

1 ALBUQUERQUE BERNALILLO COUNTY  
2 WATER UTILITY AUTHORITY  
3 Wednesday, December 2, 2015 5:09 p.m.

4 ALBUQUERQUE BERNALILLO COUNTY GOVERNMENT CENTER  
5 ONE CIVIC PLAZA, NW  
6 ALBUQUERQUE, NM 87102

7 Before: Kelli Gallegos  
8 PAUL BACA PROFESSIONAL COURT REPORTERS  
9 500 Fourth Street, NW, Suite 105  
10 Albuquerque, New Mexico 87102

11 A P P E A R A N C E S

12 COMMISSIONER MAGGIE HART STEBBINS, Chair

13 COUNCILLOR TRUDY JONES, Vice Chair

14 COMMISSIONER DEBBIE O'MALLEY, Member

15 COMMISSIONER ART DE LA CRUZ, Member

16 COUNCILLOR KEN SANCHEZ, Member

17 TRUSTEE PABLO RAEL, Ex-officio Member

18 MAYOR RICHARD BERRY, Member (Excused)

19 MR. ROB PERRY, Admin. Officer, Alternate Member  
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22  
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1           CHAIRWOMAN HART STEBBINS: Good evening. I  
2 call to order the Albuquerque Bernalillo County  
3 Water Utility Authority meeting for Wednesday,  
4 December 2nd, 2015.

5           We're going to begin today's meeting  
6 with a silent invocation, followed by the Pledge  
7 of Allegiance, led by Rob Perry.

8           (Whereupon, there was a moment of  
9 silence.)

10          (Whereupon, the Pledge of Allegiance was  
11 led by Mr. Rob Perry.)

12          CHAIRWOMAN HART STEBBINS: Thank you. We  
13 are on approval of the minutes. I move we approve  
14 the September 23rd, 2015, minutes.

15          COMMISSIONER DE LA CRUZ: Second.

16          CHAIRWOMAN HART STEBBINS: We have a second.  
17 All in favor, say aye.

18          ALL MEMBERS: Aye.

19          CHAIRWOMAN HART STEBBINS: Opposed?

20          That passes unanimously.

21          (6-0 vote. Agenda Item 3 approved.)

22          CHAIRWOMAN HART STEBBINS: Tonight we  
23 have -- Mr. Sanchez, we have no proclamations or  
24 awards?

25          MR. SANCHEZ: No.

1           CHAIRWOMAN HART STEBBINS: All right. So we  
2 go on to public comment.

3           Ms. Jenkins, how many people do we have  
4 signed up for public comment?

5           MS. JENKINS: We have four. Elaine Hebbard,  
6 followed by Paul Gessing.

7           CHAIRWOMAN HART STEBBINS: And just a  
8 reminder, everyone who signed up for public  
9 comment will have three minutes to speak. A bell  
10 will sound when two and a half minutes has passed,  
11 giving you 30 seconds to wrap up. So when you  
12 hear your name called, please come to the front.

13          MS. HEBBARD: Good afternoon. Well, there's  
14 only eight [sic] of you.

15          I want to add my thanks to Councillor  
16 Garduno for his service and his questions that he  
17 often had.

18          My comments sometimes don't track the  
19 agenda, and I would say that's probably true today  
20 as well.

21          Under way is an update of the Water  
22 Resources Management Strategy, or the WRMS. This  
23 is the board's set of policies. In 1997, they  
24 were created to address the situation that we  
25 found ourselves in at that time. We needed to

1 switch from pumping to using surface water.

2           Nearly 20 years later, we face new  
3 challenges, as the gathering in Paris this week so  
4 aptly reminds us. To be resilient in the face of  
5 uncertainty means using more renewable resources,  
6 surface water as much as possible, and using less  
7 groundwater, rather than figuring out a way or a  
8 new level just to pump down to.

9           Most of the WRMS is a policy decision.  
10 I say that it's your decision and the public's,  
11 rather than just sort of defaulting to something  
12 that's in a contract. And I have taken what has  
13 been put out thus far as a default scenario in  
14 some of the materials just to show you this is not  
15 citable, it's a version of a scenario that's in  
16 the materials that have been published thus far  
17 and one that would be much more renewable, in my  
18 opinion, which would reduce pumping down to the  
19 10,000 acre feet, filling it in with recycled  
20 water.

21           I would also -- switching to a different  
22 topic a little bit -- suggest that, at the same  
23 time, there is an update of the Bernalillo County  
24 and city water plan, but the water utility is not  
25 joining it. And I would urge you that in accord

1 with Policy L, which is to link land use and  
2 water, that you do so. Policy L recommendation  
3 specifically says to join with the city and the  
4 county in the update of the comprehensive plan.  
5 So I would ask that you formally do that.

6 And, finally, the last step, again, in  
7 thinking of resiliency, adopting something like  
8 the Denver city/county and water utility, which is  
9 separate, adopt an adaptation plan, and thinking  
10 of values, such as the city and the county are  
11 preparing for a hotter and drier climate, and  
12 together they worked on that adaptation plan.

13 I would ask that you guys put on to your  
14 agenda a discussion of what the focus should be  
15 for the water utility's plan and also to join with  
16 the city and the county in their update process.

17 Thank you.

18 MS. JENKINS: Paul Gessing, followed by Ed  
19 Tenus.

20 MR. GESSING: Good evening. I'm here to  
21 express concerns about plans by the authority to  
22 ask for \$30 million from the State of New Mexico  
23 in order to reroute infrastructure relating to the  
24 Albuquerque Rapid Transit proposed bus system down  
25 Central.

1           This is a large expenditure potentially  
2 of money for a project with dubious benefits to  
3 our city. Thirty percent of total construction,  
4 we're told \$100 million by the city. Thirty  
5 percent of that increase now for infrastructure  
6 redeployment, or 150 percent of Albuquerque's  
7 planned share. Either way, it's a tremendous  
8 chunk of money, and my organization will work in  
9 Santa Fe, if this is approved, to fight against  
10 efforts at the state level to disburse this kind  
11 of money to the city.

12           We already have, as a utility, a billion  
13 dollars in rehabilitation needs, ratepayers facing  
14 5 percent biennial rate hikes, and it's just not a  
15 priority at this time. I believe that this  
16 authority should fight against any expectation  
17 that they will spend this kind of money to do  
18 this. If the city wants to pay the bill, then the  
19 city taxpayers should be on the hook and the mayor  
20 and city council should be on the hook, and that  
21 includes some of you, I know. The state and other  
22 water customers outside of the city should not be  
23 on the hook for that kind of infrastructure  
24 expenditure.

25           Thank you.

1 MS. JENKINS: Ed Tenus, followed by Mike  
2 Gutierrez.

3 MR. TENUS: I want to thank the commission  
4 for allowing us to participate in this meeting. I  
5 represent the Lost Horizon Community Association.  
6 And we are particularly interested in Item F,  
7 C-19-36 or -- 15-36. And we urge the water -- we  
8 urge the water authority to support us in this.

9 We have waited so long for this day, and  
10 the Lost Horizon Community is in total support of  
11 providing water to the families, five families  
12 that are on the frontage road, if the commission  
13 allows us to do it.

14 And also, we hope that you support us in  
15 the relocating of the equipment that we have to  
16 not only save us money, but the loss of hundreds  
17 of gallons of water that we suspect are being lost  
18 because of the age of the equipment and the  
19 location of the equipment.

20 Thank you all for all the effort you've  
21 put in over the years. We're at a point right now  
22 where it appears that we're seeing some light at  
23 the end of the tunnel, and hopefully you side up  
24 with us and help us out. Thank you very much.

25 MS. JENKINS: Mike Gutierrez.

1           MR. GUTIERREZ: Good evening, Commissioners  
2 and Madam Chair. My name is Mike Gutierrez. I'm  
3 a resident of the north frontage road, and you've  
4 probably seen me here before. I've been coming  
5 here for the last five years.

