ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
WEDNESDAY, APRIL 20, 2011, 5:00 P.M.

ALBUQUERQUE/BERNALILLO COUNTY GOVERNMENT CENTER
ONE CIVIC PLAZA, NW
ALBUQUERQUE, NEW MEXICO  87102

Before:  Paul Baca
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico  87102

APPARENCES

COMMISSIONER ART DE LA CRUZ, Chair
COUNCILLOR TRUDY E. JONES, Vice Chair
COMMISSIONER MAGGIE HART STEBBINS, Member
MAYOR RICHARD J. BERRY (Excused)
COUNCILLOR REY GARDUNO, Member
COMMISSIONER MICHELLE LUJAN GRISHAM, Member
COUNCILLOR KEN SANCHEZ, Member
TRUSTEE PABLO RAEL, Ex-Officio Member
MARK SANCHEZ, Executive Director
ROB PERRY, Administrative Officer, Alternate Member
CHAIRMAN DE LA CRUZ: I call this April 20th, 2011, meeting of the Albuquerque Bernalillo County Water Utility Authority to order. Let the record reflect all members are present. Let the record also show that pursuant to New Mexico State Statute 1978, Section 10-15-1(h) and (j), the Water Authority Board held a closed session today, April 20th, at 4 o'clock p.m., in the City Council committee room to discuss personnel, labor and potential litigation.

Let the minutes reflect that a quorum was not present and that the matters discussed in the closed meeting were limited only to those specified in the notice of the separate closed meeting and no action was taken.

We'd like to have, at this time, our invocation, a moment of silence and the Pledge of Allegiance, which will be led today by a young man with us by the name of Jonathan Griego.

(Whereupon, there was a moment of silence.)
(Whereupon, the Pledge of Allegiance was led by Jonathan Griego.)

CHAIRMAN DE LA CRUZ: Okay. Next we have approval of the minutes. We have a motion to approve the minutes of March 23rd, 2011. Is there any second?

COUNCILLOR JONES: Second.
CHAIRMAN DE LA CRUZ: We have a motion to second. All in favor, say aye -- hold on. Pablo.

MR. RAEL: Correction. You said March 23rd. It should be April 10th.

CHAIRMAN DE LA CRUZ: Oh, okay. It says March 23rd on my minutes. So it is March 23rd?

Okay. Well, we have a motion and a second to approve the minutes.

All those in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 3 approved.)

CHAIRMAN DE LA CRUZ: Next we have proclamations and awards. First, we have the customer advisory committee appreciation awards. Okay. Let's see, do we have all our members here? The recipients will get an award here in a second.

These members lent their expertise and untold hours of their time to help further the goals of the water authority and provide a direct conduit between the organization and those it serves. During their time on the CAC, they were involved in a number of major initiatives, including reviewing and updating the Water Resources Management Strategy policies,
reviewing several ordinances and resolutions,
providing input on water, sewer, bill format,
providing input on Water Authority web site redesign
and new education and web pages, reviewing of water
conservation program activities, including new
rebates, reviewing the Water Authority's budget and
goals and objectives, participating in tours of
surface water and water reclamation treatment plants
and different operating divisions.

And these individuals are -- and if you
would just go ahead and come up here, it would be
nice -- Stephanie Moore, Karen Allred, and Dale
Decker.

Well, congratulations and thank you for your
service. Would you like to say anything, share
anything with us?

MS. MOORE: Mr. Chair, Members of the Board,
thank you very much. It was definitely an interesting
and educational experience to serve on the Customer
Advisory Committee. I learned a lot about how you all
work and about how hard your staff works and just
about the many, many competing issues that you have
and growing demands for water.

I'd like to commend you all for creating,
for establishing and listening to advisory boards,
both this one and your Water Quality Board, and also
for your staff on a monthly basis for opening
themselves up and inviting input. It's not always
easy to solicit input and you may sometimes get advice
that you are -- you may sometimes hear things that you
don't necessarily want to hear. But I think that's --
I think that's very admirable of all of you. And I
think you're doing a great job and I know your staff
will continue to do a great job.

Thanks very much.

CHAIRMAN DE LA CRUZ: Thank you very much.

Dale.

MR. DECKER: Thank you. I'd just like to echo
Stephanie's comments. I mean, I think that what I
gained out of this whole thing is a great appreciation
for the staff that the Water Authority has. They do a
great job, very professional, backed by numbers,
facts, statistics. And I think what I learned as a
business man, who's lived here all my life, is that,
you know, we can work together, and if we do work
together, there is enough water to sustain our
community for many years to come. And that's very
important to all of us who have invested greatly in
our community, a sustainable future for the years and
our kids and their kids' kids is what it's all about.
And without water, we don't have a civilization, we don't have a city, we don't have a lot of things. So I think that, you know, what I got out of all this is that it's being very well managed and that the -- again, working together, there are the resources.

But on a professional note, it's had a real impact on our business. And we've been known as being one of the leading green architecture firms. And I wanted to pass out something, if I could, that we put together that we give to all of our clients, and it's about water conservation and the need to conserve water, how we do it through buildings, how we do it through our landscapes and xeriscapes. But also water quality, how we treat water on site to deal with water quality issues, how we can recharge the groundwater. And we call it "A Conservation Conversation." And so, if I could, I'll leave these with you guys and you can pass these out to the members. And we appreciate it.

Thank you.

CHAIRMAN DE LA CRUZ: Well, let me tell you that we appreciate your service as well. While we have paid staff and we're elected officials, the reality is we can't do everything alone. So when people step up and are willing to serve, we deeply appreciate it. So thank you.
Come on around. We have a token of appreciation for you.

Okay. Moving on, we have a quarterly employee awards. Why don't you go ahead and come up to the front when I call your name. I'm going to read your name and talk a little bit about why you're receiving this award.

First, we have Delores Apodaca, who's getting a hundred dollars. Delores assures regulatory documents are complete, properly signed and assembled. She has established and maintains a wide range of administrative systems. Her job requires her to juggle a myriad of tasks, and she does so successfully, with a smile. She is an integral part of the compliance division and Water Authority and their success.

Next we have Robert Morgas, who's getting $325, plus 16 hours of vacation. Robert has distinguished himself as a dedicated and resourceful mechanic. His mechanical repair ability and diversity of trade skills have made him a very valuable asset to our utility. He possesses a pride of workmanship and a work ethic that contributes to the professionalism of our entire organization.

Next we have Mark Winslow, who will get a
hundred dollars. Mark has been instrumental in compiling data on the Water Authority's different assets for use in developing the different assets management plans. Mark presented a paper on data collection/asset management at the Rocky Mountain Section of the AWWA.

Next we have Daniel Rudolph, who's getting $250, plus eight hours of vacation. Daniel provided assistance in a large incident that could have cost the Water Authority over $126,000. Due to Daniel's detailed documentation of a water distribution main break, it was determined that the infrastructure was not the cause, but was due to improper techniques by a contractor. Mr. Rudolph showed leadership, attention to detail, professionalism, excellent documenting skills, and an honest care for the Water Authority and its ratepayers.

Next we have Margie Ulibarri, who's getting $150. Margie's work ethic, determination and drive are responsible for achievement of the customer services' quarterly top performer. Her attention to detail and her ability to respond to all customer questions and inquiries accounts for her outstanding annual performance.

Thank you very much for what you have done...
for the Water Authority.

Next we move on to the public comment.

Ms. Jenkins, how many do we have signed up?

MS. JENKINS: Three.

CHAIRMAN DE LA CRUZ: We have three. Go ahead and call them. Just to let everybody know that, speaking, you have three minutes to speak, with a warning at two and a half minutes. If more than five speakers, we'll have to shorten the time. But we only have three, so we're good with three minutes.

MS. JENKINS: Geraldine Amato, followed by Janet Summerwald (sic).

MS. AMATO: Good evening. Last month, there was a presentation that was done and the most significant part of it was that continued repetition of the word "customers." Under the principles of the republic, part of the commonwealth is the water resources of a nation that belong to the people. Now that water has been commodified and is a commodity to be sold to its customers, the people no longer have direct control over it. We have an increasing move to put more buildings in this area, called development. And the projections are, we do not have the water, long term, to sustain those residential complexes. And yet, they continue to go up because there's a disconnect what
the people need at the local level and what the overlords -- absentee overlords' agenda is nationwide.

We should be preserving water at the local level for local food production to feed the populace here. And we know that this basin, as the water comes down towards us, is getting more limited, especially with drought. And instead of encouraging agriculture in this state, more of the farmers and ranchers are being put out of business and we're shipping more and more food stuffs from out of state and even out of country, which we cannot even monitor the nutritional value or the quality of those food products.

We are being set up and we're going along with the program. If we wind up being in a place like a desert of concrete and aluminum poles and asphalt and buildings and no resources to live with, where will we be? It will be another ghost town. They used to call them ghost towns. Only a modern civilization ghost town. We're headed in that direction unless we change course. We cannot continue to let absentee overlords who control the pursestrings dictate every program that we initiate at the local level. And that's what this body represents, the privatization of the water supply.

Ultimately, water conservation will merely
mean water allocation to those who can pay. And that's going on all over the world, where farmers have been devastated because those who can buy the water even have the nerve to bottle it and ship it out of the country while the local farmers are devastated and cannot support themselves. They only can hire themselves out for slave wages if they can barely eat for that day.

We are moving toward a third world economy, and don't think it's by accident. The absentee overlords who are malevolent are happy to continue to let us do whatever's going to make us more vulnerable to control later on. And part of this operation is working in that direction.

Any questions?

CHAIRMAN DE LA CRUZ: Thank you, Ms. Amato. Patty, before we go to our next speaker, Councillors, Commissioners, I'm going to take the liberty to reintroduce a young man in the audience by the name of Jonathan Griego. I'm particularly proud of Jonathan, not only because -- stand up, Jonathan -- not only because he's a student at Valley High School, he's a sophomore, but he's an outstanding wrestler. And as everybody knows, wrestling is near and dear to my heart.
Now, Jonathan, there's a lot of responsibility being a wrestler. We expect you to also be a leader. Congratulations.

Ms. Jenkins.

MS. JENKINS: Janet Greenwald, followed by Joe Wechsler.

MS. GREENWALD: Good evening. Thank you for this opportunity to speak. I'm Janet Greenwald. I'm co-coordinator of the Citizens for Alternatives to Radioactive Dumping, and a member of Aqua es Vida Action Team.

