

ALBUQUERQUE BERNALILLO COUNTY  
WATER UTILITY AUTHORITY MEETING  
Wednesday, February 27, 2019, 5:06 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  
(excused at 5:35)

COMMISSIONER MAGGIE HART STEBBINS, Member

COUNCILOR TRUDY E. JONES, Member

MAYOR TIMOTHY M. KELLER, Member (excused)

COMMISSIONER STEVEN MICHAEL QUEZADA, Member

COUNCILOR KEN SANCHEZ, Member

TRUSTEE PABLO RAEL, Member (excused)

SARITA NAIR, (alternate)

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

1                   CHAIR O'MALLEY: Good evening, and welcome.  
2   Can you hear me? There's an echo in the back. I  
3   call this February 27th, 2019 Meeting of the  
4   Albuquerque Bernalillo County Utility Authority to  
5   order. Trustee Pablo Rael is excused and all other  
6   members are present.

7                   We'll begin with a moment of silence and the  
8   Pledge of Allegiance led by our Vice Chair Klarissa  
9   Pena.

10                  (Silence/Pledge of Allegiance)

11                  COMMISSIONER O'MALLEY: Thank you. The next  
12   item is Approval of Minutes. I move to approve the  
13   January 30th, 2019 minutes.

14                  COUNCILOR JONES: Second.

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

17                  MEMBERS: Aye.

18                  CHAIR O'MALLEY: All opposed say no. Motion  
19   carries. We have no Proclamations and Awards. We  
20   next go to Public Comment. Do we have anybody signed  
21   up to speak?

22                  MS. CARREON: We have one. Elaine Hebard.

23                  CHAIR O'MALLEY: Okay.

24                  MS. HEBARD: Good afternoon.

25                  CHAIR O'MALLEY: Welcome.

1           MS. HEBARD: I'd like to address, even  
2    though it's not been given yet, John Fleck's study on  
3    governance. It's OB-19-6. In three minutes I won't  
4    actually be able to detail many of the issues that I  
5    have with this study, but I would like to summarize  
6    some of them.

7           One, there are a variety of ways that  
8    municipal water utilities were created. But all, if  
9    not all of them, really all, were done by voters or  
10   their representatives. Not having it imposed by the  
11   legislature.

12          The second issue is, there are a variety of  
13   ways that governance of water utilities is done. It  
14   might be by an appointed board, an elected board, one  
15   that has an advisory committee. Tucson, for example,  
16   has a 17-member advisory board with a long list of  
17   things, but they provide advice to their board.  
18   Denver has not only an appointed board, but they have  
19   a semi-independent advisory board.

20          Mr. Fleck also didn't mention that when  
21   water utility was under the guise of the city, or the  
22   guidance of the city, there was the water on the  
23   legislative council, which provided a layer of  
24   oversight, which was lost in the transition over to  
25   be the Water Utility Authority.

1           Also not mentioned is that there are two  
2   direct elected boards right here in Bernalillo  
3   County, AMAFCA and MRGCD. And those elections will  
4   all be collapsed and be held on the same date under  
5   the new law.

6           Furthermore, he mentions a lot of positives.  
7   And I think we should give kudos to the amount of  
8   savings, water savings, that the utility has given,  
9   but there's a lot of other issues that are mentioned,  
10   including the high debt. It's now 883 million  
11   almost. That's about the same as Albuquerque has,  
12   but with one-quarter of the revenue stream. 60  
13   additional unplanned debt; backlog, and growing, of  
14   infrastructure needs, and just -- I would -- I'm  
15   sorry, I didn't have you put the light on, but  
16   there's one that I would just show you that's not  
17   actually presented to the Board, but is posted, and  
18   that is the infrastructure comparisons with all of  
19   the other utilities in the country, those that are  
20   over 500, those in the West. You'll notice the red  
21   line, that's the Water Utility. It's quite a ways in  
22   the back.

23           Finally, I would just say that water is  
24   going to become more and more incredibly important  
25   for everybody to be focused on, whatever it may mean

1 to you. And I think that there were a number of  
2 suggestions that have been made in addition to a  
3 direct elected board, which could be looked at. I  
4 would request this Board appoint a group, or groups,  
5 to look at how better to improve the oversight and  
6 administration of the Water Utility Authority. Thank  
7 you.

8 CHAIR O'MALLEY: Thank you. Ms. Carreon,  
9 that was...

10 MS. CARREON: That was it.

11 CHAIR O'MALLEY: So next is Item 6,  
12 Announcements and Communications. The next scheduled  
13 meeting is on March 20th, 2019 at 5:00 p.m. in these  
14 chambers. In terms of moving the Agenda, we have  
15 here to move up Item 10A, that would be our next  
16 item. That would be the Water Conservation Update.  
17 Carlos Bustos, welcome.

18 MR. BUSTOS: Good afternoon, Madam Chair,  
19 Members of the Board. We had a great winter so far.  
20 In 2018 our customers did a great job in conserving  
21 water. Current per capita usage for 2018 is 125.  
22 Our goal was 128. So we're a little bit ahead of the  
23 game for the goals that we set forth for the update  
24 of the Water Conservation Plan.