6           There, again, I'm in support with the  
7 rest of the residents of the community here  
8 tonight on Item Number C-15-36 asking for your  
9 approval. Please support us on this. We've  
10 worked a lot of diligent work through the years  
11 trying to get to this point, and it looks like  
12 we're very close.

13           So I'd like to thank you also for your  
14 cooperation. And if we get this, it would be the  
15 best Christmas present I ever had, I can tell you  
16 that. Thank you.

17           CHAIRWOMAN HART STEBBINS: That concludes  
18 our public comment period.

19           Our next scheduled meeting will be  
20 January 27, 2016, 5:00 p.m., here in the Vincent  
21 E. Griego Chambers.

22           And our second announcement, great news,  
23 the water authority has developed a mobile app.  
24 Mr. Morris, I think you're here to talk about  
25 that.



1           Now our customers can pay their bills,  
2   report water waste, check water-related news  
3   directly from and iPhone or mobile device. Not  
4   just iPhone, any mobile smart phone, and it's  
5   available now for free download.

6           So, Mr. Morris, can you give some more  
7   information.

8           MR. MORRIS: Thank you very much, Madam  
9   Chair. As you said, the mobile app is essentially  
10   our website optimized for use on mobile devices  
11   and smart phones. You can download it from either  
12   the app store for Apple or the android store.

13           And if you have any trouble finding it,  
14   just search for Albuquerque Water Authority. And  
15   you can see up here on the screen the little icon  
16   down there. On the right-hand side, that's the  
17   icon for the app. And we launch and you can do  
18   all kinds of handy things. You can view your  
19   account.

20           And then the little house on the  
21   right-hand corner means to go home, so press that  
22   and you go back to the home page. You can make a  
23   one-time payment, or you can do all of the other  
24   things -- virtually all of the other things you  
25   can do on the website, including checking on the

1 latest news, and even applying for a job.

2           So we're very excited to finally have  
3 this up and running. And if you have any  
4 questions, I'd be happy to try to answer them.

5           CHAIRWOMAN HART STEBBINS: I'm trying here  
6 to download it on my phone and having trouble with  
7 my Apple password, so -- but I'm looking forward  
8 to trying it out.

9           MR. MORRIS: I'm afraid I can't help you  
10 with that.

11           COMMISSIONER O'MALLEY: Madam Chair.

12           CHAIRWOMAN HART STEBBINS: Commissioner  
13 O'Malley.

14           COMMISSIONER O'MALLEY: What did you search  
15 for?

16           MR. MORRIS: Albuquerque Water Authority  
17 worked for me. Is that not having any luck? See  
18 me afterwards and we'll get you squared away.

19           COMMISSIONER O'MALLEY: I thought, well,  
20 I'll just do it now. Thank you.

21           CHAIRWOMAN HART STEBBINS: So it can be  
22 found if you search for Albuquerque Water  
23 Authority?

24           MR. MORRIS: Yes.

25           CHAIRWOMAN HART STEBBINS: Excellent.

1 That's great news. Great work. I don't know if  
2 you did it, Mr. Morris, or our IT department, but  
3 it's great. Especially being able to track usage  
4 from this. It's a great thing.

5 You got it?

6 COMMISSIONER O'MALLEY: Got it.

7 MR. MORRIS: Outstanding. All right. Thank  
8 you very much.

9 CHAIRWOMAN HART STEBBINS: Board Members,  
10 any questions?

11 Councillor Sanchez.

12 COUNCILLOR SANCHEZ: Commissioner O'Malley,  
13 do you intend to pay your bill right now?

14 COMMISSIONER O'MALLEY: I'm sure they'd like  
15 me to.

16 CHAIRWOMAN HART STEBBINS: We're now on  
17 introduction of legislation, R-15-16. Chris  
18 Cadena.

19 MR. CADENA: Hello. Madam Chair, Members of  
20 the Board, I'd like to introduce to you the  
21 development agreement for Juan Tabo Hills Estates.  
22 It's a subdivision that consists of 351 lots  
23 located between Eubank and Juan Tabo Drive, just  
24 north of Kirtland Air Force Base. It's pressure  
25 zone 4-ER in the Ridgecrest trunk.

1           The development consists of extending  
2 public water and sanitary sewer infrastructure  
3 within the development, as well as a relocation of  
4 a sanitary sewer interceptor. All services sold  
5 to the development will be charged the applicable  
6 water UECs and water supply charges, and there are  
7 no financial impacts to the water authority. This  
8 is the introduction, so no vote is intended on  
9 this meeting for the introduction.

10           I stand for any questions.

11           CHAIRWOMAN HART STEBBINS: Members, any  
12 questions or comments?

13           So this is just introduction. We don't  
14 have to vote on it?

15           MR. CADENA: Correct.

16           CHAIRWOMAN HART STEBBINS: Seeing no  
17 questions, we'll move on to the consent agenda.

18           If there are no questions on the consent  
19 agenda, I move we approve the consent agenda, all  
20 items on the consent agenda.

21           COMMISSIONER DE LA CRUZ: Second.

22           CHAIRWOMAN HART STEBBINS: We have a second  
23 from Commissioner De La Cruz. All in favor, say  
24 aye.

25           ALL MEMBERS: Aye.

1 CHAIRWOMAN HART STEBBINS: Opposed?

2 That passes unanimously.

3 (6-0 vote. Agenda Item 8 approved.)

4 MR. CADENA: Thank you.

5 CHAIRWOMAN HART STEBBINS: We're now on  
6 approvals, R-15-17. Katherine Yuhas.

7 MS. YUHAS: Madam Chair, Members of the  
8 Board, this resolution would authorize the water  
9 authority to submit an application in the amount  
10 of five-and-a-half-million dollars to the water  
11 trust board for an aquifer storage and recovery  
12 project at the drinking water plant.

13 Two types of wells will be tested to  
14 recharge up to 5,000 acre feet per year of treated  
15 drinking water into the aquifer. This project  
16 would allow us to use more of our San Juan Chama  
17 water, and it addresses four policies of the  
18 current Water Resources Management Strategy.

19 And I'll stand for any questions on  
20 this.

21 VICE CHAIRWOMAN JONES: Move approval.

22 CHAIRWOMAN HART STEBBINS: We have a motion  
23 for approval. I will second that. Any questions  
24 or comments? Seeing none, we have a motion and a  
25 second. All in favor say aye.

1 ALL MEMBERS: Aye.

2 CHAIRWOMAN HART STEBBINS: Opposed?

3 That passes unanimously.

4 Thank you.

5 (6-0 vote. Agenda Item 9A approved.)

6 CHAIRWOMAN HART STEBBINS: Mr. Sanchez,  
7 legislative priorities.

8 MR. SANCHEZ: Madam Chair, Members of the  
9 Board, our federal legislative priorities are  
10 largely the same as last year. There are two  
11 large requests. One is for the Tijeras Reuse  
12 Project, which is adjacent to Mesa del Sol and  
13 Kirtland Air Force Base. And the second is the  
14 Bosque Reuse Project, which is adjacent to Coors  
15 and Bosque School on the west side.

16 The other two requests are to continue  
17 to support the Kirtland cleanup and the Sandia  
18 Labs Mixed-Waste Landfill.

19 I stand for any questions.

20 CHAIRWOMAN HART STEBBINS: I move approval  
21 of the federal legislative priorities, Item  
22 C-15-32.

23 COUNCILLOR JONES: Second.

24 CHAIRWOMAN HART STEBBINS: Second from  
25 Councillor Jones. Any questions or comments?

1     Seeing none, we have a motion and a second.   All  
2     in favor say aye.

3             ALL MEMBERS:   Aye.

4             CHAIRWOMAN HART STEBBINS:   Opposed?

5             That passes unanimously.

6             (6-0 vote.   Agenda Item 9B approved.)