We wanted to thank you for your presentation during your last meeting on pharmaceuticals. We are perusing that report which is now on your website. And we thank you for your attention to that.

We are continuing to be concerned that we cannot find detailed information about the chemical status of our drinking water on the WUA website. And we would ask for more timely and detailed information on what's in our water. I think we all agree that that is our right, to know what is in our water.

We also are concerned about injecting this water into the aquifer. And we -- we would like to see a public -- public meetings and hearings early in the process so that the public can give you their
input about how they think of this project. We tend
to feel that infiltration rather than injection is a
safer way to go. It would be helpful to us, though,
to see a final report on the infiltration project, the
Bear Canyon infiltration project, so we can see how
well that infiltration worked as far as taking toxins
out of the water.

Thank you, once again. And I wish you a
good evening.

CHAIRMAN DE LA CRUZ: Thank you.

MS. JENKINS: Joe Wechsler. I don't believe
he's here.

CHAIRMAN DE LA CRUZ: Okay. Well, we'll move on
then. Thank you. That was the last speaker, right?

MS. JENKINS: Right.

CHAIRMAN DE LA CRUZ: Let me announce at this
time when our next scheduled meeting is. It is to
take place on May 18th, 2011.

At this time, we're going to introduce
legislation. First up is Item 7A, WUA R-11-5,
appropriating funds for operating the Water Utility
Authority for fiscal year beginning July 1st, 2011,
and ending on June 30th, 2012.

Mr. Sanchez, Mr. Allred.

MR. SANCHEZ: Mr. Chairman, Members of the
Authority, with your permission, I'll address items 7A and 7B simultaneously.

You have before you the fiscal year 12 proposed operating and capital budget. Let me just walk through some of the highlights. But first, I think it's important to note the process we use, not only to budget but to improve constantly. As Mr. Decker mentioned to you earlier, we measure everything. As much of our decision-making as possible is driven by data. And we set five-year goals, one-year objectives. We do a performance plan that further carries those out and delineates the data. We develop the budget from that. We survey our customers every two years. If you recall, last year, we surveyed your customers, and by and large, an overwhelming majority were very supportive of what we do and how we did that.

In addition, we benchmark ourselves against other utilities who do similar work and are of similar size. So we not only measure ourselves, but we measure ourselves against others that do the same kind of work. Every five years we also survey our employees through a self-assessment. We did that about five years ago. We're scheduled to do that this summer or fall, where we'll get feedback from within
the organization about what we do and how we do things.

And then every decade we actually invite in a group of individuals from across the country, from the American Water Works Association, who evaluate everything we do from top to bottom. We did that some time ago and that became a roadmap of sorts for us on how to carry out this new entity called the Water Authority. So this is a continuous cycle that we continue to use to improve what we do and to determine how best to spend the resources from our ratepayers.

In terms of highlights, most of you will recall that we have a ten-year financial plan where we project out our revenues, our expenditures and our fund balance. And in 2009, the Board at that time approved a five percent rate adjustment that would take place in fiscal year 12. So this budget assumes that that five percent rate adjustment will be in place going forward. It also includes a two percent step adjustment for all employees contained in labor agreements and for everyone not included as well.

$2 million is added to what we called the "rate reserve fund." Some years ago, the Board directed us to create a rainy day fund, if you will, that we could go to before we went to the ratepayers,
in the event we had a revenue shortfall, mainly because of conservation. We're actually, over time, attempting to collect less from our ratepayers, because we want them to consume less water, which is our greatest source of revenue.

We continue to be rated Triple A by Standard & Poor's, which is extremely important to us because we have $684 million in outstanding debt. And that's important to us to manage our cost of funds.

We continue to be recognized by the Government Finance Officers Association not only for our budget but for our performance measurement in everything we do.

Thirty million is included for our basic program and our capital program. Four million is for nonbasic capital projects.

Last meeting, Red Oak Consulting, our rate consultant, was here making recommendations to you about our rate structure. And one of the discussions was different options that were revenue neutral. But the feedback from the Board was that we include a new block, if you will, a 200 percent for surcharging, in addition to the 300 and 400 that were in place. And at the same time, that we offer a greater discount for those customers who are consuming less than
1 150 percent of their winter average. So included in
2 this budget is the assumption that we're going to do
3 that. So customers who consume less than 150 gallons
4 will now get a 30 percent discount instead of a
5 20 percent discount. In essence, that discount will
6 now offset the rate impact of the base charge for that
7 customer class, which we estimate to be about $3 for
8 the average customers. So the average customer at
9 that level will receive about a $3 discount for
10 conserving water.

In addition, we continue to surcharge the
top seven percent high residential users, as we've
done in the past. The new 200 percent level would be
included, subject to your approval. And, I think,
most importantly, we continue the implementation of a
long term financial plan for rate stability for our
ratepayers.

Some of the assumptions we've made in this
budget is nominal and virtually no growth in the
service area going forward next year. Decrease in
consumption through conservation of about two percent.
Growth in expenditures is only for essential items.
We continue to spend additional resources to renovate
the south side reclamation plant. If you recall, in
previous presentations, we estimated the need to spend
about $250 million over the next decade to bring that plant to where it needs to be. The other thing we've assumed, that we've discussed in previous budgets, is that we are not going to pass through increased power costs imposed by PNM.

In terms of a comparison from last year's budget to the proposed budget, last year's revenue was 173.9 million. This year is 183 million. Expenditures are 177.5 million. The difference is about 5.5 million. Our target fund balance is 10 million or above. So we carried forward the 5.1 million from last year to get to the reserve of 10.6 million.

The net change inspect revenue is about 5.6 percent. Expenditures are going up about 3.5 percent. In terms of what the detail of those increases, mainly personnel. Our health insurance and employee benefits are going up by $900,000. A two percent step adjustment for all employees is $831,000. Annualizing FY11 mid year positions, 242,000. The cost of implementing the compensation classification study last year going forward is $1.4 million. Our total operating expenses, bottom line, increased $40,000. And some internal transfers, our debt service costs are increasing 1.4 million. Our transfer to our CIP
is one million. Keep in mind that half of our costs of capital for basic comes from cash as opposed to debt. That's the reason for that increased transfer.

Just in terms of revenues, you can see from this pie chart that the lion's share of our revenue comes from water and sewer. Thirty-three percent sewer, 44 percent is water. The yellow San Juan Chama strategy is the cost to implement San Juan Chama project. The debt service and operating cost is an additional lion's share of the total revenues.

In terms of expenditures, 38 percent, our largest expense, is debt service. As I mentioned earlier, we have $684 million in outstanding debt. So about $66.7 million goes to debt service, 38 -- about 38 percent. About 26 percent goes to wages and benefits, about 45 million. And about 24 million -- 24 percent, rather, of 42.9 million goes to operating expense. And the rest are incidental, like franchise fees. We collect a franchise fee and pay that back to the City of Albuquerque, Bernalillo County, Village of Los Ranchos, and, actually a very small percent to Rio Rancho.

Just by way of information, in terms of rate increases over the last decade, you can see from this graph that our rates have gone up 16 percent over ten
years. Our peers, in terms of water and waste water providers across the country, on average, at that same time, increased rates by 64 percent. So cumulatively, it's been about a one percent impact to customers over the last decade. And I think that shows that we've been very prudent in how we've managed and we only go to the ratepayers when we absolutely have to.

Now, I mentioned earlier a long term financial plan and we do a ten-year plan, and by and large, we tend to stick to it. The resources are estimated to increase about a percent and a half over the ten-year period. Our expenditures are expected to increase by two percent. And the reason that our resources don't match our expenditures is because of conservation. We actually expect our customers to consume less and our revenues to decline over that time.

As I mentioned earlier, our current fund balance requirement is 10 million or above. Today, that's about six percent. And I would suggest to you, going forward, we really need to be at 1/12th or 10 percent. The City of Albuquerque is at 1/12th. Bernalillo County is actually at 3/12th. And for an entity our size, 1/12th would be a good threshold to be at. And we'd suggest by 2015, we start to be at
1/12th in terms of our fund balance. I mentioned earlier the $7 million rate reserve. You could see that entry in 2011. And that was used to allow us to get to 2012 without a rate increase.

Going forward, if you look at 2017, you'll see the reserve to be about $9.6 million. And that starts to signal to us that we're below where we need to be and far below where we'd like to be about the 1/12th fund balance. And may I suggest to you --

CHAIRMAN DE LA CRUZ: Mark, let me just interrupt you for a second. Can you clarify if that is that level, that rate for the reserve, is it done statutorily, is it done -- is it established by the Board, is it done by management? How does that happen?

MR. SANCHEZ: Mr. Chairman, Members of the Authority, it's done by policy through the Board. And to some extent, by strong suggestion from the bond rating agencies who rate our debt and our cost of funds. And I think that is the biggest reason to consider increasing our reserve requirement going forward, because if our rating decreases over time, and our cost of funds go up, even by 25 or 50 basis points, that's huge for us. That could be tens of millions of dollars going forward. And that is reason
alone, I think, to consider that.

Now, it's something we'll have to phase in, obviously. As I mentioned, if you look at 2017, the fund balance drops below the 10 million. And at that point, if we were at 1/12th, our fund balance would have to be about $21 million. It would be ten percent of our operating expenditures. In addition, we anticipate 2017 to be the beginning of a huge investment in our assets. Later on your agenda, we're going to present our Asset Management Plan. And what we found in inventorying some 200,000 assets, is we have a huge backlog in our infrastructure. And going forward, we have about a $30 million gap in our expenditures in terms of where we need to be annually, versus where we are today.

So what we're going to suggest to you is beginning in 2017, we start spending an additional increment of $3 million until we get to that $30 million over the next decade, so that we can minimize the rate impact to our ratepayers, but begin making the investment we need to. I think many of you heard about an interceptor collapse this last week on Broadway. That's a good indication of our aging infrastructure, and we now know the age, the condition and the investment we need to make, and which assets
are most at risk. And that's how we'd like to start
spending our capital dollars going forward. And this
will help us to do that.

Shifting to the capital program, it would
appropriate 40.8 million. Thirty-three million is for
what we call our basic water and sewer program. That
essentially means reinvesting in the existing service
area in replacing old assets. One million is for the
Valley Utilities Project. 6.8 million for special
projects. Two million is we're starting down a path
to automate all of our meters so that in 15, 20 years,
we'll no longer have individuals manually reading
meters, but driving by and logging the data from these
meters. That's our long-term plan. One million for
steel line replacement, which is the biggest culprit
of our waterline leaks. And 3.8 million additionally
for the reclamation facility, south side. This pie
chart simply breaks down visually those expenditures.