25 The second graph, what you're seeing is a

1 comparison between 2017 water usage in the bars.  
2 2017 is the green bars and 2018 is the red bars. And  
3 you're also looking at rainfall and rainfall is the  
4 lines. Green is the rainfall events, or total  
5 precipitation of 9.3 inches in 2017. And then 2018  
6 we had a really good monsoon season, all the way  
7 through the fall and the last day in the winter,  
8 December 26th, I think it was, we got eight inches of  
9 snow. So 2018 is the red line. And what we're  
10 starting to see is that customers respond quite well  
11 whenever we get wet years. We want to actually do a  
12 study and find out the relation and do a survey and  
13 study a little more the behavior. But nevertheless,  
14 there's some areas of Albuquerque that got up to 16  
15 inches in 2018, so that's great. The average in 2018  
16 was about 11.3 inches for the total Greater  
17 Albuquerque Area. So we saved almost 800 million  
18 gallons compared to 2017. And 2018 customers did  
19 amazing in improving their irrigation efficiency all  
20 while planting 1,500 trees in Albuquerque, the tree  
21 program. Converting almost 600,000 square feet of  
22 high water use turf to desert-friendly landscapes.

23 That's my report.

24 VICE CHAIR PENA: Are there any questions?  
25 Councilor Sanchez.

1           COUNCILOR SANCHEZ: Thank you, Madam Vice  
2     President. I just want to say thank you and  
3     congratulations for all your work. I know when we  
4     were looking at bringing the number of gallons down  
5     to 150, we thought that was very aggressive and could  
6     we get it done. And now we're talking 125. That's  
7     incredible work. I want to thank the users across  
8     the City and Bernalillo County for basically doing  
9     their job also in conserving water here in this  
10    community.

11           MR. BUSTOS: Thank you. We got great  
12    customers, so it's all on them. Thank you very much.

13           VICE CHAIR PENA: Thank you.

14           CHAIR O'MALLEY: Thank you. Next is 10B,  
15    the Rivers and Aquifers Protection Plan. Diane  
16    Agnew. Welcome.

17           MS. AGNEW: Good evening, Madam Chair,  
18    Members of the Board. I am very excited to be here  
19    tonight to present to you the final Rivers and  
20    Aquifers Protection Plan, formerly known as the Water  
21    Quality Protection Policy and Action Plan, or the  
22    WQPPAC. Our customers actually selected the new name  
23    of the Rivers and Aquifers Protection Plan, which I  
24    think is a much more descriptive and simple title.

25           I'd also like to point out that we were the

1 recipients of the AWWA 2018 Award for Outstanding  
2 Exemplary Source Water Protection. We were one of  
3 many large utilities that applied for the award and  
4 we were granted it last year. So we are still very  
5 excited to be holding that title.

6           So source water protection, and this graph I  
7 have presented to the Board before, but I really like  
8 it because it captures the simplicity and also the  
9 complexity of source water protection. It is not a  
10 one-time event. It is an ongoing process that we  
11 must do as we continue to grow, as we continue to  
12 receive information about our sources, our surface  
13 water and groundwater sources.

14           And one of the first steps to this is not  
15 capturing, it's identifying your sources. So in the  
16 case of Albuquerque we have the source water of the  
17 surface water, the San Juan/Chama surface water, we  
18 have our reservoirs where that water moves through  
19 and we also have our groundwater sources.

20           And so in order to look at those sources,  
21 how to protect them, we look at what are the  
22 potential and known threats. This is done through a  
23 multi-layer evaluation that I'll discuss very  
24 briefly.

25           Then we ask ourselves, what can we do to



1 mitigate these threats and prevent any impact to the  
2 sources. And then the other part of this is, who do  
3 we need to work with to accomplish those protection  
4 measures and the mitigation of these threats.

5 As you all know, Water 2120 had multiple  
6 policies. Policy H in Water 2120 actually  
7 specifically called for the updating of the WQPPAP.  
8 So as of the time of Water 2120 the Water Quality  
9 Protection Policy and Action Plan, the existing  
10 Source Water Protection Plan, was updated in 2009.  
11 And at that time they added a surface water component  
12 to the source water protection, but they had not done  
13 a full assessment of that particular source.

14 So we kicked off in January 2018 updating  
15 the WQPPAP and that began with a source water  
16 assessment. So we went back and we said, "Hey, let's  
17 go and look at surface water, let's do a complete  
18 source water assessment for surface water, and while  
19 we're at it, let's update groundwater too."

20 We did a multi-level stakeholder  
21 involvement. We did four customer conversations. We  
22 engaged our customers in the four different  
23 quadrants, got their feedback on the plan, including  
24 NMED, as I mentioned. What are some things that they  
25 did not know about their role in source water

1 protection, what are some things that we can do to  
2 engage them and let them have a more enhanced role in  
3 source water protection. We participated in multiple  
4 board meetings, we took advantage of policy and  
5 fermentation committee, that's technical  
6 representatives from the City and the County and  
7 AMAFCA. And we also posted it for public comment and  
8 review. We engaged urban water. So we really did  
9 our best to engage as many people in our community as  
10 possible so that we could get a complete look at not  
11 just what the known potential source of contamination  
12 are, but what existing measures can we either enhance  
13 or promote or where are other gaps that we need to  
14 step in on.

15           So, as I mentioned, this includes  
16 comprehensive source water assessments, and then we  
17 also identified protection measures and activities  
18 that the water authority could undertake to protect  
19 our water supply.

20           Source water assessment, it's a fairly  
21 standardized approach now through the EPA on how to  
22 evaluate our sources and there's three basic steps to  
23 it. Delineate, inventory and determine.