7             CHAIRWOMAN HART STEBBINS:   All right.   We're  
8     now on state legislative priorities, C-15-33.  
9     Mr. Sanchez.

10            MR. SANCHEZ:   Madam Chair, as Katherine  
11     mentioned, we're applying for \$5.5 million for ASR  
12     funding.   That's on the request.   750,000 for the  
13     Bosque Reuse to begin the environment design.  
14     900,000 for the Carnuel Phase 2B project.

15            As Mr. Tenus and Mr. Gutierrez  
16     mentioned, if you approve tonight's request to  
17     make the connections, they would like to relocate  
18     a pump station.   And we support their request as a  
19     mutual domestic for a \$175,000.

20            We would also request what we consider  
21     relief funding to the extent that the rapid  
22     transit project would require additional resources  
23     from the utility for water and sewer line  
24     relocation.

25            And lastly, we've suggested in the past

1 a review of the governmental gross receipts tax.  
2 The water authority customers essentially pay  
3 about \$7 million a year, which goes to the  
4 New Mexico Finance Authority, and very little of  
5 that comes back in terms of projects to our  
6 ratepayers. So we'd support a memorial to review  
7 that.

8 I stand for any questions.

9 CHAIRWOMAN HART STEBBINS: Mr. Perry.

10 MR. PERRY: I just have a question,  
11 Mr. Sanchez, about, looks like, Paragraph 3, the  
12 Carnuel Water System Improvement Project. We've  
13 sat here and have had folks from Carnuel come down  
14 and we're heard about the difficulties and issues  
15 surrounding that community on water supply and  
16 degradation of existing lines and the like.

17 Would this \$900,000 of capital request  
18 solve that problem in its entirety?

19 MR. SANCHEZ: Madam Chair, Mr. Perry, no.  
20 This would be a long-term endeavor.

21 Mr. Roth has been more involved in this  
22 project than I. He can probably speak to the  
23 details.

24 Frank.

25 MR. PERRY: Just a short summary,



1 Mr. Sanchez and Mr. Roth, on what it will do and  
2 won't do, I guess. That will be helpful for me to  
3 understand.

4 MR. ROTH: Madam Chair, Mr. Perry, this  
5 is -- the purpose of this project is to continue  
6 the extension of distribution lines in the high  
7 priority area. This is the corridor along  
8 New Mexico 333. This is actually an eight-phase  
9 project that could cost about \$25 million. And we  
10 hope to receive up to about \$8 million of that.

11 So we're moving forward to try to  
12 complete the distribution system in the high  
13 priority area. That's been a major focus and  
14 we're probably looking at the next five years of  
15 trying to complete just the high priority area.

16 MR. PERRY: And just a follow-up question on  
17 that. So total remediation costs to be able to  
18 supply water into the area and restructure the  
19 lines appropriately and rebuild the systems and  
20 the like, is that 25 million?

21 MR. ROTH: That's correct.

22 MR. PERRY: Where would that money come  
23 from? What are the possibilities?

24 MR. ROTH: Most of that money has come from  
25 federal funding. It has come from state funding

1 through grants. And also some EPA funding and  
2 water trust board funding.

3 MR. PERRY: It is currently funded, the  
4 total maximum allowable cost on it?

5 MR. ROTH: No, sir. The \$25 million, we  
6 have not obtained that funding for total funding.  
7 We're close to \$8 million that we have received  
8 funding for.

9 MR. PERRY: Eight?

10 MR. ROTH: \$8 million.

11 MR. PERRY: Thanks. And what's the total  
12 size of the service area that we're talking about?  
13 How many households or measurements would you  
14 apply to it?

15 MR. ROTH: Eight hundred households.

16 MR. PERRY: Eight hundred households. Okay.  
17 Would it be safe to say that what we capture to  
18 capitalize that type of investment based on 800  
19 households would probably be very, very long term?

20 MR. ROTH: Mr. Perry, that is correct. It  
21 is a long-term project, very difficult to serve  
22 because it is in a canyon of steep slopes and the  
23 types of reservoirs that it has to go in place.

24 MR. PERRY: And those folks, just like the  
25 folks in Lost Horizon, we have to make an

1 investment so that we can get water so that  
2 there's quality of life and community development  
3 in those areas. And in the financial analysis, to  
4 a large extent, it will probably never pay for  
5 itself based on the rate; is that right?

6 MR. ROTH: Mr. Perry, the Carnuel, including  
7 Lost Horizon, are outside of the service area, so  
8 it is a no net expense. And that's why it has  
9 taken time to build this project, because we're  
10 relying on grant funding to fund these projects so  
11 that the existing ratepayers are not funding the  
12 extension of distribution lines to these areas.

13 MR. PERRY: Thank you, sir.

14 CHAIRWOMAN HART STEBBINS: Commissioner  
15 O'Malley.

16 COMMISSIONER O'MALLEY: Thank you, Madam  
17 Chair. I guess I missed something when you were  
18 reading the list of the legislative priorities for  
19 the state. Wasn't there a request for \$30 million  
20 for the utility -- or the utility work for the  
21 rapid ride system? Did you mention that?

22 MR. SANCHEZ: Madam Chair, Commissioner  
23 O'Malley, that's correct. We're not certain that  
24 that's the right number. If you look at the total  
25 to date of the engineering design estimates, about

1 4 million would be to mitigate conflicts with the  
2 corridor rapid ride as we know today, and 26  
3 million could be the total exposure of water and  
4 sewer lines that are high risk or extreme risk  
5 around the corridor.

6 COMMISSIONER O'MALLEY: So it obviously  
7 isn't a simple project. It affects the adjacent  
8 areas. And, of course, because that corridor is  
9 very busy, it has a lot of infrastructure already,  
10 there could be some of these costs that you had  
11 not anticipated, or did you anticipate them?

12 MR. SANCHEZ: Currently, there are five  
13 phases the city has identified. Only two of those  
14 phases are at the 90 percent design phase. And  
15 three of them are at 30 percent. So I'm not sure  
16 any of us really know what those numbers are yet.

17 COMMISSIONER O'MALLEY: So if this becomes a  
18 priority, what does that mean for other priorities  
19 within the list? That's a very big number.

20 MR. SANCHEZ: Madam Chair, Commissioner  
21 O'Malley, again, these are not just requests,  
22 they're not prioritized.

23 COMMISSIONER O'MALLEY: Right, right.

24 MR. SANCHEZ: They would be given to our  
25 lobbyists in Santa Fe. And to the extent the

1 capital funding is available, and it certainly may  
2 not be, these would be identified.

3 COMMISSIONER O'MALLEY: Just in looking at  
4 this, just from an overall, sort of general way, I  
5 think it would be very important to have a lot of  
6 transparency around costs associated with this.

7 And, you know, we have some folks from the city  
8 here who we know that -- and, you know, anytime  
9 you're building something, you're developing  
10 something, it's always better to be more  
11 conservative so that you have an idea of what  
12 potential could come up. Because, you know,  
13 ultimately the money has to come from somewhere.

14 A lot of these projects have their own  
15 dedicated funding, or have in the past. It's  
16 usually cities that want to get these things done.  
17 Obviously, this one doesn't, the overall project.  
18 So I think that's going to be really important.  
19 My concern would be that we -- you know, even as  
20 part of the legislative priorities, that, you  
21 know, they -- that maybe other things -- if it's  
22 considered priority, that other things may get put  
23 to the back burner, just for -- you know, just to  
24 discuss this a little more.

25 And on another item, I appreciate your

1 support and working with the group who is here  
2 today. Mostly, I know Mike, because he's the one  
3 who's called me the most to actually look for  
4 funding from the state level. I think it's  
5 175,000 to relocate -- is it the pump station? --  
6 which doesn't seem like a great deal of money to  
7 be able to deal with that issue of the leaky  
8 pipes, et cetera, and those would really help  
9 those folks. So I appreciate that that's on the  
10 list.