And going forward, I think some of the
biggest challenges we face is continued increased
conservation. In order to continue diverting San Juan
Chama water, we'll have to be at 150 gallons per day
per capita. Today, we're at 159. We have plenty of
time to get there, but it's going to require
additional conservation.
We must make the improvements to our reclamation facility. That facility is 50, 60 years old in some components of it. In the next decade, we plan to have a completely new facility, if you will, and have spent $250 million on it. We, as a utility, have to reduce our system water loss. As we're asking our customers to conserve, we need to do the same through system breaks in our infrastructure.

Later on your agenda, again, the acid management plan. We need to figure out a way to finance that, carry that out. Otherwise, in 20 or 30 years, we risk complete system failures, literally, in everything we do.

We continue to have the need to increase efficiencies and operating -- our operating expenses, have those decrease. That will require culture changes over time. And you will hear from time to time, why are they doing these things differently? That's not the way we used to do it, that's not the way we want to do it. But if we're going to minimize costs to our ratepayers, we are going to have to continue to look for those. As most of you know, our cost of power, fuel and chemicals are going up by double digits. That will be a challenge going forward.
Continuing the implementation of our long-term financial plan, it's critical to minimizing rate shock to our ratepayers. And we would suggest going forward, that we look at 1/12th as a fund balance requirement. It's not something we can do over the next year, but I think by 2015, we can very likely achieve that.

At this point, I'll just stop and answer any questions. Again, this is an introduction. It will not be considered for final approval until your May 18th meeting. If you want, we have a hard copy of the budget as well for you.

CHAIRMAN DE LA CRUZ: Thank you.

COUNCILLOR SANCHEZ: Thank you, Mr. Chairman. I have one question regarding the CIP appropriations. You've got $40.88 million appropriated. Is there a line item identified for Central and Yucca? Because I know we've talked about building new lines along Coors to resolve that problem, which has been an ongoing problem for over 30 years.

MR. SANCHEZ: Mr. Chairman, Councillor Sanchez, no. There is no funding for a new line along the Coors corridor. If you recall, that line alone would be in the range of 20 to $25 million, to replace that.
COUNCILLOR SANCHEZ: Have we looked at trying to get federal funding for that project?

MR. SANCHEZ: Mr. Chairman, Councilor Sanchez, we continue to seek all federal assistance. Unfortunately, that source is rapidly drying up. One of the things we are doing, however, is Central and Yucca was -- it's a bio filter for odor mitigation, for those of you not familiar with that, we've recently upgraded that to an additional carbon filtration process. And we're extremely optimistic that this summer you will not have those complaints because of this upgrade. And we think that that, in addition to the reuse facility that we plan to construct on Coors and Montano, adjacent to the Bosque Prep school, in the next five to ten years ago, we'll effectively eliminate the problem of those flows that were going down Coors and going down through Central and Yucca. So we think the combination of those two will mitigate the need for that new line.

COUNCILLOR SANCHEZ: Hopefully that will be the case. Because now that the weather is warming up, that's when the complaints start to come in.

MR. SANCHEZ: I understand. And I'm sure we'll hear from you and your constituents if that's not the case. But we're paying close attention to that. We
1 have told staff to please monitor that. And we're
doing that on a daily basis.

3 COUNCILLOR SANCHEZ: Thank you.

4 CHAIRMAN DE LA CRUZ: Let me just reinforce what
Councillor Sanchez was saying. We share constituents
at that point, and one of the business owners on the
corner said that he would be happy to buy lunch for
staff if they'd come and sit next to that bio filter,
which is immediately adjacent to his business. So
it's an ongoing concern. So we really appreciate you
monitoring that and trying to mitigate it for now as
much as possible.

10 Commissioner Lujan Grisham.

13 COMMISSIONER LUJAN GRISHAM: Thank you, Mr.
15 Chairman.

16 With regard to the $900,000 item related to
17 health insurance costs for personnel, what percentage
18 increase does that reflect to premiums, for the
19 employer's share of that contribution?

20 MR. SANCHEZ: Mr. Chairman, Commissioner Lujan
21 Grisham, the total cost to us is about 2.3 percent.
22 That's the additional increment we're having to pay to
23 keep the employees whole. We participate, much like
24 the county, in a governmental pool that the City of
25 Albuquerque manages. And part of that -- it would
have been actually much higher than that had they not
gone to a sole provider. I think they've eliminated
Blue Cross and gone to Presbyterian as a sole provider
for that.

In terms of the actual premium increase, I'm
not sure there's a premium increase to net to the
employee. There's a net premium increase to the
employer because we're picking up 80 percent of it.

COMMISSIONER LUJAN GRISHAM: And thank you very
much. I think that's an important point, that in the
private sector, that those costs are escalating
between ten percent and 27 percent increase on both
the employer and employee contribution share. And
that personnel cost is troubling to most businesses
currently. Although, in 2014, we're hoping that that
will change with federal health care reform
implementation. But thank you very much.

CHAIRMAN DE LA CRUZ: Let me note for the record
that Mr. Perry is excused.

Councillor Garduno.

COUNCILLOR GARDUNO: I want to follow up on the
Commissioner's thought about insurance. One of the
things that's not clear to me, and I don't know if
it's clear to some of the employees that I've talked
to, is whether or not Presbyterian will allow
out-of-network charges to be brought back to the
insurance company and whether preexisting conditions
will be covered. Do you know that?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
preexisting conditions, I think, are covered. I
think -- I believe they would not be considered a new
enrollee, if you will, but literally just transferred
from one to the other. Mr. Perry may correct me if
I'm incorrect.

I'm sorry, your other question was?

COUNCILLOR GARDUNO: That was the main question,
about whether out-of-network costs --

MR. SANCHEZ: I think, typically, Presbyterian
allows out of network providers, but at a reduced rate
in terms of reimbursement or the cost for that
provider.

COMMISSIONER LUJAN GRISHAM: Right, or -- if I
might. Then, typically, with Presbyterian and other
providers, if you identify a health care service
that's out of the main network, you pay a higher
co-pay. So your percentage cost usually up front is
going to be higher. And the one exception with
Presbyterian is they don't have any partnerships with
Blue Cross Blue Shield providers directly. So that's
one large gap in the State of New Mexico for folks who
used to be with Blue Cross Blue Shield. If your
provider is in that network only, you can't --
Presbyterian doesn't allow it all.

COUNCILLOR GARDUNO: And I guess that's a
clarification that needs to be made, so that we just
don't think that it will be a lateral transfer, if you
will, because it won't be. Out-of-network coverage,
if you will, will not be allowed with some companies.
I don't -- and as you, Commissioner, have pointed out,
Presbyterian will not allow Blue Cross Blue Shield
providers to just laterally be covered.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
I think within the Presbyterian plan, there are
options that the employee can select where you can
participate solely in the Presbyterian network, or
there's situations where, kids that are off to college
or living somewhere else that are under 26 years of
age, you can opt for an option that allows coverage in
that out-of-network situation. So there's options
within that plan.

COUNCILLOR GARDUNO: Well, maybe what needs to
be made there, too, is that that also changes the
premium, if you will.

MR. SANCHEZ: That's correct, that's correct.
COUNCILLOR GARDUNO: So the choice is not just
yes, I do or no, I don't, but rather if I do, then there will be a premium, you know, percentage up.

MR. SANCHEZ: That's correct.

COUNCILLOR GARDUNO: The other thing that worries me is that if you have established a history with a provider over time and now you go to another provider, rather another insurance, the provider that you had before is no longer in network, nor is it allowed throughout a network, so you have to literally give up, if you don't want to pay more premium, give up your provider. Is that correct?

MR. SANCHEZ: Essentially, that would be the case, yes.

COUNCILLOR GARDUNO: So --

MR. SANCHEZ: But I think the group as a whole is what determines the rate to the provider, as in Presbyterian. So our history, our claim history as a local government pool, is what drives that. Not the individuals or any one individual member participating.

COUNCILLOR GARDUNO: But that an individual may be harmed, if I can use that term, sounds a little harsh, but it may harm in their inability to seek service from a provider that they have established a history with?
MR. SANCHEZ: Mr. Chairman, Councillor Garduno, they will be affected, yes.

COUNCILLOR GARDUNO: And I just don't know if we looked at that carefully enough.

MR. SANCHEZ: And, Mr. Chairman, I would point out that we unilaterally cannot make that determination because the City of Albuquerque negotiates that on behalf of the local government pool, and we simply choose to participate in that. Our only option would be to opt out of that pool and go on our own. And in that case, I think our cost would actually be higher.

CHAIRMAN DE LA CRUZ: I have no doubt.

Councillor, are you done?

COUNCILLOR GARDUNO: I may have other questions after.

CHAIRMAN DE LA CRUZ: Okay. I'm going to go ahead and call on Mr. Perry. You thought you were getting away.

MR. PERRY: I was planning on it, Mr. Chairman. Perhaps I can elaborate a little bit on these questions, which were certainly good questions. Of course, the City of Albuquerque administers the plan which the Water Authority is contemplating making the changes with the City of
Albuquerque.

I think it's important to understand that there's really three major providers within New Mexico health care here in the Albuquerque, greater Albuquerque area. And that would be basically Presbyterian Network and then Ardent Health Care and Lovelace. That's who encompasses probably about 95 percent of the providers in the area. And under the Blue Cross model, who was our other partner prior to this proposal, Presbyterian Blue Cross, the health care providers, the providers themselves, were a group called, I believe it was, Albuquerque Health Care Partners. And on Monday, Presbyterian basically negotiated with that group of doctors and other clinical providers to say we'd like you to come be part of the Presbyterian Network, and they agreed to do that and agreed to Presbyterian's reimbursement rates.

So to the extent that probably about 97, 98 percent of the people on our plan used what we're kind of calling tonight out-of-network doctors, being Presbyterian formerly out-of-network providers, they are now in-network providers. And so that should really encapsulate the vast majority of providers.

Of course there's the rare scenarios where
even people that are out of state, that would have
family members covered, could use docs in Montana.
And that's an out-of-network service. That's
contemplated currently under any of the health care
programs that we currently use and will continue to be
contemplated under the exclusive model with
Presbyterian Health Care.

But I think the issue regarding, you have a
good doctor, you'd like to stay with that doctor or
other health care provider, this should really address
that in the vast majority of cases. Because
Presbyterian has basically captured the other health
care providers in our community.