24           So delineate first, that's to say, what are  
25 the areas that we would like to protect. In the case

1 of our Water Authority source water assessments, we  
2 identified each individual water supply well as a  
3 groundwater source water protection area. And then  
4 for the river, our surface water component, we looked  
5 at 15 river miles up river from our diversion and  
6 then we also looked at Cochiti and Abiquiu  
7 Reservoirs. We set a buffer zone around each of  
8 those sources so that we could look at not just that  
9 point, but also an area around that point so that we  
10 could be protective.

11 And then we did an inventory of all  
12 potential sources of contamination. We worked with  
13 the New Mexico Environment Department, we worked with  
14 the databases posted online for the City of  
15 Albuquerque, Bernalillo County, also the Department  
16 of Transportation. And we mined all of that data,  
17 pulled it together into a single database and created  
18 an inventory for our sources.

19 And then based on that we looked at  
20 susceptibility. Susceptibility really is a  
21 combination of what's our vulnerability and what's  
22 our sensitivity. Vulnerability is, what are the  
23 threats. And sensitivity is, what can we do to  
24 mitigate those threats. And then that would give us  
25 an overall score.

1           One of the things that I thought was really  
2 neat about our approach is, we, my counterpart, Kate  
3 and I, started with the source water assessment. We  
4 just said, what does the data tell us we should do?  
5 So each assessment came up with its own series of  
6 recommendations and then we went from the  
7 recommendations and we said, okay, what are we doing  
8 and what do we need to do? And the great news is,  
9 that many of the recommendations from these  
10 assessments, the Water Authority is already doing.

11           One of the things that the groundwater  
12 assessment, for example, pointed out is that we have  
13 no groundwater contamination. For example, the  
14 Kirtland Bulk Fuel Spill or the Laun-Dry Plume. And  
15 in those cases of groundwater contamination, we would  
16 want to consider increasing monitoring of our water  
17 supply wells in close proximity to make sure we're  
18 keeping an eye on it. We are already doing that.  
19 Another example of increased monitoring would be just  
20 looking at our wells. You know, annually we  
21 voluntarily take on more monitoring than is federally  
22 required and that was one of the recommendations that  
23 came out of the assessments.

24           The other recommendation was continued  
25 coordination and collaboration with the City, County

1 and State. We're already doing that. So we'll  
2 continue doing that and keep looking for  
3 opportunities to enhance that, or increase it.

4 Public outreach was really key, that's  
5 something that we got out of our customer  
6 conversations. Our customers are very eager to help  
7 and take an active role in source water protection.  
8 And so we did identify areas that we could continue  
9 to outreach and engage with customers, and work with  
10 the City and County on opportunities that they have  
11 to inform our customers.

12 And then take a living document approach.  
13 So this source water protection plan really updated  
14 every three to five years or as major changes occur.  
15 So, for example, if we become aware of a change in  
16 the database or we have a change in one of our  
17 operations, we will look at the source water  
18 protection plan realtime to make changes.

19 So why are we here tonight? I'm very  
20 excited to say we are final. We have gone through  
21 the public comment. We've addressed all the comments  
22 and we are posting it final. So we have moved to a  
23 source water protection plan that is more  
24 comprehensive, more representative of our system and  
25 represents the Water Authority's policy through Water

1 2120 and how we're going to envision ourselves moving  
2 forward. And with that, I'll stand for questions.

3 CHAIR O'MALLEY: Thank you. Any questions  
4 for Ms. Agnew? Councilor Sanchez.

5 COUNCILOR SANCHEZ: I don't have any  
6 questions. I just have a comment. Under connection  
7 to Water 2120, we heard the RAPP music and it says  
8 the RAPP is the Water Authority's source water  
9 protection plan. So you choreographed that one.

10 MS. AGNEW: Thank you for that.

11 CHAIR O'MALLEY: Any other questions or  
12 comments? Thank you very much, Ms. Agnew.

13 MS. AGNEW: Thank you.

14 CHAIR O'MALLEY: Next we go to 10C,  
15 Presentation. Governance Study by John Fleck, UNM  
16 Water Resources Program. Welcome, Mr. Fleck.

17 MR. FLECK: Thank you very much. It's a  
18 pleasure to be here. On behalf of the University of  
19 New Mexico and the Water Resources Program, I think  
20 there's a couple of important things we at the  
21 University can do to help you.

22 One of them is, folks sitting in the  
23 audience, Kate, Rick Sheen, graduates of the Water  
24 Resources Program, helping build capacity in the  
25 workforce. And one of things that we can do is bring

1 some of our expertise to bear when you-all have  
2 questions for which some research and information  
3 might help inform government decision-making process,  
4 and that's really the role here.

5           The Water Utility came to me. I'm a  
6 professor of practice in the Department of Economics  
7 and water policy and governance, with the question,  
8 could you look at government structures around  
9 municipal water utilities and provide some sort of  
10 foundational information that might help us think  
11 about this question about how the water utility is  
12 governed now, how that fits into the broader scope of  
13 water, municipal water utility governance. More  
14 generally, in the United States, and especially in  
15 the West.

16           And then, looking at some specific sort of  
17 comparisons. And this goes back to the kind of work  
18 I used to do at the newspaper trying to understand  
19 how what happens in Albuquerque compares to things  
20 that are done and things that are happening in the  
21 same fields in other places.

22           So I want to go over a few key findings from  
23 the study. And you-all have the study available and  
24 you can look at in detail. It was a lot of fun not  
25 being at the newspaper and being able to write a

1 really long academic report for you-all. I got to be  
2 long and boring and much more detailed and spend more  
3 time on it. So please read the whole thing, really.