11 Thank you.

12 CHAIRWOMAN HART STEBBINS: Councillor  
13 Sanchez.

14 COUNCILLOR SANCHEZ: Thank you, Madam Chair.

15 I have some of the same concerns that  
16 Commissioner O'Malley has. I know this is a  
17 legislative priority, and it's not categorized in  
18 any particular order. But this is the governor's  
19 call, and I'm not sure how far this will go during  
20 this legislative session.

21 And the article that I saw in the paper  
22 this week, I was a little bit concerned when I  
23 heard, and I did receive some calls from some of  
24 the ratepayers concerned that their rates were  
25 going to increase by \$11 a month after we've had

1 rate increases over the last couple years.

2 But I think before information gets out  
3 like that to the media, you know, we've got to  
4 have some facts in order. But I don't think that  
5 really was a true story in the case, but, again, I  
6 think the residents are very concerned.

7 I don't think the money is going to come  
8 from Santa Fe. I mean, trying to get that much  
9 money would be a pipe dream, I think. And then  
10 identifying this as a legislative priority, I  
11 would hope we get it, but I feel strongly that's  
12 not going to happen. And if it's got to be done,  
13 it's got to come from the ratepayers and taxpayers  
14 of this community. And I think as we move forward  
15 with the -- our project, we've got to make sure  
16 what we're transparent and what the true cost is  
17 going to be and how much more we're looking at in  
18 terms of cost, because we're still looking at  
19 federal dollars, we're looking at local dollars,  
20 and now we're looking at asking the state to  
21 provide state money for some of the work that  
22 needs to be done for the water authority. And I'm  
23 very concerned with that.

24 CHAIRWOMAN HART STEBBINS: Any other  
25 questions or comments about the state priorities?

1           So, Mr. Sanchez, which just on that  
2   issue of the BRT funding, the water utility -- if  
3   that project moves forward, the water utility is  
4   going to be responsible for those costs? If there  
5   is no assistance from the state, the water utility  
6   will be responsible for all utility relocation  
7   costs?

8           MR. SANCHEZ: Madam Chair, I think it would  
9   depend largely regarding the interpretation of the  
10  franchise agreement we have between the water  
11  authority and the city. If the intent is to  
12  mitigate conflicts, I think the numbers associated  
13  with that might be doable over a two- or  
14  three-year period. If the intent is to relocate,  
15  rehab and replace all lines at risk surrounding  
16  the corridor, I think that's when the numbers get  
17  staggering.

18           And given the timing of this project,  
19  perhaps the request to the legislature this year  
20  may be ill-advised. Maybe it's next session, in  
21  2017.

22           Mr. Perry may want to comment on that.

23           MR. PERRY: Madam Chair, Mr. Sanchez, I  
24  really can't comment on that. I mean, I don't  
25  know the sensitivity of the timing for the water



1 infrastructure. But I do have a question when  
2 you're done.

3 CHAIRWOMAN HART STEBBINS: Commissioner De  
4 La Cruz.

5 COMMISSIONER DE LA CRUZ: Thank you, Madam  
6 Chair.

7 Mark, are we putting the cart ahead of  
8 the horse in this situation in so much that this  
9 isn't a project that the water authority has taken  
10 a vote on? Do we want to participate in this? Do  
11 we have to participate in this?

12 Because if we go to the state and say we  
13 need X amount of dollars, it assumes that the  
14 water authority board is behind the project. So I  
15 think that needs to be clarified. Can you help  
16 clarify that in terms of timeliness in terms of  
17 what comes first, second, third?

18 MR. SANCHEZ: Madam Chair, Commissioner De  
19 La Cruz, oftentimes there are projects that are  
20 not our projects but involve our infrastructure  
21 and the right-of-way. So it's always a question  
22 of is it within the scope of the franchise  
23 agreement that requires us to do that.

24 The best recent example I could offer is  
25 Paseo del Norte. If you recall, all the entities

1 were involved in that. It was a department of  
2 transportation project, the city and county  
3 participated. It was determined to be a high  
4 profile project. We had pretty significant  
5 infrastructure in and around that corridor that we  
6 had to relocate. It was estimated to be in the 8  
7 to 10 million range. It ended up being 6 million.  
8 That was anticipated, it was not our project, but  
9 we had to relocate those lines. So this project  
10 might be similar to that.

11 COMMISSIONER DE LA CRUZ: Madam Chair.

12 There are projects that occur all over,  
13 large and small. There's one in the South Valley  
14 right now that's called the Vista del Rio Drainage  
15 Project. Waterlines have to be relocated. I  
16 don't believe the water authority is paying for  
17 that. I believe the county has had to find the  
18 resources to do that, whether they're done through  
19 general obligation bonds or done through federal  
20 grants, whatever. So what would be different  
21 here?

22 MR. SANCHEZ: Madam Chair, Commissioner De  
23 La Cruz, again, I think to some degree, this is  
24 putting the cart before the horse. But it is a  
25 way to at least acknowledge that there could be

1 future costs in our capital program associated  
2 with this project. And we don't know the extent  
3 to which those costs will impact our capital  
4 program and potentially the ratepayers.

5 COMMISSIONER DE LA CRUZ: I think the big  
6 question is, who's supposed to bear those costs?

7 MR. SANCHEZ: I would defer to the board on  
8 that issue.

9 COMMISSIONER DE LA CRUZ: That's my point in  
10 terms of what the timeliness of it is. If we go  
11 to Santa Fe and say, "We need X amount of  
12 dollars," it assumes that we're participating. I  
13 think that question has not been asked of this  
14 board yet.

15 Thank you, Madam Chair.

16 CHAIRWOMAN HART STEBBINS: Mr. Perry.

17 MR. PERRY: Thank you, Madam Chair.

18 Mr. Sanchez, we've gone through lengthy  
19 meetings when we do our capital budget every year,  
20 when we do our rate increase related to capital  
21 improvements, replacement of infrastructure. And  
22 I understand there's about a billion dollars of  
23 need; is that right? I think it's referenced in  
24 one of the documents I've seen, perhaps the  
25 federal legislative agenda. Is that about right,

1 a billion dollars?

2 MR. SANCHEZ: Approximately, yes.

3 MR. PERRY: When we went to Cleveland,  
4 Councillor Sanchez, to look at their BRT system, I  
5 talked to some of the folks on the water authority  
6 there, their utility, because I think in Cleveland  
7 they were part of the city. And they said,  
8 "Actually, it was an opportunity."

9 And I said, "How is that?"

10 And they said, "Well, we're already in  
11 the ground. We were already doing the  
12 improvements, so it gave us the opportunity to  
13 save a lot of money by replacing the age-old  
14 industrial-age" -- in Cleveland it's very old  
15 streets. They were already digging it out, doing  
16 the underground for a variety of different  
17 reasons.

18 Would the same opportunities for cost  
19 savings be related to this particular undertaking,  
20 this capital project? If we're in the streets  
21 anyway and you have very aged, fragile,  
22 in-jeopardy, high-risk infrastructure, then you'd  
23 be able to go in there and do the replacement, and  
24 you wouldn't have to pave, resurface the pavement  
25 and move all the utilities and things like. Is

1     that a possibility?

2             MR. SANCHEZ:   Madam Chair, Mr. Perry, of  
3     course.   However, it would take capital spending  
4     from other areas to that focus area.

5             MR. PERRY:   And I was going to ask you about  
6     that as far as the capital plan goes, because my  
7     memory isn't quite that precise and detailed and  
8     good to the extent of the capital plan, long-term  
9     capital plan.   And I understand that the capital  
10    plan is predicated on a host of things, including  
11    risk assessment, evaluation of most risky, dated  
12    and compromised infrastructure.

13            And to that extent, where does Central  
14    Avenue fit into that, particularly that corridor  
15    from Louisiana, you know, San Mateo area, down to,  
16    hypothetically, the river, or even Coors?   Because  
17    I know that's kind of the older part of the city.  
18    And I know downtown, here in the downtown area,  
19    every year we have large water main breaks and we  
20    get the calls from the city, we see it on the news  
21    and the like.   What's the general condition of  
22    that Central Avenue infrastructure in comparison  
23    to other parts of the city?