COUNCILLOR GARDUNO: And Mr. Chair.
CHAIRMAN DE LA CRUZ: Continue, Mr. Garduno.
COUNCILLOR GARDUNO: Thank you.

And has that communicated to employees in a
way that they understand that that's happening?
MR. PERRY: Excellent question, Councillor
Garduno. We're in the process of doing that right
now. It was just recently agreed to by Presbyterian.
I think they saw that as a problem. They recognized
that the City of Albuquerque is a premiere -- one of
their largest accounts and that that would be
advantageous for them to do. Of course, it probably
involved some business interest of the other health care providers, plans, I should say. But ultimately, that Albuquerque Health Care Partners group did decide to come over. And so we're in the process of notifying employees of that and providing the employee notification, and also clarity to employees, an opportunity to discuss those issues with our benefits people. So I think we'll see a campaign to do that, Councillor.

COUNCILLOR GARDUNO: I think it's important.

Mr. Chair, if I may. Maybe let's go with a very seminal question, which is why did we change, what was the benefit?

MR. PERRY: That's the -- that's, you know, perhaps the foremost question. And the proposal that was being offered to the City of Albuquerque contemplated a very, very significant increase in cost by Blue Cross Blue Shield, which administered the other option, other than Presbyterian, and I believe it was on the order of -- in excess of 15 percent, which isn't that uncommon these days with health care premium, inflationary cost and the like. The savings represents about a three to $4 million savings to the City of Albuquerque, and additionally, too, its ancillary users, being Bernalillo County and the Water
Authority, which would have incurred significantly higher increased costs. Of course, in the city's plan, the city pays 80 percent of the health care benefit, the employee 20 percent. In addition to that, there's also reductions in a lot of the service co-pays in this proposal by Presbyterian. So in fact, the consumer, the health care consumer, our employees, will actually probably save money on their co-pays as well. So it seems to be a fairly attractive economic proposition to both the consumer of the health care, the employees, as well as the payer of the health care, the government entities.

COUNCILLOR GARDUNO: And Mr. Chair, if I may just finish by asking Mr. Perry, why are the employees so confused, I wonder? Because we don't have that information out there readily?

MR. PERRY: Well, you know, when I was a trial lawyer, we called that assuming facts not into evidence. But I think that there is a lack of clear communication and I think we're at the process right now where we need to do a better job and a campaign of bringing these facts to the employees. I don't think they're all confused. I think it has been initially conveyed to them, some of these issues, some of the benefits. Initially, when we
announced that Presbyterian would be the exclusive provider, it was not determined, as of that time, that we would get a merger between Presbyterian and the Albuquerque Health Group Partners. So some of those are recent developments too. But your point's well taken. I'm quite mindful of it and I think it's a very legitimate point, that it is incumbent upon the City of Albuquerque, and as it will be incumbent upon the ancillary government agencies, being Bernalillo County and the Water Authority, to take their benefits folks and get with our employees and do a better job of communicating that.

COUNCILLOR GARDUNO: And Mr. Chair, if I may, for the record.

I did not suggest that the employees were confused, but rather that they did not have all the information to make a good, clear decision upon.

Thank you.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, and the way we do that, collectively, is, each government entity, the city, the county and the Water Authority, produce a pamphlet that is mailed out to every employee, detailing all of the changes, highlighting those, and that is yet to occur. So I think once that occurs, everyone will have the
information at once. And that will be, I think, in
the next couple weeks, probably.

    MR. PERRY: Mr. Chairman, Councillor Garduno, on
that very point, we actually -- I authorized the
release of that pamphlet and an explanatory e-mail
this morning. So it either went out late this
afternoon or first thing tomorrow, I'd imagine, but
explaining some of these details, which, again, I
clearly acknowledge are very, very serious and
legitimate issues.

    CHAIRMAN DE LA CRUZ: Thank you. And in fact,
it will be the city that moves forward to get
information now, followed by Water Authority and
Bernalillo County.

    Councillor Sanchez.

    MR. SANCHEZ: Thank you, Mr. Chairman. I don't
think this is an issue of confusion. I think this is
an issue of concern, especially for those individuals
that are utilizing Blue Cross Blue Shield and not
being able to get the same services when they switch
over to Presbyterian.

    The cost to the City of Albuquerque, I
believe, is going to be $4.1 million. There will be a
savings passed on to the Water Authority, along with
the county. But I've been receiving several calls
from residents regarding them having to switch to a
new health care provider. But I would like to see
some type of grace period where there's that
transition period involved where it won't have an
impact, especially if somebody is in a critical
position of critical care and they have to switch
health care providers and doctors.

CHAIRMAN DE LA CRUZ: Okay. Let's not get
confused.

Councillor, are you done?

COUNCILLOR SANCHEZ: I'm done.

CHAIRMAN DE LA CRUZ: Anyone else?

MR. SANCHEZ: Thank you.

MR. PERRY: May I be re-excused.

CHAIRMAN DE LA CRUZ: Mr. Perry, you are
re-excused.

MR. PERRY: Thank you, Mr. Chairman.

CHAIRMAN DE LA CRUZ: I think you need to leave
quickly or we're going to bring you back.

Seeing no -- Item Number 8, no consent
agenda items, we move on to Item 9, Approvals. First
up is 9A, WUA R-11-4, establishing one-year objectives
for the Water Utility Authority in fiscal year 2012 to
meet five-year goals.

Mr. Roth.
MR. ROTH: Mr. Chair, Members of the Board, this resolution was introduced at the last Board meeting. This is up for approval at this meeting. I gave a more detailed presentation at the last meeting, but since some of the members weren't here, I'll just do a quick overview of what was discussed.

The FY12 goals and objectives are a major component of the Water Authority's strategic planning improvement process, includes the long-range goals, the one-year objectives, performance measures and the American Water Works Qual-Serve program, which includes the benchmarking self-assessment and peer review that Mark Sanchez was describing earlier. And he also showed this diagram, which illustrates the strategic planning process. It includes the five-year goals. One-year objectives are aligned with the performance plan and the performance measures to help guide the budget, and also includes the customer opinion survey, the Qual-Serve program, input advice from our asset management steering committee and output -- outside advice from our customer advisory committee to help drive our agenda for improvement.

As a component of this process is our five-year goals. There's five goals. And each goal has a guiding goal statement to help define what our
long-term desired result or outcome is in each goal area. And to help track our progress in each goal area, we have performance measures, and there's 25 in all, to help track our performance in each specific goal area.

So with these performance objectives and measures, following best practices, we identified the performance gaps when we compare our operations and service delivery with other utilities. We address those performance gaps during the budget process by allocating and prioritizing resources and then develop improvement processes in order to be more efficient and effective in our operations and service delivery. And these are the one-year objectives. These are the policy directives from this Board to help close or adjust those performance gaps in our improvement process.

So there's 37 objectives for the FY12, the fiscal year, and these represent areas where we're working on plans or programs, implementing them. We're incorporating areas of improvement through the Qual-Serve program. And most importantly, based on best practices, it's integrating with our performance plan and our performance measures so that when they benchmark with other utilities and we see that there's
performance gaps, we use these objectives to identify performance targets in order to close those gaps and try and improve each year. So some of these objectives are carryovers from last year or improvements on performance targets.

Any questions?

CHAIRMAN DE LA CRUZ: Thank you.

We need a motion for approval.

COUNCILLOR JONES: I make a motion.

CHAIRMAN DE LA CRUZ: We have a motion. Do we have a second?

COMMISSIONER LUJAN GRISHAM: Second.

CHAIRMAN DE LA CRUZ: We -- Councillor Garduno.

COUNCILLOR GARDUNO: I -- maybe this is not the place to have asked this. Maybe I should have asked it when the presentation was made by Mr. Sanchez, but I was taken by the fact that we have 38 percent debt service, 38 percent of the budget, if you will.

Are we in line to pay that off and not be affected with any ability to borrow money in the future, to essentially affect our ability to operate?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, I mean, actually we're very conservative. Our basic capital program, 50 percent comes from capital, debt financing, and 50 percent from cash. Special projects
are -- like the San Juan Chama project, the majority of that debt was issued to finance that project. But going forward, the advantages to our ratepayers, we have a sustainable water supply, and very few utilities in the country can say that or can even identify a plan to finance that.

So fortunately, the worst is behind us, if you will, in terms of major debt. So to answer your question, the rating agencies look at us from top to bottom, horizontally, vertically, every dollar we have, and they've given us a Triple A rating. And the reason they've done that is they have a high degree of confidence in our ability to retire that debt. And the policies are in place to manage the utility well. And the Board's policies reinforce that going forward. And historically, they've seen a very positive outlook, if you will, each year, incrementally, as the Water Authority evolves. So I don't think there's a risk of any default, if you will, in our debt service.

If you look at our total value, our replacement value is about $5 billion. So we have about 18 percent of our value in outstanding debt. If you look at our depreciated value, it's about 1.3 billion, and we have about 50 or 60 percent in outstanding debt. If you associated that with a
personal mortgage, most people have, you know, 80 or 90 percent in a good case, in today's market, of the value of their residence, if you will, or a large capital asset, in debt. So I think we're in pretty good shape.

COUNCILLOR GARDUNO: Mr. Chair.

A couple with 26 percent for -- on expenditure, for employee salaries, that takes it to 64 percent expenditure. Now, that adds onto the ability to pay not only a debt service but also salaries, which are immovable percentages. It's not something that we can, you know, one day decide, well, we're not going to -- we're going to move it down to 40 percent or 39 or 52. How are we then going to deal with that?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, therein lies the need for rate increases periodically. When our resources don't match our expenditures and our need to have a certain fund balance, that's what triggers -- staff's indicating our finance plan will have to go to the ratepayers for additional revenue.

And, unfortunately, we're a unique operation in that everything we do, by and large, is fixed, it's not variable. Even as we consume less through conservation, our costs do not decrease. They
actually go up. Very little of what we do involve variable costs. And an uncertainty for us is regulatory change as time goes on, new requirements that we'll have to meet, in our water or waste water supply.