4 So I looked at, more specifically, at  
5 municipal water governance in New Mexico and the  
6 West, to understand how other municipalities are  
7 doing this. Key findings more broadly about what we  
8 know about the performance of different structures of  
9 municipal water governance in the West and in arid  
10 places.

11 And then, some of the key metrics to help us  
12 understand how Albuquerque's Water Utility Authority  
13 performance compares to other utilities and other  
14 municipal water agencies across the West. And again,  
15 I focused on the West, I focused on the Western  
16 United States because the set of issues we face in  
17 these arid climates, especially within the boundary  
18 of the Colorado River Basin and those areas adjacent  
19 to it, like Albuquerque that are using its water,  
20 provide the most useful comparisons for thinking  
21 about how we're operating.

22 One of the underlying points to understand  
23 is that large water utilities in the West are almost  
24 entirely part of or closely related to a municipal  
25 government. And, in fact, if you look at the history



1 of municipal water management in the United States  
2 and the history of municipal governance in the United  
3 States, much of the sort of modern city structure,  
4 city government structure, arose out of the initial  
5 challenge of collective management of water and  
6 wastewater in places like Philadelphia, Boston, New  
7 York and Chicago.

8           The modern city as we now know it as a city  
9 government, as a creature of government, in a  
10 significant measure, grew up around the challenge of  
11 managing water resources. That was the first really  
12 big collective community management challenge that  
13 provided the foundations for a bunch of other  
14 municipal governance that followed things like roads,  
15 and police, and fire.

16           Here in New Mexico the ten largest municipal  
17 -- the ten largest water utilities, eight of them are  
18 directly part of city government. One is private,  
19 Clovis, is regulated by the PRC. And then one is a  
20 special district, which is what we are here, the  
21 Albuquerque Bernalillo County Water Utility  
22 Authority, with a government structure that draws  
23 from both city and county government. So we are  
24 closely connected to municipal government through  
25 you-all, but we are corporately separate from -- the

1 water utility is corporately separate from the  
2 municipal governance. A relatively unusual  
3 structure.

4 Across the West I looked in detail at 39  
5 utilities. I focused on the seven Colorado River  
6 Basin states and looked at, essentially, the largest  
7 utilities in those states. I think I looked at all  
8 of the utilities that are our size or larger and down  
9 to, you know, half our size, to kind of get a  
10 comparable universe.

11 In some states I went to -- studied smaller  
12 utilities just to get a large enough data sample  
13 size. 30 of them are part of city government  
14 directly, of these 39 that I studied. 9 are special  
15 districts most linked directly or indirectly to  
16 cities and counties like us. There are 4 that  
17 involved directly elected boards and directly elected  
18 separate governance entities. And really, only 2  
19 that are of the same size and scale as Albuquerque.  
20 The Irvine Ranch Water District in Southern  
21 California and Orange County and the East Bay  
22 Municipal Utility District, which is in the East Bay,  
23 San Francisco Bay Area.

24 Both of these are quite different than what  
25 might be contemplated here in Albuquerque. Both of

1     these are areas where you have a large number of  
2     smaller utility -- smaller municipalities that  
3     essentially grew up into one large sprawling  
4     metropolitan area with a bunch of separate city  
5     governments within it. And it made sense from the  
6     beginning to provide regional water service, and  
7     that's what East Bay MUD and Irvine Ranch Water  
8     District are. I'm going to come back to some of the  
9     problems that the folks in academics who have studied  
10    these talk about in terms of Irvine Ranch and East  
11    Bay MUD, some of the challenges we face.

12           And then there's another really interesting  
13    example that I'd like to focus on in a little bit of  
14    detail, which is Colorado Springs. Colorado Springs  
15    has a separate municipal utility, which is  
16    corporately completely separate from city government  
17    and it provides not only sewer and water, but also  
18    other utility services. It's board of directors is  
19    also the city council. So they literally will have  
20    one meeting where they're the city council for part  
21    of the meeting, then they will adjourn and reconvene  
22    as the board of the water utility. And so, it kind  
23    of looks like a separate municipal governance entity,  
24    but in terms of community involvement it's the same  
25    city councilors who run it.

1           Colorado Springs went through a long process  
2   that just concluded within a little more than a year  
3   ago to consider spinning it off and having its own  
4   separately elected board. And it was a really  
5   interesting process that they went through, which  
6   perhaps is instructive as we might think about how we  
7   govern ourselves here. A rich, extensive community  
8   discussion, a lot of analytical work. They hired a  
9   bunch of consultants to look at models around the  
10   country. A bunch of detailed review. And ultimately  
11   they concluded to leave the system the way it was.  
12   They decided that having their city councilors making  
13   the decisions about the utility management made sense  
14   for them.

15           One of the important things, and I meant to  
16   mention this in the beginning that I want to point  
17   out is, my goal here is not to recommend any  
18   particular form of governance. It's just to provide  
19   some foundational information as folks in the  
20   community, as you-all, state legislators, folks in  
21   the community think about what different government  
22   structures might mean.

23           So if you look at the academic literature on  
24   this, I did an extensive literature review, and  
25   people talk about some of the advantages of directly

1     elected boards for various kinds of municipal  
2     government. And one of the key advantages that's  
3     frequently pointed to is that you can have a board  
4     that can specialize in the subject matter at hand.