24            MR. SANCHEZ:   Madam Chair, Mr. Perry, it's  
25    certainly high risk.   But I would say at least 50

1 to 60 percent of our entire metropolitan area is  
2 at high risk.

3 MR. PERRY: Thank you, sir.

4 Thank you, Madam Chair.

5 CHAIRWOMAN HART STEBBINS: Commissioner  
6 O'Malley.

7 COMMISSIONER O'MALLEY: Thank you, Madam  
8 Chair.

9 I'd like this commission to consider  
10 maybe not putting this on the list, and also I  
11 would like to have a better understanding of the  
12 obligations of the water authority, that is. And  
13 maybe we should have an opportunity to have a  
14 short presentation of up-to-date numbers and  
15 probably have the ability to decide whether or not  
16 this board wants to commit future funds in that  
17 regard to a project of this size.

18 That's a good point that, you know, we  
19 always -- it's interesting how the authority is  
20 basically it's own political subdivision. And  
21 it's got -- it's the ownership of all the  
22 utilities. And I know when the county wants to do  
23 something, of course, we have to go through the  
24 utility, and the city has to do the same thing,  
25 especially for some large projects. I think that

1 would be something I would like to see.

2 MR. SANCHEZ: Madam Chair, Commissioner  
3 O'Malley, I think, as I mentioned earlier,  
4 three-fifths of this project are yet to be at the  
5 90 percent level design. And maybe that's the  
6 point where the costs start to become real. And  
7 maybe that's the spring or early summer, I'm not  
8 sure of the timing of that. But certainly when  
9 those are available, we could come forward, or the  
10 city could come forward as well.

11 COMMISSIONER O'MALLEY: Madam Chair, thank  
12 you.

13 This type of project that the cost --  
14 and I think that's why a lot of times communities  
15 will balk at moving these forward, because they're  
16 so expensive, and they are very expensive.

17 I think honestly, the city has made a  
18 decision to move forward with this, but, you know,  
19 I had -- I was not aware that there would be some  
20 costs associated with a lot of the infrastructure.  
21 And I think that's important to know what that  
22 would be only because we have so many needs and  
23 the money has got to come from somewhere. And  
24 right now, because of the way we're structured, it  
25 comes from ratepayers.

1                   Thank you.

2                   CHAIRWOMAN HART STEBBINS:   Commissioner De  
3   La Cruz.

4                   COMMISSIONER DE LA CRUZ:   Thank you, Madam  
5   Chair.

6                   I am not necessarily for this or against  
7   this project.  I have been -- I want to thank the  
8   city for the presentation that I received in my  
9   office related to ART.  But that being said, this  
10   commissioner needs a little more information,  
11   because, again, who pays for it?

12                  Yeah, if either the city or the county  
13   wants to undertake a project, the water utility  
14   authority has to cooperate in so much that the  
15   lines have to be dealt with, but not necessarily  
16   who pays for it.

17                  And this may be an opportunity, as was  
18   stated earlier, to improve aging infrastructure.  
19   That's probably an opportunity for lines  
20   everywhere in the system.  But then there may be  
21   other opportunities that I'm just not familiar  
22   with.  I would like to have an opportunity to be  
23   briefed further by the city to see what the  
24   advantages are related to the entire ART system.  
25   I've read and seen much of what the public has



1 read and seen, but I think we need to have a  
2 little more information on a deeper level so we  
3 can make a better decision. I'm not there yet, I  
4 may be there, but I need more information.

5 Thank you very much.

6 CHAIRWOMAN HART STEBBINS: Councillor Jones.

7 VICE CHAIRWOMAN JONES: Thank you,  
8 Madam Chair.

9 Mr. Sanchez, I'm not clear on this, but  
10 does our franchise agreement with the city in fact  
11 address all of this and who pays for what, or is  
12 it a bit ambiguous?

13 MR. SANCHEZ: Madam Chair, Councillor Jones,  
14 I think it's a matter of interpretation.  
15 Typically, any project related to the public  
16 health and safety would be required to have  
17 utility relocation. There's a matter of  
18 interpretation: Is this a project related to  
19 public health and safety? The city might say yes,  
20 we might say no.

21 Again, I think we try to partner, to the  
22 extent we can, with the city and the county and  
23 the Village of Los Ranchos with any right-of-way  
24 projects to the extent that we can financially. I  
25 think this issue just raises the potential

1 exposure that we know at this point, and it could  
2 grow over time.

3 COUNCILLOR JONES: Thank you, Mr. Sanchez.

4 Thank you, Madam Chair.

5 CHAIRWOMAN HART STEBBINS: Any other  
6 questions, comments?

7 So we could approve these -- we could  
8 amend it to remove that one item and then approve  
9 the package.

10 I move we approve C-15-33, the state  
11 legislative priorities. Do we have a second?

12 COMMISSIONER DE LA CRUZ: Second.

13 CHAIRWOMAN HART STEBBINS: We have a second  
14 from Commissioner De La Cruz.

15 Does anyone want to remove this,  
16 deletion of Item Number 5, which would be the  
17 utility relief funding?

18 All right. Seeing none, we have a  
19 motion and a second to approve C-15-33. All in  
20 favor, say aye.

21 ALL MEMBERS: Aye.

22 CHAIRWOMAN HART STEBBINS: Opposed?

23 That passes unanimously.

24 (6-0 vote. Agenda Item 9C approved.)

25 CHAIRWOMAN HART STEBBINS: We are now on

1 Item D, C-15-34, the quarterly financial report.

2 MR. ALLRED: Madam Chair, Members of the  
3 Board, what I have before you is the first quarter  
4 financials for FY16.

5 I'm pleased to report total revenues are  
6 up \$6. million rate revenues as compared to the  
7 same period of FY2015. Total revenues are about  
8 six-and-a-half-million dollars above that level.  
9 Consumption for the first quarter was at the  
10 levels of FY15, so there was no change there. And  
11 we've had above-average precipitation in this  
12 fiscal year as well.

13 And at this point in time, since we only  
14 have about two and a half months' worth of data,  
15 we've left our rate revenue projections at what  
16 was unbudgeted. Real quick depiction [sic] of  
17 the revenue. The big bar to the left-hand side is  
18 the rate revenue, and you see the increase from  
19 one year to the next.

20 Moving on to expenditures, expenditures  
21 spent this year, about \$2.3 million above the same  
22 level as last year. The big driver is power and  
23 chemicals, primary power. Power has also been  
24 offset indirectly by the decrease in the fuel  
25 rider that PNM is charging their customers. It

1 went from about \$1.35 per kilowatt hour to today  
2 at 92 cents. And we expect to be at this point in  
3 time estimated to be about a half-million dollars  
4 under budget.

5 And then a real quick graphic in the  
6 difference in the expenditures spent from FY16 to  
7 FY15. Water use production, again, we're tracking  
8 as we did for FY15. I think there was about a  
9 32-million-gallon difference between the two  
10 fiscal years during that period. Real quick, at  
11 the end, the rate reserve is now at \$6 million.  
12 Our working capital balance is projected to go  
13 from a negative 8.7 million to over 4 million.

14 We have met our rate covenants. For  
15 FY15, we've met it 2.03 times, which is well above  
16 the 1.33, and we were at 1.78 times for all debt,  
17 which we needed to get at 1.2. Through the first  
18 quarter, we're at about 1.78 for senior, which is  
19 well above the 1.33. And we're at about 1.59 for  
20 all debt, which is well above the 1.2.

21 Other things we're going to do for this  
22 year, we've done design on Yucca and Central. So  
23 we're going to spend about a half million dollars  
24 of the 6 million that we borrowed for that project  
25 in this fiscal year, and then construction will

1 begin in FY17.