COUNCILLOR GARDUNO: It's just that in the past, Mr. Chair, it seemed like we -- we were fairly adamant about saying that rate increases were going to be minimal at best, and none hopefully. But I'm starting to feel like, with 38 percent debt service, 26 percent with wages and then 24 percent above that for operating, that we're getting higher and higher immovable, as I say, areas of expenditures.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, actually, if you look historically, and I'll go back to -- if I can find this quickly -- the graph on rate increases, it had been five years since our last rate increase. And that rate increase was 1 percent in FY07, and it was earmarked for conservation. Our last general operating rate increase was in fiscal year '04. So it's almost been a decade since we've literally raised rates at a time when costs have gone up three to four percent a year on average.

So that shows you, even though we've issued additional debt during that period and our cost of
labor and other operating costs have risen, we've been able to manage by identifying efficiencies, changing the way we do business, and that's why I mentioned earlier, we must continue to do that, because if we don't, you'll see us coming to you asking our customers to raise rates each year. And I don't think they would appreciate that very much.

Our financial plan calls for a rate increase in 2014, and we don't project another need until potentially 2018. I don't think that's bad, given the costs that are escalating that we must deal with. I realize it's an impact to the customers.

COUNCILLOR GARDUNO: Mr. Chair, if I may.

Mr. Sanchez, thank you for the explanation. And essentially, the -- telling our customers that they don't have to worry about a yearly increase for the next 10 years at a rate of 4.5 percent, or whatever.

MR. SANCHEZ: That's correct.

COUNCILLOR GARDUNO: And rather, that we have till 2018, more or less, breathing period before we have to worry about a rate increase. But can we project or extrapolate from what we know going forward whether in 2018, we may have to go to 9 percent, 20 percent?
MR. SANCHEZ: No. In fact, one of the things historically, and I think this Board is evaluating me on that, is that we present this not as necessarily a projection, but as a plan that, by and large, we stick to. So the Board has pre-approved a rate increase for fiscal year 2012 and 2014. I can stand before you and say we don't project a need for another rate increase until 2018, assuming we fund the rate reserve fund each year at two million so that we can use that in 2017. So I think we're going to actually go for four years without a need for a rate increase at a time when our costs will go up three to four percent a year on average.

And then, the only other option would be to not fund our capital program and not issue debt. And the result of that is huge infrastructure problems that cause emergencies, that cause disruption to the roadway, potential harm or health and safety issues. I mean, that's the balance we have to wrestle with.

COUNCILLOR GARDUNO: And Mr. Chair, if I may, again, the thing I want to avoid is to be, you know, peace in our time, that we have no rate increases for the next five to 10 years, or what is it now, eight years, but then on the eighth year, we end up hitting our customers with, as I said, a 20 percent or
25 percent increase.

MR. SANCHEZ: We don't project the need for that. And I feel 99 percent certain of that. Later on the agenda, John is going to go through our Asset Management Plan. And one of our recommendations is that we start phasing that in in five years, in 2017, to avoid that kind of rate shock. To fully fund that Asset Management Plan could require 15 to 20 percent rate increase, if we did that today. And our plan and our recommendation to you would be to phase that in beginning in five years over a decade to avoid that kind of situation.

COUNCILLOR GARDUNO: Thank you, Mr. Chair.

Thank you, Mr. Sanchez.

CHAIRMAN DE LA CRUZ: Thank you.

Councillor Jones.

COUNCILLOR JONES: Thank you, Mr. Chair.

Mr. Sanchez, I think I'm a very simple person. And this is all true that we probably will have to raise the rates. But isn't one of the reasons, and I believe this was earlier in the presentation, that we're very unique, most people try to keep the price of their widgets down, in our case, our widgets are water, so they -- when they need more money, when their expenses go up, like utilities,
things that we can't control, the replacement of our
ing aging infrastructure, that a widget company would
simply make more widgets and try to sell them. And
yet, we're unique in that we are asking our customers,
not only asking but giving them incentives to not buy
our widgets.

So isn't that really one of the reasons why
we have a very unique financial statement and why we
don't operate like other companies, because of the
requirements for the constantly decreasing use of our
cash asset?

MR. SANCHEZ: Very much so. And Mr. Chairman,
Councillor Jones, you accompanied us to a presentation
with the rating agencies and you saw firsthand the
kind of evaluation and dialogue we had with them. And
in the early days of the Water Authority, they were
very concerned because there was not a history. There
was concern about the need to conserve. There was
concern about the need to finance San Juan Chama, and
whether we had the ability to actually carry it out,
and whether this Board would approve rate increases in
the future to mitigate the gaps in order to hold us
harmless. And I think over time they've seen that.
And one of the things that's unique about us is, we
don't manage for a Triple A rating. We don't have the
reserve that they typically would like us to have for that Triple A rating, and we don't have the cash on hand that they'd like us to have. And our explanation to them was, we'd be asking our ratepayers to pay us more money just for us to sit on it to show you we deserve the Triple A rating.

We convinced them that we warranted the Triple A rating despite that, because of the Board policies and because of the management. And they ultimately agreed with that. And fortunately, we've been able to maintain that.

COUNCILLOR JONES: Thank you, Mr. Sanchez.

CHAIRMAN DE LA CRUZ: Before we take a vote, I just want to at least give my perspective, is that one of the things that I've been pushing for, and in a minute we're going to talk about the decade plan for capital improvements, but we have to continue to invest in ourselves, we have to continue to invest in our community. And yes, it does mean incurring a little debt. It's mandatory if we're going to do that.

We have a major sewer failure right now on Broadway. Luckily, we're able to divert and so water is flowing. It is still an inconvenience to citizens. But I just want to remind everybody that if we don't
invest in ourselves, we're going to have a lot more
Broadways going on all the time.

Right now, we have a motion by Councillor
Jones, a second by Commissioner Lujan Grisham.

All those in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9A approved.)

CHAIRMAN DE LA CRUZ: Moving on to Item 9B, WUA C-11-9, Consent to Assignment of the 1998 Agreement Between the Water Authority and WALH Limited Corporation.

Mr. Sanchez.

MR. SANCHEZ: Mr. Chairman, Members of the Authority, Items B and C are actually similar items. Some time ago, Westland Corporation sold the company to something called DevCo. DevCo came before the Authority and requested service to some 4,000 acres. We entered into a development agreement at no net expense to our customers, all of the typical cost share items, and DevCo was taken over by Barclay's Financial, who held the notes to the transaction. Recently, a special master was appointed and the assets and the liabilities were assigned to a new
entity called WALH, LLC. In order for them to step in on behalf of DevCo, our agreement requires that it be assigned to any successor entity. So Items B and C would simply assign the existing development agreements entered into between the Water Authority and DevCo to this new entity, which the courts have provided a special master's deed to for the 54,000 acres previously known as Westland.

Nothing would be new, nothing would be changed in those agreements, except for replacing DevCo with this new entity that the courts have assigned to succeed them. I think a representative of this new company may be in the audience and can answer any questions. And I can answer questions as well.

CHAIRMAN DE LA CRUZ: Thank you. Councillor Jones.

COUNCILLOR JONES: Thank you, Mr. Chair.

Mr. Sanchez, as I read this, and I -- the original contract, this -- the Water Authority does have an obligation, a legal obligation, per the original -- the initial contract, to accept this assignment, unless we find some reason, which would be hard to find why we shouldn't. That this is simply a formal finalization of a clause in it and a prior contract.
MR. SANCHEZ: Mr. Chairman, Councillor Jones, that's correct. And there is no exposure to the Water Authority. All expenses for any development would have to be paid for this new entity, not our customers.

You may have questions of this gentleman, as well.

CHAIRMAN DE LA CRUZ: Mr. Sanchez, it almost seems that this should have been on the consent agenda.

Councillor Garduno.

COUNCILLOR GARDUNO: Actually, Mr. Chairman, I'm glad it wasn't, because I think it requires a little bit of discussion. And some of it is the history of it.

WALH -- WA -- now I've lost it. Where is it? Anyway, to give it the full name, it is the Western Albuquerque Land Holdings, LLC, which is a Delaware limited liability company. So WALH, it would be good to know the history as to where they came from, how they were assigned this. And I know Barclay's is -- was the one that, I guess, defaulted? But is this the same thread that connects SunCal with this?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno,
I cannot answer that. But Mr. Garrett, who is here representing this new company, can answer that.

MR. GARRETT: Hi. I'm Jeff Garrett. I'm with Garrett Development, and we're the asset manager for Western Albuquerque Land Holdings, LLC. So we just call it "WAHL" to keep it simple.

In 2006, when the original Westland Development Company sold, SunCal bought it and they used a loan from Barclay's Bank to acquire the property. In 2010, SunCal filed bankruptcy and the lenders moved for foreclosure on the property. So Western Albuquerque Land Holdings is just a new entity set up by those lenders to foreclose on the property and take title to it.

COUNCILLOR GARDUNO: And I guess -- and I don't know whether you're the one that would answer this -- Mr. Chair, but I worry that if we had an entity that couldn't perform, and now we have a new entity that we don't know very much about, whether that new entity can perform also or better than?

MR. GARRETT: The new entity loaned $218 million to SunCal to buy the property from the original Westland. So that's their sunk cost into the property now. There's three members to this new entity. Barclay's Bank is one of them. They're on the London
Stock Exchange. They're a large bank in the worldwide. And then one of the other members is iStar Financial. It's a REIT. And then another one is Five Mile Capital, and it's a hedge fund. And they're all fairly well capitalized.

COUNCILLOR GARDUNO: And if I may ask, what is the interest --

CHAIRMAN DE LA CRUZ: Councillor, before you continue, let me intervene here just for a minute. Counselor, are we stepping into something that is not germane to our mission? I want to make that sure if we're asking questions as a Board, that they are consistent with our mission. I just don't want us going somewhere that's between two parties separate to this action. So if we could get that answered first, counselor.

COUNCILLOR GARDUNO: If I may respond to your question. Well, you asked the question to whether my questions were germane. Let me tell you that they are. We can have another opinion as to whether they are or not, but I --

CHAIRMAN DE LA CRUZ: Well, I just don't --

COUNCILLOR GARDUNO: But I want to put it on the record that they are germane.

CHAIRMAN DE LA CRUZ: I just don't want to
I want to make sure that we're not getting ourselves into an area that we're not supposed to be as a Board. I'd like that question answered and then we can continue with you, Councillor.

MR. KOLBERG: Thank you, Mr. Chairman and Councillor Garduno. Basically what's happening here is we had an agreement with an entity as to the conditions that we would impose if they were to develop their property. Development in the west side obviously requires water, and in this case, we would also be providing sewer in some of the cases.

