt
15 service payment made on July 1st, so there was a
16 reduction in FY20. FY20 balances are actually billed
17 again but we have upwards of 400 days of cash on hand
18 at the end of the second quarter. The next slide is
19 year-to-date capital expenses. So two things happen
20 with capital expenses. There's an appropriation that
21 gives us the authority to spend. It also gives us
22 authority to do procurement, enters the cash flow
23 aspect of it. Most projects take two to three years
24 to do. We actually appropriate those, but the cash
25 does get transferred to the capital budget. We do

1 borrow every two years to pay for part of the capital
2 budget, so that is \$56 million that is in the plan.
3 We did actually add another \$20 million to last
4 year's plan for some other projects, which we had
5 discussed earlier. And as projects come up and
6 things we have to do there is an opportunity in
7 financing to get a low interest rate. And there was
8 this desire to finish the clarifiers at the
9 wastewater treatment plant for odor control, so we
10 took that opportunity to address that at this point
11 in time. That is basically why there is a
12 fluctuation in the capital expenses. Those are what
13 we actually spend and those fluctuate over time as
14 projects are being done. Our debt coverage ratio,
15 so our ratio is 1.33 times for senior debt and
16 subordinate is 1.2. As you can see we're hovering
17 right now. FY20 estimate about two for our senior
18 lien and about 1.75 for our senior subordinate lien,
19 so we're well within our covenants. We will continue
20 to track and make sure that we are generating
21 sufficient revenues that maintain this coverage. At
22 this point in time we have sufficient revenue and we
23 have sufficient cash reserves to continue to maintain
24 the operations of the utility. Water use production,
25 as you can kind of see, in August and September kind

1 of dropping down. We actually used a little bit more
2 water in August and September and then kind of went
3 back to normal in November and December and that's
4 kind of what drove up our revenues a little bit, but
5 we're kind of sitting right at what we did in FY18.
6 And this is just a way to look at it, this is
7 actually water consumption. The first slide is what
8 we actually billed and this is what we actually
9 pumped from the ground. Basically the graphics look
10 basically the same.

11 I stand for any questions.

12 CHAIR PENA: Are there any questions,
13 comments? Commissioner O'Malley.

14 VICE CHAIR O'MALLEY: Mr. Allred, what would
15 be the concern in terms of lower revenues? You have
16 a pretty consistent funding source from ratepayers,
17 so where do you see that as a problem or that could
18 be a concern?

19 MR. ALLRED: Madam Chair, Commissioner
20 O'Malley, so the way the calculation basically works
21 is, we look at the revenue we generate and then we
22 subtract out operating expenses from it. But we
23 don't subtract out the transfer to capital and we
24 don't subtract out debt service, so those are the
25 revenues that are left over to pay for debt service.

1 You take those revenues divide it by the debt service
2 and that's how you get the ratio. Historically when
3 we created the rate reserve fund the raters used to
4 let us use fund balance or these reserves as revenue
5 sources in this calculation. About four years ago
6 they stopped allowing municipalities and utilities to
7 use that as a source of revenue. So as expenditures
8 go up, operating expenditures go up, and your
9 revenues staying flat, at some point in time the
10 ratio is going to get smaller so you're going to have
11 to have a rate increase to offset that difference.
12 Even though we may have sufficient cash reserves in
13 place to pay for operating expenditures, they really
14 look in the calculation as the revenues being
15 generated in that particular year from rate revenue.
16 So the utility is looking at maintaining a level of
17 using the cash to pay for the operating expenditures
18 without rate increases and also making sure that we
19 don't have a rate increase too soon. But at some
20 point in time as operating expenditures continue to
21 rise due to power, chemical, salaries and those type
22 of things, at some point in time we're going to have
23 some semblance of a rate increase to increase that
24 ratio for coverage because that is what we have to
25 maintain based off of covenants that we have signed

1 in these ordinances and resolutions as has been
2 approved by this Board.

3 VICE CHAIR O'MALLEY: Thank you.

4 CHAIR PENA: Thank you, Commissioner
5 O'Malley. Thank you, Mr. Allred. Motion to approve
6 C-20-5.

7 VICE CHAIR O'MALLEY: Second.

8 CHAIR PENA: There's a motion and a second.
9 All those in favor say yes.

10 MEMBERS: Yes.

11 CHAIR PENA: Opposed, no. Motion passes.
12 There being no further business, this meeting is
13 adjourned.

14 (Meeting adjourned at 6:00 P.M.)

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REPORTER'S CERTIFICATE

I, Kim Kay Shollenbarger, Registered Professional Reporter, 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, RPR