2 And we have submitted the FY15 CAFR to  
3 the state auditor. That was submitted about three  
4 weeks ago. It's under the state auditor's review,  
5 and at this point, we have not heard back from  
6 them. And at the time they come back to us and  
7 they approve it and release it, then we'll  
8 release it to this. And I stand for any  
9 questions.

10 CHAIRWOMAN HART STEBBINS: Any questions on  
11 the quarterly financial report?

12 Seeing none, I move we approve C-15-34,  
13 the quarterly financial report.

14 COUNCILLOR SANCHEZ: Second.

15 CHAIRWOMAN HART STEBBINS: We have a second  
16 from Councillor Sanchez. All in favor, say aye.

17 ALL MEMBERS: Aye.

18 CHAIRWOMAN HART STEBBINS: Opposed?

19 That passes unanimously.

20 (6-0 vote. Agenda Item 9D approved.)

21 CHAIRWOMAN HART STEBBINS: We are now on  
22 C-15-35, approving appointment to the labor board.

23 COMMISSIONER DE LA CRUZ: Move approval.

24 COUNCILLOR SANCHEZ: Second.

25 CHAIRWOMAN HART STEBBINS: All right.

1 Anyone like to hear the details or shall we vote?

2 We have a motion and a second. All in  
3 favor say aye.

4 ALL MEMBERS: Aye.

5 CHAIRWOMAN HART STEBBINS: Opposed?

6 That passes unanimously.

7 Thank you.

8 So that would be -- Felicia Orth would  
9 be the water utility's appointee to the labor  
10 board.

11 (6-0 vote. Agenda Item 9E approved.)

12 CHAIRWOMAN HART STEBBINS: We're now on  
13 C-15-36, authorizing an amendment to the existing  
14 agreement with Lost Horizon Community Association.

15 COMMISSIONER O'MALLEY: Move approval.

16 COUNCILLOR SANCHEZ: Second.

17 CHAIRWOMAN HART STEBBINS: We have a motion  
18 from Commissioner O'Malley, a second from  
19 Councillor Sanchez. I would like to hear a few  
20 details of this, if you don't mind.

21 MR. CADENA: Good evening, Madam Chair,  
22 Members of the Board. I'm here to present to you  
23 an amendment to an existing agreement that the  
24 water authority has with Lost Horizon. The  
25 agreement was originally adopted and signed in

1 1982, which provides wholesale service to Lost  
2 Horizon, which is a community consisting of 36  
3 lots, located five miles west of Atrisco Vista,  
4 just north of Interstate 40.

5 This amendment really does two things.  
6 The first thing is, it allows the addition of five  
7 existing, already-developed properties to take  
8 service from the Lost Horizon-owned waterline.  
9 And it also allows the potential for relocation of  
10 a Lost Horizon pump station from an existing  
11 location at Don Reservoir to a proposed location,  
12 possibly at Bernalillo County Industrial Park,  
13 given that Lost Horizon is able to find funding  
14 for that.

15 The infrastructure, including pump  
16 station, transmission line, is all owned,  
17 maintained, and operated by Lost Horizon. Any  
18 possible relocation of this pump station will be  
19 at no expense to the water authority. So there  
20 really is no financial impact to this, and it's  
21 recommended that the board does approve this  
22 amendment.

23 CHAIRWOMAN HART STEBBINS: Mr. Perry.

24 MR. PERRY: Madam Chair, just briefly, you  
25 know, I appreciate Mr. Cardenas getting with the

1 Lost Horizon owners. They've come down here and  
2 they've always offered very thoughtful and  
3 heartfelt comments on the difficulty of their  
4 landownership in that area. And this seems like a  
5 creative way that the cost and incidence of the  
6 expansion and improvements are really borne by  
7 those individuals who have come down and said,  
8 "We're willing to find a way to do it." So my  
9 thanks goes out to the citizens of that community  
10 and subdivision for being creative.

11 And I wish you well in trying to find a  
12 way to raise the capitalization and financing  
13 necessary for the pump station and line expansion.  
14 I support the legislation.

15 CHAIRWOMAN HART STEBBINS: Councillor  
16 Sanchez.

17 COUNCILLOR SANCHEZ: I concur with CAO  
18 Perry's comments. I want to thank the  
19 organization and the neighbors that have worked  
20 long and hard with the city council, the county  
21 commissioners, members of the water authority  
22 board.

23 Mike, I've talked to you for several  
24 years on this issue. The original agreement was  
25 33 years ago, and, you know, you've come back for



1 many years and have asked that you can get the  
2 water that you need, and you've been very patient  
3 about it. I'm surprised you've been as patient as  
4 you've been. We both went to school together, I  
5 see you more now at these meetings than I did at  
6 school, but it's been a long, long process. And I  
7 want to thank you and your residents for not  
8 giving up the fight. As you've stated, it's going  
9 to be the best Christmas gift that you could ever  
10 receive.

11 But there's still some work that needs  
12 to be done. You will be going to Santa Fe, if we  
13 can make this legislative priority a reality.  
14 You'll need some money from the state legislature,  
15 so you may want to start contacting some local  
16 state legislators in your area to get that  
17 additional money that's going to be necessary.

18 This proposition is not going to be  
19 cheap, but I think, you know, working with us and  
20 working with your neighbors, that you can get this  
21 done as quickly as possible. I want to thank you  
22 for your vision and not giving up the fight.

23 CHAIRWOMAN HART STEBBINS: Commissioner  
24 O'Malley.

25 COMMISSIONER O'MALLEY: Thank you, Madam

1 Chair.

2 I will say that this group was very,  
3 very, very, very persistent. But I do appreciate  
4 that they did work through the process. We did  
5 have to amend our plan. That's a requirement.  
6 And I know that that was frustrating and it took  
7 longer than people would like. But ultimately  
8 what we have now before us is, I think, a very  
9 good solution for those folks who are affected by  
10 this. It's above board, it's going to work, and I  
11 think it's one of those things where also in terms  
12 of the total cost, it's not overwhelming, which I  
13 think is good.

14 And I appreciate the -- really, it's the  
15 staff and yourself, Mr. Sanchez, who came up with  
16 this idea of tapping into Lost Horizon as a mutual  
17 domestic, and so since this is also a legislative  
18 priority, it will be handled as such. And of  
19 course I will also make it known from -- I think  
20 we might even have the same lobbyist, so we'll  
21 just let them know, both of them, that we want to  
22 make this a priority. I appreciate your work on  
23 this. Thank you.

24 COMMISSIONER DE LA CRUZ: Thank you, Madam  
25 Chair. If the board approves this and this

1 continues to move forward, funding is found,  
2 et cetera, can we change the name to Found Horizon  
3 or Next Horizon?

4 Thank you, Madam Chair.

5 CHAIRWOMAN HART STEBBINS: All right. If  
6 there are no more questions or comments, we have a  
7 motion and a second to approve C-15-36. All in  
8 favor, say aye.

9 ALL MEMBERS: Aye.

10 CHAIRWOMAN HART STEBBINS: Opposed?

11 That passes unanimously.

12 MR. CADENA: Thank you.

13 (6-0 vote. Agenda Item 9F approved.)

14 CHAIRWOMAN HART STEBBINS: Our final  
15 approval item is C-15-37, approving an agreement  
16 with Affordable Solar. Mr. Sanchez.

17 MR. SANCHEZ: Madam Chair, Members of the  
18 Board, this item would authorize us to move  
19 forward with a power purchase agreement with  
20 Affordable Solar. It would essentially cut our  
21 power costs in half for 10 percent of our current  
22 power needs, saving us approximately \$400,000 a  
23 year going forward. No capital outlay on our  
24 part. We're simply making our land available  
25 we're piggy-backing on an existing government

1 contract in T or C, and that allows us to expedite  
2 this project.