And we had specific requirements that we imposed on SunCal, as they marched up the side of the mesa, what they could do, which zones they could develop first. That was the purpose of the development agreement, was to make sure that there wasn't leapfrog development and to make sure that the various requirements of both the county and the city in terms of no net cost to our ratepayers were imposed.

That was the purpose of this agreement. What's happened today, or what you're being asked to do, is to allow a different entity to have those same requirements if they were to develop the property. But there is nothing before you as to request to
change those requirements or re-enter those requirements. We had a specific legal obligation that we signed with the development agreement. And they are just saying: We, as the new owners, if we develop, we'll meet those same requirements. And we are under an obligation to allow them to assign it to a new owner, if they -- unless there's some evidence that we have that they intend not to meet the requirements, and there isn't any of that at this moment. The requirements are still the same and they're still binding upon whoever might develop.

I don't know if that helps. As far as the germaneness of Mr. Garduno's questions, I didn't think I can speak to that.

CHAIRMAN DE LA CRUZ: It's not so much the questions, it's that there's a relationship between two private organizations, and that's what I was concerned, that I don't know that that's our issue.

But, Councillor, continue.

COUNCILLOR GARDUNO: Well, Mr. Chairman, this is an agreement not only between two private entities, but a public entity that we represent. We are part of the Board that needs to look at all these issues. And one of the issues is whether or not there is solvency on the part of those people that are asking for that
transference of authority. And the other is whether or not we have the same conditions, and that they are conditions that are consistent with what we're trying to accomplish, and that is, part of it, whether there's leapfrog development, whether there's, in fact, enough water to supply the growth to the 54,000 acres.

So all of those are germane questions that I think I was asked to be on the Board for. Whether or not it affects private entities, I don't know. But I just need to ask these questions to make sure that we not only have in place agreements that are enforceable, but also the service available to those entities and they don't just walk in and say, okay, you promised us the ability to have water for 54,000 acres, we're going to develop them any way we want. This is part of the clarification that I'm asking for.

CHAIRMAN DE LA CRUZ: Councillor, I apologize if I wasn't clear. I wasn't trying to say that your line of questioning wasn't germane. Only in that sliver, at least I'll call it that for now, that may be some private issue between two parties outside of what we do. And so I apologize if I was unclear. It has nothing to do with your line of questioning related to water or anything along those lines.
Thank you.

MR. SANCHEZ: Mr. Chairman, I put a map up which might help provide some reference to the area we're talking about.

There's two agreements that are being requested to be assigned. There's a 1998 agreement which has 1700 acres. And this area, for the most part, was pretty much developed and built out. So if you go to the 2007 agreement, this is the area that encompassed 4,000 acres. So what we're talking about here is not the 54,000 acres owned by Westland, SunCal, DevCo, but the 4,000 acres that are under agreement between the Water Authority and potentially this new entity. And all terms and conditions that were imposed in the original development agreement would continue going forward. And one of those conditions was sequential development from the eastern boundary westward. There could be no leapfrog development. The west side strategic plan has a land use policy that was guiding and still guides today and is in our development agreement.

We manage by what we call "pressure zones."

And there cannot be a pressure zone that's skipped for any development. So residential rooftops, at the time this entity approved the original development
agreement, that was a basic concern. And those restrictions were in place at that time and continue to be in place going forward.

So today, if you approve this, all you're approving is that this new entity, approved by the Courts to secure their lending position and their investment, they succeed a corporation known as DevCo or SunCal as a developer. That's all it does. It does not give them any additional rights, interests, terms or conditions whatsoever.

COUNCILLOR GARDUNO: What I worry about is that if this 8,000 acres are transferred to a new entity and now they're considered a whole, that west of that area can then be developed under other conditions with the county or, you know, someone else.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, that could not occur until they have water service and sewer service. And only this entity can approve that. And you can only approve that based on an agreement between the parties on how it will be paid for.

All of our growth outside of our service area, which this is, is paid for by the developer solely. In addition to a water supply charge that the Board has in policy, that each connection must pay for to represent the incremental value of the water to
1 serve that development going toward, that would
2 continue to be a requirement.
3
4 COUNCILLOR GARDUNO: And that is so written?
5
6 MR. SANCHEZ: Yes, it is written, in the
7 development agreement.
8
9 COUNCILLOR GARDUNO: Okay. Thank you.
10        Thank you, Mr. Chair.
11
12 CHAIRMAN DE LA CRUZ: Councillor Jones.
13
14 COUNCILLOR JONES: Thank you, Mr. Chair.
15
16 Mr. Sanchez, or maybe Mr. Kolberg, this
17 consent to assignment does not in any way give either
18 party the right to renegotiate the contract, right?
19 It is simply saying that the contract, as it is
20 written, as approved, assigned, is transferring to
21 another entity with our approval.
22        Is that correct?
23
24 MR. KOLBERG: That is correct. The actual
25 contractual language in both of these are the numbered
26 paragraphs at the bottom. And each one basically is
27 just saying that the Water Authority is consenting to
28 the replacement of one party for another party in a
29 previously agreed contract.
30
31 COUNCILLOR JONES: Thank you.
32
33 And if I may, Mr. Chair.
34
35 So in fact, this Board or portions of this
Board or the Board prior to us did approve, vote for
and did approve this contract and it is duly approved?
It is simply an assignment to another entity?

MR. KOLBERG: The 1998 agreement, obviously, was
not approved by the Water Authority. It was under the
city development process at that time. The 2007 is --
has -- was before this Board, and I believe that there
were further proceedings before this Board, as I
remember, 2009 when SunCal came in and asked for the
agreement to be changed. And those changes were not
made.

COUNCILLOR JONES: But I guess simply, but this
agreement that we're asking to accept the assignment
of has been approved by this Board?

MR. KOLBERG: Yes.

COUNCILLOR JONES: Thank you.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Mr. Chair. And that's --
that is a germane question, Councillor Jones, because
there have been, sometimes -- and I'll say attempts,
for lack of a better word, by the entities that are so
involved that they ask for a change, as SunCal did.
And those are the things that I'm trying to guard
against, is that we may have the fence up at this
point, but there will always be an attempt to move the
fence, to reassociate the fence, and maybe reassign the fence, so that we have this problem with folks literally, you know, making an end run on things that have been established. And I want to make sure that this established law is understood by everyone and that it's not changed in any way.

Thank you.

COUNCILLOR JONES: If I may respond, Mr. Chair.

CHAIRMAN DE LA CRUZ: Go ahead and respond --

COUNCILLOR JONES: Quickly.

CHAIRMAN DE LA CRUZ: -- Councillor, and then I'll go to Councillor Sanchez.

COUNCILLOR JONES: Oh, thank you. I'm sorry.

And Councillor Garduno, I understand, but we also -- if they choose to come back to us or any -- or we choose to go back to them and try to negotiate, what we're doing here tonight has nothing to do with their ability or inability to do that. What we are doing is simply allowing the assignment of this to another party.

And they can -- I mean, any of us can go back and try to. It just doesn't mean that we have to vote for it. So if this Board doesn't approve any change, we vote no.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.
MR. SANCHEZ: Thank you, Mr. Chairman. And there is a Westland Development Sector Plan in place. So if there's any changes to that plan, amendments would have to be brought forth by the developer.

COUNCILLOR GARDUNO: Begs the question, quickly, if I may, Mr. Chair. The sector plan --

CHAIRMAN DE LA CRUZ: Hold on, Councillor.

Are you done, Councillor?

MR. SANCHEZ: I'm done.

CHAIRMAN DE LA CRUZ: Okay.

COUNCILLOR GARDUNO: And maybe -- can I direct the question to the Councillor.

Does the sector plan extend to how far or where to?

COUNCILLOR SANCHEZ: Well, basically, it covers the entire acreage, but if there's any changes in that plan, because I know that they will be coming to the City Council soon regarding the new sports stadium, the new schools, there will have to be -- they will have to come back and present that plan to the City of Albuquerque to make those changes through that sector plan.

COUNCILLOR GARDUNO: But the sector plan includes all 54,000?

COUNCILLOR SANCHEZ: Correct.
COUNCILLOR GARDUNO: Thank you.

Thank you, Mr. Chair.

CHAIRMAN DE LA CRUZ: Thank you, we have a motion and we have a second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9B approved.)

CHAIRMAN DE LA CRUZ: Moving on to Item 9C, or did I just do 9C? Yeah, I did 9C.

9D, WUA C --

COUNCILLOR JONES: You did 9A.

CHAIRMAN DE LA CRUZ: Oh, I am getting ahead of myself. Thank you, Councillor.

We're on Item 9C, WUA C-11-10, Consent to Assignment of the 2007 Agreement between the Water Authority and WALH -- I thought we just did that.

COUNCILLOR JONES: We did the 1998.

CHAIRMAN DE LA CRUZ: Okay. Well, I apologize.

I'm getting confused here.

Mr. Stomp.

MR. SANCHEZ: Mr. Chairman, I think there are two separate assignments. So 9B and 9C each require a motion.
CHAIRMAN DE LA CRUZ: Absolutely. We voted on B. We need a motion for 9C.

We voted on B, we need a motion for 9C.

COMMISSIONER LUJAN GRISHAM: So moved.

COUNCILLOR SANCHEZ: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9C approved.)


Now, Mr. Stomp. Thank you.

MR. STOMP: Mr. Chairman and Members of the Board, if it pleases you, I'm going to do a presentation tonight on both items 9D and 9E, the Asset Management Plan and the decade plan, both of these we're asking receipt be noted.

What is asset management? There's a long definition there. I'm certainly not going to read it. But I, for our cases, we are looking at our assets, determining what their values are, assessing their condition and trying to decide what's the best way to
move forward, with either rehabbing that asset, let it
go to failure, replacing it, and basically managing
our assets for the best interests of our customers in
meeting their expectations.

What are our asset management objectives?
Better service, of course. We are a service entity.
We provide water and sewer service, so we -- our
customers have expectations. Mr. Sanchez talked about
the sewer line break that's on Broadway right now.
Obviously, with the traffic backed up, with sewer line
pipes, that's not necessarily meeting our customers'
expectations on what they would expect with that line.
That's just one example.

Better stewardship --

CHAIRMAN DE LA CRUZ: Let me interrupt you for a
second.

When we replace, when we reinvest in
infrastructure, that is a planned effort. The
community is made aware, there's public meetings being
held. But when you have a water break or a line break
or collapse, as we have on Broadway, it's unexpected,
it's unplanned and it's a total inconvenience.

Continue, please.