5             So, for example, you-all have to think about  
6     water and you have to think about fire protection and  
7     law enforcement, and you have a whole series of  
8     issues, and so your minds are spread across a whole  
9     bunch of technical expertise you have to master for  
10    decision making.

11            A directly elected board allows a board that  
12    can focus specifically on one thing, become  
13    specialists in this. And this was part of the  
14    discussion in Colorado Springs. There was a desire  
15    to have more, on the part of those who wanted to  
16    directly -- the board to have more specialization.

17            It also allows the voters to focus on one  
18    specific issue. So when the voters elect you they  
19    may not know much about your water policy views and  
20    may vote based on your -- but they understand about  
21    your views law enforcement and then water is -- your  
22    views on water then kind of get bundled in on the  
23    part of the voters. So that's one of the advantages  
24    of a directly elected system.

25            A couple of disadvantages that are really

1 important, and this goes back to the East Bay MUD and  
2 Irvine Ranch examples. One is low voter attention.  
3 Elections on government agencies that voters are not  
4 paying much attention to don't get a lot of voter  
5 attention. And so the result is, that there's a risk  
6 of special interest capture. And this has been the  
7 problematic argument about these special boards in  
8 California.

9 In California, while it only has a handful  
10 of large water agencies, has a long tradition of  
11 directly elected boards in other governance areas and  
12 has had significant difficulties with special  
13 interest capture, seeking behavior on the part of  
14 boards, that the voters are just not paying attention  
15 to.

16 And then there's a second really interesting  
17 finding, and this political scientists who have  
18 studied water agency performance actually in a couple  
19 of places, especially in Texas, but also in  
20 California where you have a lot better data than we  
21 do in New Mexico in water use. There's a nice bill  
22 in the legislature to fund more water data.

23 And one of the interesting findings, which  
24 is counter-intuitive, is that water agencies with  
25 directly elected boards were slower to respond to

1 drought. They were less likely to make the difficult  
2 choices necessary to raise rates, to impose  
3 conservation measures, as opposed to city councils  
4 who had more -- I mean, the political scientist  
5 argument about this is, the city councilors, folks  
6 like you, have more broad standing in the community  
7 to say, we need to make tough sacrifices, and are  
8 less worried about not getting re-elected because the  
9 special interest voters are going to be mad because  
10 they raised their water rates.

11           So I want to talk about a couple of the  
12 specific performance measures that I looked at to  
13 provide some broad comparisons to better understand  
14 how we're doing here as compared to other cities in  
15 the West. And I really focused on two measures, one  
16 was financial performance and one was on water  
17 performance. And I focused specifically on water  
18 conservation because that has been a priority for  
19 this agency for, you know, the whole time I've been  
20 living in Albuquerque and paying attention to what  
21 this agency does.

22           And the graph there is rising demand in the  
23 Colorado River Basin. We depend on the Colorado  
24 River Basin for our water supply, sharing it with  
25 seven other western states. And so, the ability of

1     our performance as part of this broader regimen is  
2     incredibly important.  Albuquerque, among the  
3     municipal areas in the seven states of the Colorado  
4     River Basin, has the best water conservation  
5     performance both per capita, but also in terms of  
6     total water use.  And I think -- you know, we have  
7     our cupcakes today, right.  I mean, this is a really  
8     important, this is a really important success story.

9             And then there has been public discussion  
10    about the fiscal health of the agency and the  
11    financial performance of the Water Utility Authority.  
12    So I turned -- and this was actually with the help of  
13    one of my graduate students who's studying municipal  
14    finance issues, looking for appropriate measures to  
15    kind of best do comparisons, and we settled on debt  
16    service coverage, which is a measure chosen by the  
17    Water Research Foundation in its model for resilient  
18    municipal utility as a way of measuring municipal  
19    utilities financial health.  How much debt you have  
20    versus how much revenue you have in support of paying  
21    off that debt.

22            It's very difficult to do the comparative  
23    work to decide which kind of governance structures do  
24    best in this.  The data is just all over the map.  
25    But our debt service coverage performance is



1 outstanding. Right in the range that is recommended.  
2 If your, if your debt load is too low, you're not  
3 borrowing enough money for future capital. If your  
4 debt load is too high, you don't have enough revenue  
5 stream to pay off your current. So debt service  
6 coverage is one of those critical measures. And  
7 then, you know, simply cash on hand, which is another  
8 measure of how well the resources are being managed.  
9 And, you know, in both of those areas we're meeting  
10 the benchmarks that the Water Research Foundation  
11 suggests and the EPA suggests are good goals, good  
12 targets for healthy and resilient municipal water  
13 management.

14 So with that, I stand for questions.

15 CHAIR O'MALLEY: Thank you, Mr. Fleck. I do  
16 have a couple of comments, but does anyone else have  
17 any comments? Commissioners, Councilors.

18 COMMISSIONER QUEZADA: Thank you, Madam  
19 Chair. Thank you for this. This is great  
20 information, because one of the things that we're  
21 always are talking about is, and you touched on it,  
22 is really making this a special interest kind of  
23 target due to low turnout rate to voters. And when  
24 you live in a state where we're at a point where  
25 economic development is a key factor on how this city

1 is growing, my concern is that you have developers  
2 pouring a lot of money into an election. Because a  
3 lot of the times what we're deciding up here is water  
4 use and how they're using water. And so, that's a  
5 fine line that we walk when you open, for lack of a  
6 better word, the flood gates to that kind of, I  
7 think, misuse of power. So that has a big concern  
8 for me.