3 COMMISSIONER DE LA CRUZ: Move approval.

4 MR. PERRY: Second.

5 CHAIRWOMAN HART STEBBINS: We have a motion  
6 and two seconds. Any questions or comments?

7 MR. PERRY: Just one quick one.

8 CHAIRWOMAN HART STEBBINS: CAO Perry.

9 MR. PERRY: So you all are making the land  
10 available, and these folks are basically putting  
11 the equipment in there, capitalizing the cost of  
12 equipment and being a pro forma so that their  
13 electricity costs will be purchased for about half  
14 of what you pay from PNM or another provider?

15 MR. SANCHEZ: Correct.

16 CHAIRWOMAN HART STEBBINS: All right. We  
17 have a motion and a second to approve C-15-37.  
18 All in favor, say aye.

19 ALL MEMBERS: Aye.

20 CHAIRWOMAN HART STEBBINS: Opposed?

21 That passes unanimously.

22 Great work on that, Mark. And I want to  
23 congratulate the staff. That really is a great,  
24 great idea.

25 (6-0 vote. Agenda Item 9G approved.)

1           CHAIRWOMAN HART STEBBINS: We're now on to  
2 other business. We'll start with the presentation  
3 on future debt maturity. We have Erik Harrigan  
4 from RBC Capital.

5           MR. HARRIGAN: Good evening, Madam Chair,  
6 Members of the Board. My name is Erik Harrigan of  
7 RBC Capital Markets. We are the authority's  
8 financial advisor. We've been asked to run an  
9 analysis on the extending debt beyond the  
10 authority's current policy of 12 years for renewal  
11 replacement and what impact that could have on a  
12 future interest costs, if you will, over the life  
13 of the program.

14           And we wanted to start by going over the  
15 current policies of the authority. The authority  
16 has to, on average, at a minimum, fund renewal  
17 replacement costs with 50 percent cash, and at a  
18 maximum, 50 percent comes from debt, and that the  
19 bonds for the basic needs rehabilitation program  
20 be funded with a 12-year final maturity, and for  
21 special projects, such as the San Juan Chama  
22 Project, to be funded no more than 25 years of  
23 final maturity.

24           And this has been looked -- this  
25 amortization schedule has been looked upon by the

1 rating agencies as very favorable. And the  
2 authority has strong bond ratings of Double A2 by  
3 Moody's on a senior lien, A-plus by Standard &  
4 Poor's, and A by Fitch. We also have subordinate  
5 lien ratings listed there, as well.

6 On the senior lien, the board has a  
7 policy of 150 times coverage, with a legal policy  
8 of 133, and a subordinate lien board policy of  
9 133, with a legal covenant of 125. And, again,  
10 the ratings agencies look at this as very  
11 favorable of not only having policies that meet  
12 but also exceed the legal requirements and to also  
13 target one-twelfth of reserves per the rate  
14 ordinance.

15 For all utilities, ratings are made up  
16 of basically four major components, which are  
17 system characteristics, financial strengths, the  
18 management of the system, as well as the legal.  
19 And those are listed above.

20 Issuers typically have high control over  
21 metrics, such as management and legal, and less  
22 control over system characteristics, such as how  
23 many customers you have, financial performance,  
24 with the exception of asset condition can be  
25 controlled by proper capital planning.

1           When we take a look at the impact of  
2     extending debt beyond the 12-year, we projected  
3     out a 30-year plan of the capital spending. And  
4     what we found is that the additional interest  
5     costs by going from a 12-year amortization to a  
6     20-year amortization in interest costs alone would  
7     be about 450 million. By going from 12 to 25  
8     years, we'd be looking at close to 800 million in  
9     increased interest cost, and by going from  
10    12 years to 30, we'd be looking at close to a  
11    billion dollars over the life of all of those  
12    loans in just increased interest costs.

13           And it can be kind of tied back similar  
14    to a mortgage. When you look at a 15-year  
15    mortgage versus a 30-year mortgage, you're  
16    typically going to pay almost 100 more in interest  
17    for that same mortgage over a 30-year period as  
18    you are a 15-year period.

19           One of the benefits, if you will, of  
20    extending is that short-term, the rate revenue  
21    required to meet those debt service requirements  
22    is lower. Long term, though, it's higher. And as  
23    I'll show you here, the rate revenue increase  
24    biannually is about 5 percent, from 2018 to 2027.  
25    However, after that point, because the debt is

1 being paid down so rapidly and interest costs is  
2 minimized, that drops down on average to a little  
3 over one-and-a-half percent after that time  
4 period. However, if you look at -- by extending  
5 the amortization out to 20, 25 or 30 years, while  
6 that number between 2018 and 2027 is lowered to  
7 about three and a half, it continues to remain  
8 higher out on the longer ends.

9           And, in fact, over the life of the  
10 financial plan that we did, which was, again, 30  
11 years, at a 12-year amortization, that number was  
12 about 2.8 percent on average over that 30-year  
13 period, compared to roughly three-and-a-half  
14 percent for the other.

15           We've included a bunch of charts in the  
16 information that you have. I won't go over them,  
17 unless you would like for me to. It might be an  
18 opportunity to open up for questions that the  
19 board might have.

20           CHAIRWOMAN HART STEBBINS: Commissioner  
21 O'Malley.

22           COMMISSIONER O'MALLEY: Thank you, Madam  
23 Chair.

24           And I appreciate you looking at this  
25 scenario. So, essentially, I had asked, because



1 we have a -- looks like every other year there's a  
2 proposed rate increase to keep up with demand in  
3 terms of capital and also, you know, to finance  
4 the bonds, that's part of it, that is there a way  
5 to stretch out the payments so that we didn't have  
6 as much outgoing.

7           And so you did this 20-year scenario,  
8 you've done this 25-year scenario, and the term  
9 really seems to go up, the rate, to 6 percent. Is  
10 that what you anticipate?

11           MR. HARRIGAN: That's correct. So  
12 generally, short-term rates over the yield curve  
13 go up. So, for example, a ten-year treasury,  
14 speaking of treasury rates not municipal rates, is  
15 about a 219. When you look at the 30-year rate,  
16 that 30-year rate is much higher, because you're  
17 going out on the yield curve. Since you're having  
18 your money tied up for longer, you're expecting a  
19 higher return. When you go out on the yield  
20 curve, investors are going to demand a higher  
21 interest rate for those longer bonds than the  
22 shorter bonds.

23           So you have two things that are kind of  
24 at work. You have the compounding interest, you  
25 also have the increased rate by extending the debt

1 out.

2 COMMISSIONER O'MALLEY: Okay. And so just,  
3 you know, for those who are listening, the last  
4 time that we -- I wouldn't say we actually made  
5 that decision, but we did approve the budget that  
6 included rate increase, and there was a lot of  
7 news about that, that I had asked is there a way  
8 to finance some of our obligations over a longer  
9 period of time, what did that look like, and  
10 that's what this is about. And I appreciate you  
11 doing that.

12 It's kind of hard to, you know, every  
13 two years to look at, you know, a rate increase.  
14 That's the big deal. But, you know, I know that  
15 relatively speaking, our rates are still pretty  
16 competitive. I appreciate you doing this. Thank  
17 you.

18 CHAIRWOMAN HART STEBBINS: Councillor  
19 Sanchez.

20 COUNCILLOR SANCHEZ: Thank you, Madam  
21 Chairman. My question was regarding the existing  
22 plan in 12 years and the average revenue increase.  
23 How did you formulate or what was the methodology  
24 that you used to come up with the 5 percent?

25 MR. HARRIGAN: So the 5 percent has been

1 determined based upon meeting the requirements for  
2 spending 50 percent of capital needs, basic  
3 capital needs in cash, 50 percent in bond funds,  
4 as well as maintaining the authority's target cash  
5 reserves, so that the authority didn't spend down  
6 its cash reserves to an unhealthy level.