MR. STOMP: Thank you, Mr. Chairman. That's
correct.
Better stewardship? Should we be doing more plan and preventive maintenance instead of corrective maintenance? And then better decision-making, just how do we spend our dollars?

So we're going to cover all of those principles tonight in discussing our Asset Management Plan.

Our policy drivers. We've been doing this for a long time, as Mr. Sanchez talked about earlier, we have 200,000 assets. So it takes a long time to get a handle on the condition of all those. This Board or previous boards established a comprehensive asset management plan as a policy objective in 2004. You mandated that by ordinance in 2005. And all of our policy directives, goals and objectives have been geared towards getting the Asset Management Plan completed since then.

We have an internal asset management steering committee, which is chaired by Frank Roth. We actually have a couple of staff that's dedicated solely to managing our assets. That's Louis Martinez, and you met Mark Winslow earlier, who got an award. And we actually solicited outside assistance from the New Mexico Environmental Finance Center. Heather Himmelberger is sitting in the back. And so we
established a committee to start evaluating and
talking more about what do we do with our assets.

What are our assets? Well, we're going to
talk about pipes and pumps. On the water side, we
have the water treatment plant. I think some of you
have been there. It's the San Juan Chama Service
Water Plant. We also have 92 wells located throughout
the community; 42 pump stations and 60 reservoirs and
more than 3,000 miles of pipe. Each one of those
requires management.

Our waste water assets is the Southside
Water Reclamation Plant. 2500 miles of sewer
collector lines. I think we're familiar with the one
on Broadway now. And 43 different lift stations.

So those are just some of the plant assets.
Mr. Sanchez talked earlier about what is the value of
those assets. You can see it's about $5 billion worth
of the assets. The majority of those assets are in
the waste water field, which is our collection systems
and our interceptors that take waste water from the
individual homes and businesses to the Southside Water
Reclamation Plant. And then also the water field
assets, which are the waterlines that deliver water
service to our customers and provide fire protection.

Our assets are aging. I think a lot of you
have experienced that and had questions. Mr. Chairman asked questions a few months ago talking about, what's going on with all these waterline leaks? Well, we do have leaks occasionally, when they go in at the intersection of Juan Tabo and Montgomery, or they're in Lomas or they're in Central Avenue. People start asking questions when traffic is backed up on these major thoroughfares, what are we doing? Those are just some examples of our aging infrastructure. We have a picture there of a primary digester crack down at the waste water plant. We use solids from our waste water treatment to actually generate gas so that we can generate power at the plant. The digesters is the way to do that. You see that crack. That crack emanates odors, which means we're losing gas production, but it also affects the neighbors adjacent to the -- those are just some examples. And then that sewer line collapse picture is actually the collapse that occurred out in front of this outside plant a few weeks ago where a car actually kind of fell in there. Nobody was hurt, by the way.

In terms of our Asset Management Plan, we have over 200,000 assets. We did an inventory of each one of those assets. We did an evaluation of each one of those, condition assessment. And then we tried to
identify the risk of managing that asset. So when we're making a decision about should we replace the waterline on Central or should we replace the waterline on some other place, we got to look at what's the probability of that pipe failing, and what's the consequence of that failure? Is it going to have higher consequences if it's in front of a school, for example, if a school's not going to have service? Should we replace that line instead of a regular residential neighborhood? Obviously, there's a higher consequence of failure in front of a school, and so that's kind of the risk profile that we would go through when we're deciding which assets we should replace or rehab first.

The decade plan identifies the spending. It's in correlation with the Asset Management Plan. That's why we're doing these two together. The decade plan provides the spending levels for the capital improvement program for the next 10 years. And it's a direct link to the finance plan that Mr. Sanchez spoke about before. We do this every two years, and it's a terrific opportunity for us to reevaluate where we're at in the decade plan, the Asset Management Plan and to tie that to the financial plan to project what our needs are going to be in the future.
It's safe to say that in our decade plan, we've identified our basic program, which is our rehab program, our special projects, with are steel waterlines, the Valley Utility projects, leak detection, AMR, the automatic meter reading, which Mr. Sanchez spoke about before. And then our growth program, which is those areas where we reimburse developers in these developer agreements that we spoke about earlier, and we also have other identified projects in the growth.

The spending at the Southside is a special project, so to speak. Mr. Sanchez talked about the $250 million investment we'll be making at the Southside Water Reclamation Plant, or are making at the Southside Water Reclamation Plant. It's easy to say that that's our top priority in terms of risk and in terms of where we're identifying spending to be made, is at the Southside Water Reclamation Plant.

So these are the levels of spending that are shown in the decade plan. In the next two years, we have $60 million, which is $30 million each year on the basic program. That's the rehabilitation part that I spoke about before. The special projects, about $9 million. And then in our growth area, about $12 million over the next two years. So the total
spending is estimated to be around 81 million for the next two years. And then going forward, that total spending increases to about 620 million over the 10 years. Mr. Sanchez talked about the increase in spending in the capital program starting in 2017. And so you'll see that reflected in the asset management profile, which I'll show you soon. So that will be three million the first year, six the second, nine and so on, until we get to the increased difference between the 40 million and the 76 million.

So this is a picture -- this is a picture of all of our assets added up together. The cost of the total rehabilitation. And we talked about the four different assets. We've got waste water field, which is the lines inspect street; the plant, waste water plant; water plant, which is the surface water plans, the wells and the pump stations; and then the water field, which is the waterlines in the street.

So when you add those, those are all the different colors that you have, so we have a nice color graphic here. But basically, we're just stacking those up, what we identify and understand the rehabilitation needs to be for those individual assets over the next hundred years. And when you draw a line at the average level of spending, taking into account
all of those four different assets, profiles, across the hundred years, you get a $76 million a year average. So if we were going to rehab -- rehabilitate all of our assets in the manner in which we believe they need to be rehabbed, that's an average spending of about $76 million a year. You can see, obviously, there's some spikes in there. Some of those spikes are rehabbing the San Juan Chama, surface water plant, because it's such a big asset. Again, the Southside Water Reclamation Plant. When you have those large investments, that's where those big spikes come in in the future. The dark line across the middle is the $41 million. That's what we're spending currently.

So what happens if we don't do anything between now and the next 30 years with our rehab program? If we kept it at the same $41 million, you start to begin to develop a backlog of work. So the color difference there is the orange and the red and the yellow going down is that cumulation of that backlog. That's the infrastructure we're not rehabbing. That's the risk that we're taking when we're not going to be doing the interceptor sewer because we don't have the money available. That's the risk we take that it could collapse. That's that backlog of work that you begin to see the difference
between what we're spending now. And in the 10-year
analysis, you see that's about $267 million.

Now, using the planned spending that Mr.
Sanchez talked about, starting in 2017, you can see
the backlog over the next 20 years. You see an
increase in the backlog, and then you start to see the
backlog coming down. And then we hold the backlog
steady at about $100 million. So over the 20 years,
it's about $140 million a year average on the backlog,
but you'll see in the next slide that that's going
down to about $100 million. And you can see on the
top graphic, you can see that begin to increase in
spending starting in about 2017. And you can start to
see it ramping up to about $76 million a year over 10
years. And then we're meeting that need from that
point forward.

So here's the next graphic to show, again,
the difference between the trend line, which is if we
continued along the 41 million that we're doing today,
or we start to increase our spending and ramp up our
spending starting in 2017, you can see that backlog
begins to grow again and then it starts to come down.
And that hundred million dollars that you're seeing
there at the end is about where that profile stays and
that's about .2 percent of our valued assets. That
kind of represents that risk that we -- you know,
we're -- a pipe might last 50 years, but it might last
80 years. It might last 50 years, but it might last
40 years. And so there's some sensitivity to how you
would evaluate the average life of a pipe, for
example. And I think that's probably a pretty good
place to stay at, and that's what we're recommending
to the Board now as we move forward with the decade
plan and our increased spending in the future.

So our plan components are to minimize the
risk, to optimize the assets' life so that we're
making sure that we're utilizing the full life of that
asset. We're delivering the level of service that's
expected by our customers, and then we're forecasting
and continuing to update this plan so we can come to
you with the future financial investments that we're
going to need to be able to meet the plan needs in the
future.

And this is just how many times can you say
"right" in the same sentence, I believe. But, Mr.
Chairman, with that, I'll be glad to answer questions.

CHAIRMAN DE LA CRUZ: Thank you.

Commissioner Hart Stebbins.

COMMISSIONER HART STEBBINS: Thank you, Mr.
Chairman.
So this item, the 2011 Asset Management Plan, that should -- the priorities that you talk about, the plant, that should be reflected in the 2011-2012 CIP that we just approved, correct?

MR. STOMP: Mr. Chairman and Commissioner Hart Stebbins, the $41 million is the number that we would be spending for the next two years. And then the increased level of spending would start in 2017. So for 2012 and 2013, we would stay at the 41 million, and then at 2017, we would begin to ramp that up. So you would not see an increase in the spending in the first two years as reflected in those numbers.

COMMISSIONER HART STEBBINS: Okay. And Mr. Chairman, if I may ask another question.

So I see on Page 74 of the Asset Management Plan, there's a map that shows probability of failure for the -- for drinking water. And then a few pages later, there's one on consequence of failure.

MR. STOMP: Okay. What page was that? I'm sorry.

COMMISSIONER HART STEBBINS: Sorry. Page 74. And I just notice on that probability of failure, that a lot of those marked in red, which reflect the highest probability, are located in the older parts of town, you know, much of which is covered by District 3
that I represent.

How do you prioritize those? Is that sort of a combination of those factors, possibility plus consequence?

MR. STOMP: Mr. Chairman and Commissioner Hart Stebbins, that's exactly the case. So one of the things you'd look at is the history of that pipe in that particular area, the type of pipe that it is. So if it's a steel waterline, for example, that was built in 1970, and it has a life that we believe to be, say, 80 years, in the Asset Management Plan, we would show that pipe to be completely replaced in 2050. So 1970 it was put in, 80 years later, we would take it out.

However, we also are continuously evaluating what's happening with the condition of that asset, as it actually sits in the field. So if we get a significant number of repairs that are needed because it's leaking, we go out and see the condition of the line, we'll actually replace that line sooner.

So while age plays into a factor of it, certainly, the actual -- how is the asset actually working in the field? And then we would also prioritize that based on what's the most important or what's the consequence of failure. We don't want a school to run out of water, for example. I gave that
as an example. Or a hospital or a business or
something like that. So we begin to prioritize those.