9 I think you made some really valid points  
10 that people who -- and although we do sometimes have  
11 to look at infrastructure and lighting and zoning and  
12 those things as an elected official, I think we look  
13 at the whole picture always. We're always looking at  
14 the puzzle as a whole puzzle and we're never really  
15 concentrating just on one piece at a time. And I  
16 think that is a better way, I think, because you have  
17 to look at the puzzle and you have to listen to your  
18 constituents. And those elections do have turnouts  
19 and then they do hold you accountable for the  
20 decisions that you make.

21 And you made some very valid points, and so  
22 I really appreciate your work. It was very easy to  
23 understand and I appreciate that.

24 MR. FLECK: Thank you.

25 CHAIR O'MALLEY: Councilor Sanchez.

1           COUNCILOR SANCHEZ: Thank you, Madam Chair.  
2    I'm very pleased with this study because there's a  
3    lot of debate going on in Santa Fe today and it's  
4    gone on for the last several years, about a separate  
5    governance of the Water Authority. And I believe  
6    that water drives our land use cases also, and we  
7    deal with a lot of exceptional land use cases. And  
8    as Commissioner Quezada also stated, economic  
9    development.

10           I believe that this staff that we have here  
11   has done an exceptional job over the years in the  
12   work that they have done. I think the policy board  
13   has been very conscientious in the work that we have  
14   done.

15           And you said Colorado Springs did a study  
16   and they made the decision to keep the water  
17   authority with the city councilors and probably the  
18   county commissioners. A lot of times dedicated by  
19   this council and commission on many issues, but I  
20   believe if anyone is versed on these issues, it's  
21   members of the board that are reaching out to the  
22   communities for various and different things.

23           So I'm in support of continuing the process  
24   that we have in place. But I saw in one of these  
25   slides, I guess, is there going to be a meeting

1     regarding this, and a vote by the public? Nothing  
2     has passed the legislature, and this has to be done  
3     legislatively, correct?

4             MR. FLECK: Yes, that's correct.

5             COUNCILOR SANCHEZ: Thank you.

6             CHAIR O'MALLEY: Commissioner Stebbins.

7             COMMISSIONER HART STEBBINS: Thank you,  
8     Madam Chair. Welcome, John.

9             MR. FLECK: Thank you.

10            COMMISSIONER HART STEBBINS: Always good to  
11     see you here.

12            MR. FLECK: Thank you.

13            COMMISSIONER HART STEBBINS: Can you talk a  
14     little bit about why Colorado Springs made the  
15     decision that they did.

16            MR. FLECK: Colorado Springs essentially  
17     concluded that they would like to continue having the  
18     water utility managed collectively with the rest of  
19     their municipal functions. That's sort of the  
20     classic question involved for these special municipal  
21     districts. To what extent do we want to slice off  
22     this particular activity of government and have it  
23     operate separately, whether -- there's a long  
24     tradition of special municipal districts and a wide  
25     variety of boards and, you know, animal control

1 services, that are done separately.

2 There's a strong tradition in the Eastern  
3 United States of separate municipal fire districts  
4 that are different that are outside of municipal  
5 government.

6 Colorado Springs decision was that it makes  
7 sense to manage these as a bundle of services  
8 together. And so, in their case it's electricity and  
9 natural gas as well. It's not just water and  
10 wastewater. So they're managing the whole portfolio,  
11 which is not unheard of approach, right, to the City  
12 of Pasadena where I first started working with  
13 municipal government, had its own electric utility,  
14 as well as water utility, and as well as the  
15 traditional city functions.

16 So it's the idea of splitting off a separate  
17 function or keeping it bundled and having the  
18 decision makers, as Commissioner Quezada mentioned,  
19 having the decision makers thinking about how all  
20 these different functions interrelated.

21 COMMISSIONER HART STEBBINS: Thank you.  
22 Thank you, Madam Chair.

23 CHAIR O'MALLEY: Any other questions? You  
24 had a slide earlier about debt. Because earlier in  
25 Public Comment Ms. Hebard mentioned, I thought, the

1 comparison was sort of apples to oranges about the  
2 city's debt versus our debt and our percentage in  
3 terms of revenue versus debt. So what you've done is  
4 you've compared other utilities.

5 MR. FLECK: I compared other water utilities  
6 and I've used -- I didn't pick the benchmark. I  
7 turned to, you know, independent expertise, the Water  
8 Research Foundation and their guidelines that they  
9 prepared as a study for the EPA, which is sort of a  
10 handbook for municipal utilities of targets to shoot  
11 for.

12 So I sought out, and this is actually work  
13 done by a graduate student of mine, Jared, who's  
14 working on municipal finance analysis, he's the one  
15 who found and help choose the sort of metric we used.  
16 But the idea was, find an independent metric that  
17 allows comparisons across cities based on the way --  
18 based on the standard accounting principles, and see  
19 where we fit compared to...and so there's a table in  
20 the report with, you know, these debt covered ratios  
21 for a whole bunch of utilities. You see a huge range  
22 of them. But we are in the sweet spot of the target  
23 that the Water Research Foundation suggests. Not too  
24 much debt, but not also too little debt.

25 CHAIR O'MALLEY: Well, I believe this

1 Authority is extremely well-managed. We're very  
2 fortunate to have, I think, a very good manager and  
3 staff with a lot of integrity. And I think the  
4 question, though, was in terms of the debate that's  
5 been going on is about representation, that some  
6 folks don't feel like they were fairly represented.