7 COUNCILLOR SANCHEZ: Thank you.

8 CHAIRWOMAN HART STEBBINS: Commissioners,  
9 any other questions or comments?

10 Thank you very much.

11 We're now on OB-15-11. Mr. Stomp.

12 MR. STOMP: Madam Chair, Members of the  
13 Board, tonight I'm going to speak about fluoride  
14 or supplemental fluoride. And I have a  
15 presentation that's going to talk about our plan  
16 to add supplemental fluoride to the system.

17 Just by way of reminder, this board  
18 passed a resolution back in 2014 calling for us to  
19 stop the addition of supplemental fluoride and to  
20 wait for the CDC and the EPA's recommendation on  
21 the appropriate level to be monitored or to be  
22 added to the system. So I'm going to give a  
23 background of that and talk about what our plan  
24 is, what it's going to cost and what the steps are  
25 necessary to do that.

1           Again, you passed the resolution. The  
2 CDC and the -- the CDC did come out with proposed  
3 guidelines and the proposed guidelines set that  
4 optimum level at .7 milligrams per liter.

5           COMMISSIONER O'MALLEY: Madam Chair.

6           CHAIRWOMAN HART STEBBINS: Commissioner  
7 O'Malley.

8           COMMISSIONER O'MALLEY: Excuse me. What was  
9 the language that refers to that? I want to know  
10 what the language is that says you have to come  
11 forward with a plan. What does it say?

12          MR. STOMP: Madam Chair, I don't have the  
13 resolution in front of me, but I think we can  
14 probably pull that resolution up.

15                 But I think essentially what it says was  
16 we were going to stop supplemental fluoride.

17          COMMISSIONER O'MALLEY: Right.

18          MR. STOMP: We're going to wait until the  
19 CDC and the human health services makes a  
20 recommendation. And then we would come back to  
21 this board with a plan to meet that recommended  
22 level. That recommended level is higher than the  
23 naturally occurring fluoride that we have in the  
24 system.

25                 So tonight is to respond to that

1 resolution and to say we are going to follow that,  
2 which was to come back with a plan to meet that  
3 recommended level.

4 COMMISSIONER O'MALLEY: Excuse me, Madam  
5 Chair.

6 I had just wanted to know, is that what  
7 it says, that we will come back with a plan, or it  
8 just says we're getting rid of this because?  
9 That's all. I just wanted to know. It's  
10 directing us.

11 MR. STOMP: No, Madam Chair and Commissioner  
12 O'Malley. I'm pretty sure it says -- I'm  
13 paraphrasing, of course, but I'll be glad to get  
14 the exact language. But I apologize I didn't  
15 bring it specifically. I should have had it in  
16 the presentation.

17 CHAIRWOMAN HART STEBBINS: Please proceed.

18 MR. STOMP: So the CDC and the public health  
19 service came back with a recommended level of  
20 .7 milligrams per liter. In our system, itself,  
21 we have both surface water and groundwater. Our  
22 groundwater wells are distributed throughout the  
23 east and west side of Albuquerque. There's about  
24 100 of them. The fluoride concentrations in each  
25 one of those wells are different. And so matching

1 a specific level into the distribution system is  
2 going to be somewhat challenging.

3 If you look at our fluoride  
4 concentrations in those well fields, this graph  
5 itself shows the various well fields and shows the  
6 concentration at the .7 level. And you can see  
7 there's a bunch of wells that are below that and  
8 there are wells that exceed that. And so we'll be  
9 blending surface water with groundwater in order  
10 for us to achieve that additional higher level.

11 The surface water also had natural  
12 occurring fluoride. That natural occurring level  
13 is about .3 or -- between .3 and .4 milligrams per  
14 liter. So, again, it's less than the recommended  
15 standard of .7. So our plan would be to add  
16 fluoride into our distribution systems at the  
17 surface water plant, and that will be through  
18 hydrofluorocidic [sic] acid that we would add.  
19 The acid itself is approved by the National  
20 Science Foundation for water drinking, water  
21 sources. It's a byproduct of fertilizer  
22 manufacturing, and we will have that delivered to  
23 us. We'll specify specifically what the  
24 concentrations are of that fluoride and we'll be  
25 testing that. But those concentrations will be

1 arranged. You can't deliver a chemical with a  
2 specific composition necessarily every time. So  
3 we'll be monitoring that and we'll be adding that  
4 to the surface water at the water plant.

5           So our target level, as I pointed out in  
6 the plan, is going to be .7 milligrams per liter.  
7 We're going to be adding supplemental fluoride to  
8 the extent that's necessary, to match that into  
9 the distribution system, knowing that there's a  
10 constantly changing concentration in the  
11 distribution system. So it's going to be a range  
12 of fluoride levels in the distribution system.  
13 Our target will be .7, but we're going to try to  
14 achieve a level between .65 and .75 on an annual  
15 basis. When the water --

16           CHAIRWOMAN HART STEBBINS: One second.

17           Commissioner De La Cruz.

18           COMMISSIONER DE LA CRUZ: Thank you, Madam  
19 Chair.

20           John, you keep talking about it as if  
21 it's going to happen, like we are going to.  
22 You're not doing anything without the board's  
23 approval; is that correct?

24           MR. STOMP: Madam Chair, Commissioner De La  
25 Cruz, that is absolutely correct. This plan

1     tonight is in the stage --

2             COMMISSIONER DE LA CRUZ:   It's only in the  
3     context that you are speaking about it that I got  
4     a little concerned.   Because I have no doubt that  
5     there's going to be a need for great public input.  
6     As you know, this became very contentious last  
7     time, and it's likely to be contentious again.

8             And so, as we move forward, I recommend  
9     that the board really do whatever it takes to make  
10    sure that there's ample public input.

11            Thank you, Madam Chair.

12            MR. STOMP:   So, Madam Chair, Commissioner De  
13    La Cruz, I apologize for that.   I was only talking  
14    to the extent that I was following your direction  
15    in that policy.   However, it is always up to this  
16    board, and the decision will be made, as I will  
17    talk a little bit later in the presentation, in  
18    the budget approval process next April.

19            The cost, we anticipate a one-time cost  
20    of about a quarter-of-a-million dollars to install  
21    the chemical feed systems at the water plant.   The  
22    water plant is the perfect place to add it because  
23    we have a chemical building there, we have all the  
24    trained staff there, we have all the necessary  
25    equipment and people that would be there to



1 monitor that.

2           We anticipate the cost to be somewhere  
3 around 250- to \$300,000 a year. We've showed  
4 270,000, but the prices of the chemical range over  
5 a period of time.

6           And we're asking for approval -- if it's  
7 approved in the budget, we would start this  
8 process sometime in FY17, and it's going to take  
9 us a few months to get it done. So once the  
10 approval is made in the budget document, then we  
11 would move forward with this plan.

12           So in summary, the target level is  
13 .7 milligrams per liter. We have naturally  
14 occurring arsenic both in our surface and our  
15 groundwater. Our proposed plan is to add  
16 supplemental fluoride at the water plant, and that  
17 would be based on approval by this board in the  
18 budget document for the appropriations for both  
19 the capital and ongoing operation and maintenance  
20 costs.

21           We're going to continue to monitor the  
22 fluoride levels, just like we do now. We'll  
23 report those to our customers in the consumer  
24 confidence report that's provided to every single  
25 customer we have every single April of the year.

1 And that will show the quarterly samples that we  
2 made and the average quarterly samples.

3 And, again, I talk about the one-time  
4 costs, both capital and operational maintenance.

5 And with that, Madam Chair, I'll be glad  
6 to answer any questions.

7 CHAIRWOMAN HART STEBBINS: Board Members,  
8 any questions?

9 Seeing none, thank you very much for  
10 that presentation.

11 MR. STOMP: Thank you very much.

12 CHAIRWOMAN HART STEBBINS: That ends  
13 tonight's meeting. This meeting is adjourned.

14 (Proceedings adjourned at 6:16 p.m.)  
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1 STATE OF NEW MEXICO

2 COUNTY OF BERNALILLO

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