7 But I sort of go back to -- and I think a  
8 lot of folks had mentioned that, Councilor Sanchez  
9 and Commissioner Quezada, is that we are elected and  
10 we have to see the broader picture. And land use is  
11 directly connected to water. And as a result of  
12 that, we have a, I believe, a broader view. And our  
13 decisions, because of our experience in that area, or  
14 our responsibility in that area, those two are  
15 connected and I think that as a result of that I  
16 think we can make better -- well, we can certainly  
17 make informed decisions, that's for sure. Though,  
18 there's always people who feel like some of the  
19 decisions we make aren't very good, but that's true  
20 with any body.

21 Also, that the idea that there's not one  
22 entity, for example, that's appointing. We have two  
23 bodies that are appointed to this board, so I think  
24 that's another important thing to remember.

25 I imagine this debate isn't going to go

1 away, but I appreciate your research on this. And I  
2 don't know if anyone else has any more comments.

3 MR. FLECK: Thank you much.

4 CHAIR O'MALLEY: Thank you very much,  
5 Mr. Fleck. That takes us to Item 7, Introduction,  
6 First Reading of Legislation. Mr. Allred. Welcome.

7 MR. ALLRED: Madam Chair, Members of the  
8 Board. I'll talk about Item 7A and 7B at the same  
9 time.

10 We're entering into a loan agreement with  
11 the New Mexico Finance Authority. It's half loan and  
12 half grant. The loan amount is \$2.7 million and it's  
13 going to be financed over 20 years at 2 percent  
14 interest. The grant portion is \$705,800,  
15 approximately, and this is to finish the Water  
16 Infrastructure System for the Los Padillas Community.  
17 So this finishes Phases 7B and 7C.

18 The annual debt service will be  
19 approximately \$157,000 a year. And if this is  
20 approved, and this is the First Reading, the Second  
21 Reading will be next month, and if it's approved  
22 there will be a closing on April 26th.

23 And I stand for any questions.

24 CHAIR O'MALLEY: Thank you, Mr. Allred.  
25 Commissioner Quezada.



1                   COMMISSIONER QUEZADA: Thank you, Madam  
 2 Chair. Thank you for this work. As you all know,  
 3 this was something that was very near and dear to my  
 4 heart, to make sure that the people of the Los  
 5 Padillas Community have water. Pretty simple  
 6 statement. Not a simple thing to do. But I'd like  
 7 to thank the Water Authority, Bernalillo County for  
 8 their dedication to Los Padillas. And I'm just  
 9 hoping that we can get the rest of this done, and  
 10 that's the will of this committee. But I'm hoping we  
 11 can get the rest of this done so we can finally just  
 12 put a stamp on that and move on to probably other  
 13 areas that probably we need to start looking at next.  
 14                   But again, thank you again so much for your  
 15 hard work. I really appreciate it.

16                   CHAIR O'MALLEY: That takes us next to Item  
 17 8, which is the Consent Agenda. I would like to move  
 18 approval of the Consent Agenda.

19                   COUNCILOR JONES: Second.

20                   CHAIR O'MALLEY: There's a motion and a  
 21 second to approve the Consent Agenda. All those in  
 22 favor say aye.

23                   MS. NAIR: Aye.

24                   COUNCILOR SANCHEZ: Aye.

25                   CHAIR O'MALLEY: Aye.

1 COUNCILOR JONES: Aye.

2 COMMISSIONER QUEZADA: Aye.

3 COMMISSIONER HART STEBBINS: Aye.

4 CHAIR O'MALLEY: All opposed say no. The  
5 motion carries. We go next to Approvals, Item 9.  
6 First item up is 9A, R-19-1, Amendment to the  
7 Approved Operating Budget of the Albuquerque  
8 Bernalillo County Water Utility Authority for the  
9 Fiscal Year Ending June 30, 2019. Mr. Allred.

10 MR. ALLRED: Madam Chair, Members of the  
11 Board. This is a mid-year adjustment to our budget.  
12 It's to add \$500,000 to the amount we pay to the U.S.  
13 Department of Interior for BOR, for the work that  
14 we're doing on the San Juan/Chama transmission to us,  
15 up north.

16 We pay a lease. The lease was, when we  
17 budgeted it was \$166,000 a quarter. Now because of  
18 the work they're doing it's 304,000. So we added an  
19 additional 500,000 in appropriation to pay for that.

20 And then we're also adding the \$636,000  
21 appropriation to transfer for debt service for the  
22 loan that we closed on in April of 2018.

23 And I stand for any questions.

24 CHAIR O'MALLEY: Members, are there any  
25 questions for Mr. Allred. Hearing none, there's a

1 motion to approve.

2 COUNCILOR SANCHEZ: Second.

3 CHAIR O'MALLEY: There's a motion and a  
4 second to approve 9A, R-19-1. All those in favor say  
5 aye.

6 MS. NAIR: Aye.

7 COUNCILOR SANCHEZ: Aye.

8 CHAIR O'MALLEY: Aye.

9 COUNCILOR JONES: Aye.

10 COMMISSIONER QUEZADA: Aye.

11 COMMISSIONER HART STEBBINS: Aye.

12 CHAIR O'MALLEY: All opposed say no. The  
13 motion carries. Go to the next item, 9B. This is  
14 C-19-3, Service Connection Agreement for Water and  
15 Sewer Service with Coronado Park, Limited, at 8401  
16 Pan American Freeway, Northeast.

17 I guess this is a request of deferral of the  
18 Coronado Park. I move to defer Item 9B.

19 COUNCILOR JONES: Second.

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

22 MS. NAIR: Aye.

23 COUNCILOR SANCHEZ: Aye.

24 CHAIR O'MALLEY: Aye.

25 COUNCILOR JONES: Aye.

1 COMMISSIONER QUEZADA: Aye.

2 COMMISSIONER HART STEBBINS: Aye.

3 CHAIR O'MALLEY: All opposed say no. The  
4 motion carries. That takes next to Item C, C-19-10,  
5 FY2019 Second Quarter Operating Financial Reports.  
6 Mr. Allred.

7 MR. ALLRED: Madam Chair, Members of the  
8 Board, thank you for letting me spend this much time  
9 with you tonight. This is our second quarter  
10 financial results. The first slide here is  
11 year-to-day operating revenues, and they're about \$1  
12 million less than FY2018. They're above what's been  
13 budgeted. We're doing really well with our revenue  
14 so far this year.

15 On the next slide are year-to-day operating  
16 expenses, they're right in line with FY18. \$90,000  
17 less in 2018 and 2019. We, as a utility, created a  
18 lot of efficiencies and through the efficiencies we  
19 can unify savings in our operating expenditures.

20 On the next slide is our operating  
21 expenditures by month. This is basically taking  
22 what's budgeted and doing one-twelfth of it and  
23 comparing it to what we actually spend for each  
24 month. August is very high. A lot of chemicals were  
25 used and spent for energy to run the water treatment

1 plant in the month of August.

2 And July is a little bit lower. You would  
3 think the same thing, but it's due to when our debt  
4 service payments and stuff are made. So a little bit  
5 less in July.

6 Our days cash on hand is about 425 days cash  
7 on hand. It's well above the one-twelfth we're  
8 looking for. It's below FY18, but I anticipate it  
9 will be at the end of the fiscal be at FY18 levels or  
10 just a little below that.

11 Year-to-date capital expenses. We spent a  
12 lot in FY18, because what we do is we transfer money  
13 to the capital program so we can create an  
14 appropriation and then we work on those projects  
15 through the life of the project, which could take one  
16 or two years. So we appropriate a lot of projects in  
17 FY16, but we caught up on all those projects and  
18 finished them and spent the actual cash on those  
19 projects in FY18. So what this is really showing you  
20 is that we're really caught up with what we're  
21 spending, and we're spending -- we're doing a better  
22 job with speeding up the projects that we have been  
23 working on and it's the planning of our engineering  
24 group, which is really doing a good job.

25 Our debt coverage ratio, it's a little bit

1 lower. It was about three for our senior lien last  
2 year. It's a little over two this year. I expect  
3 that to go up. And I would just say something,  
4 because we've been talking about this, but there's  
5 about 3,500 utilities that are bonded, where you have  
6 a rating for their bonds. And seven percent of those  
7 utilities have a Triple A bond rating, and we are one  
8 of the seven percent. And it's through the direction  
9 of this board and all the hard work that we've put  
10 into all this that we're doing really well with what  
11 we borrow with our capital and with our debt service  
12 and we manage it very, very well. So I just thought  
13 I'd throw that out there.

14 Our water use production. Again, we talked  
15 about this with the Water Conservation Group.  
16 Consumption is down. It's below, for the first six  
17 months, below what it was all the previous years.  
18 Revenue has been more stable because we did the rate  
19 increase. We adjusted more of the rate for the water  
20 side on the base rate. And we also increased the  
21 sewer rate last time we did the rate adjustment. So  
22 those actually stabilized our rates a lot better. So  
23 even reduction of consumption, we don't have a  
24 problem like we did a few years ago where we really  
25 had a huge impact to our revenue stream.

1           The same thing with this, this is the same  
2   kind of depiction, water consumption, but it still  
3   runs about the same.

4           Precipitation, you can kind of see when we  
5   have a lot of rain, consumption is down. So if you  
6   look at July or August of this year we had a lot of  
7   rain and that level of production is less than what  
8   it was the prior year, which was more because we had  
9   less rain. So we had a lot of rain as well this  
10   fiscal -- so far this fiscal year and it's impacted  
11   our production levels.

12           And I stand for any questions.

13           CHAIR O'MALLEY: Are there any questions  
14   from the Members for Mr. Allred? I guess not. Thank  
15   you very much. I appreciate it very much.

16           COUNCILOR JONES: Madam Chair, I would like  
17   to move approval of C-19-10.

18           CHAIR O'MALLEY: Is there a second?

19           COUNCILOR SANCHEZ: Second.

20           CHAIR O'MALLEY: There's a motion and a  
21   second to approval 9C. All those in favor say aye.

22           MS. NAIR: Aye.

23           COUNCILOR SANCHEZ: Aye.

24           CHAIR O'MALLEY: Aye.

25           COUNCILOR JONES: Aye.

1 COMMISSIONER QUEZADA: Aye.

2 COMMISSIONER HART STEBBINS: Aye.

3 CHAIR O'MALLEY: All opposed say no. Motion  
4 carries. Thank you all. Thank you very much to the  
5 staff. Everyone have a good evening. This meeting  
6 is adjourned.

7 (Meeting adjourned at 5:55 p.m.)

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## REPORTER'S CERTIFICATE

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

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

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Kim Kay Shollenbarger  
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