COMMISSIONER HART STEBBINS: So how do you weigh
those factors against the investment in the waste
water facilities, or what's now called the reclamation
facility?

MR. STOMP: Mr. Chairman and Commissioner Hart
Stebbins, I think what I said in terms of the total
spending, there's special funding that's going to the
Southside Plant, so it is the number one priority in
terms of the total spending.

But in terms of the existing assets, both
water and waste water field assets, we're spending the
same amount that we did previously. It's just, we had
some additional special funding to do the work at the
Southside Plant. So we're not foregoing the water and
sewer line replacement program or the interceptor
program for the sake of the Southside Plant. We've
got additional money for the Southside Plant. I wish
I would have made that more clear. I'm sorry about
that.

COMMISSIONER HART STEBBINS: No, that clears it
up. Thank you.

And then one last question. You mentioned
growth area, expenditures in growth. What do you
consider to be -- what's defined as the growth area or
future growth?

MR. STOMP: Mr. Chairman and Commissioner Hart
Stebbins, growth is a category. It's not an area
necessarily. And so in the category, we consider
growth to be those areas that are outside of our basic
rehab needs. So if a developer agreement, like Mesa
del Sol, for example, builds infrastructure for us and
we're going to pay them back, we would get UEC
revenue, that would be utility expansion charge
revenue, that would fund that growth program and so we
would make that back. So that growth program is
primarily funded through utility expansion charges.
That's the reason why you see such a small amount of
growth funding in this, is because utility expansion
charges and growth in the service area just hasn't
happened in the last few years. Those numbers used to
be 10, 12, $14 million a year as opposed to $6 million
a year, because of the lack of growth.

COMMISSIONER HART STEBBINS: Great. Thank you.
That answers my questions.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chair.

Mr. Stomp, I'm glad you have that slide up,
because that's the one that I was wanting to bring
forward. It looks like at 2071, if I can guess correctly, the graph, is a tremendous spike. There are other spikes that are, you know, fairly predictable, if you will, but this one really goes up to 175 million. Is there some method that was used to come to that specific spike?

MR. STOMP: Mr. Chairman and Councillor Garduno, if you look, and it's really hard in the picture that you have, but they're color coded to try to identify where the spending would be. And you see a large blue category, which is the water field side. And so that would represent the replacement of the waterline infrastructure that would be needed in 2071. And if we assume that a pipe would typically last a hundred years, that would have been that same pipe that would have been installed in 1971. Then on top of that is the red, and the red is the water plant side. And so that is a large rehab cost associated with the San Juan Chama Drinking Water Project. So every 25 years, we would anticipate that mechanical equipment would need to be rehabbed or replaced at the plant, and so that goes on top of that.

And then on top of that number, you also see the green, which is the waste water field. Again, those would be your interceptors and your collector
lines that are out there that were built, say, 50 years ago, that are all coming to a head in 2071. So I don't think 2071 is necessarily a special date or a special time, it just happens when we have a large amount of infrastructure needs, both on the water field side, which is the waterlines, and then the San Juan Chama plant and the plant itself, and then the interceptors. So it just seems that it just all fell together on that year. But that would explain the spike.

And I think, if you just look at the magnitude of the spike, the majority of the spending would be on the water plant side, that is the drinking water project. That's about a 50-year time frame for that plant to be replaced. And that kind of coincides exactly with that spending.

COUNCILLOR GARDUNO: Mr. Chair.

And I wanted to also ask, since that is a date that you have, you know, brought all these things together, and it's a prediction, because we don't know, could be sooner, could be later, and then there was also a question asked about the infrastructure that is being looked at, and you said steel pipes would be put in, that's what's being used now in any new area?
MR. STOMP: Mr. Chairman and Councillor Garduno, no. Steel waterlines are rarely used except in cases where you're building large diameter lines nowadays. They're not very competitive when the smaller diameter -- we typically go with PVC pipe or plastic pipe. Plastic pipe has a significantly longer time and so -- in terms of its useful life. And so we would go with a plastic pipe typically. And so you would see a steel waterline in your district, for example, being replaced with a plastic waterline. And then we would anticipate to get at least a hundred years of service out of that new plastic line; whereas, steel waterlines, typically 50 years, 60 years or so. And it's because they corrode. They have chipping. They get chipped, they corrode, they leak.

COUNCILLOR GARDUNO: And Mr. Chair.

PVC, I don't know, what kind of history does PVC have in water --

MR. STOMP: Mr. Chairman and Councillor Garduno, PVC has been around about 40 years or so in terms of the large use of it. We have infrastructure, polyvinyl chloride. It's a PVC, it's a plastic pipe. We have plastic pipe that's been around for quite a while.
So there's -- there's a pretty good history of it. But you can just see the difference when you're going in and assessing the condition of a line. Let's say you're going to go and you have a new house, okay, you're going to go in a subdivision and you're going to tap that line and you're going to make that tie into that new house. You're able to assess the condition of that line while you're making that tie-in. And you can see, typically, PVC, nothing has really changed in it 30 or 40 years down the road -- well, unless somebody hits it or something. But in general, that's how you would do it, and in fact, that's what this asset management's plan is. It's not a one-time plan. We continue to learn more about our assets. We're evaluating our assets every single day when we go and do a waterline repair. We use that information to continuously update this plan. So this plan itself is not a fixed issue. We're going to continue to learn more. This is what we know to date and this is the best available information that we know. But as -- if the conditions of the waterlines in your area, for example, continue to degrade, we may need to increase our rehab spending in that area consistent with that knowledge.

COUNCILLOR GARDUNO: And, Mr. Chair and
Mr. Stomp, I guess what I worry about, and I don't know, and I haven't seen any literature, and maybe I ought to get together with you and see, but polyvinyl chloride is not the safest chemical. We have had chemists look at -- this is a hundred years we're talking about, about conveyance of water that is going through a pipe that we don't know a whole, whole lot about chemically. We know a lot about its durability and its, you know, ease and replacement and that sort of thing. Are we looking at that?

MR. STOMP: Mr. Chairman and Councillor Garduno, I'd love to have a discussion with you offline about this. We could probably talk about this for quite a while, and I'd love to do that. And maybe that would be a better opportunity for us to do that.

COUNCILLOR GARDUNO: Sure. And I'll -- I've got all the time in the world.

Thank you, Mr. Chair.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.

MR. SANCHEZ: Thank you, Mr. Chairman.

Councillor Garduno, regarding your question for the 2071, that would put you about 120 years old at that time.

COUNCILLOR GARDUNO: And I plan to be here.

CHAIRMAN DE LA CRUZ: Thank you. Seeing no
other questions, we need a motion to approve Item 9D.

MR. SANCHEZ: So moved, Mr. Chairman.

THE COURT: We have a motion. Do we have a second?

COMMISSIONER HART STEBBINS: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries unanimously.

(7-0 vote. Agenda Item 9D approved.)

CHAIRMAN DE LA CRUZ: We need a motion to approve Item 9E.

COUNCILLOR SANCHEZ: So moved.

CHAIRMAN DE LA CRUZ: We have a motion. Do we have a second?

COUNCILLOR JONES: Second.

CHAIRMAN DE LA CRUZ: We have a motion and a second.

All in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Motion carries unanimously.

Oh, I apologize. Anybody opposed?
1          Motion carries unanimously.
2          (7-0 vote. Agenda Item 9E approved.)
3          THE COURT: Moving on to Item 9F, WUA C-11-13,
4          Recommendation of Award, RFQ on-call construction
5          services, 2011-1, small diameter sewer lines, project
6          Number 7712.
7          Mr. Stomp.
8          MR. STOMP: Mr. Chair, Members of the Board,
9          we're asking for approval to move forward with the
10         on-call contracts associated with this project. We
11         have gone out to qualification base selection of
12         contractors. We get a list of contractors, and when
13         we have work to do, we call on those on-call
14         contractors to bid for the services that we need. We
15         think this is a really effective way of saving money
16         and given an opportunity --
17          CHAIRMAN DE LA CRUZ: Thank you, Mr. Stomp.
18          We have a motion to approve. Do we have a
19         second?
20          COUNCILLOR SANCHEZ: Second.
21          THE COURT: We have a motion and a second.
22          All in favor, say aye.
23          ALL MEMBERS: Aye.
24          CHAIRMAN DE LA CRUZ: Opposed?
25          Motion carries unanimously.
(7-0 vote. Agenda Item 9F approved.)

CHAIRMAN DE LA CRUZ: Other business, Item 10A, water conservation update.

Today, I had the privilege of actually doing the groundbreaking for the X-2 program rebate for businesses. And I have, with good humor, said that every now and again they call me out to introduce Ms. Yuhas.

MS. YUHAS: Mr. Chair, Members of the Board, thank you very much. I have good news, and that is that this is a very brief presentation.

Unfortunately, that is the end of my good news. In 2010, we failed for meet our water conservation goal. The goal for 2010 was to achieve a gallons per capita per day water usage of 156 gallons per person, per day. And we achieved 157. So that's good. We were at 159 at the end of 2010, so we had a reduction, just not as much as we wanted. We finished the year 300 million gallons over our goal. And what's kind of interesting about 2010 was that a lot of that overage took place in the fall, really in the months of October and November. And we had a very dry and warm fall and just hadn't anticipated that.

And we'll move on to 2011. And that weather pattern that we were having in 2010 has persisted into
2011. I think everyone knows we've had less than half an inch of rainfall so far this year. And what that has led to is that in the first three months of the year, we are 500 million gallons over our goal. And when I looked at the first 17 days of April that we have data for, that moves us up to being 763 million gallons over our goal for where we should be this year in order to achieve the water conservation savings that we need for this year.

In order to address that, right now, we are having an increased media presence where we have more TV, more radio, outdoor boards, we're holding more press conferences and going to lots more public events. But if this weather trend persists, I imagine that I may be back here in May talking to you about some additional measures.

And if I can answer any questions about that, I'd be happy to.

CHAIRMAN DE LA CRUZ: Thank you, Ms. Yuhas. Before we move on to the next item, Executive Director, I would recommend that, going back to Items 9D and E, that we actually do a news release, letting the citizenry know what our plans are for the future. I think it's important, because I often get calls about whether we're really planning for
infrastructure maintenance, funding, et cetera. So if we could please do that, if everybody's okay with that.

Moving on to Item 10B, Legislative Update.

Mr. Sanchez.

MR. SANCHEZ: Mr. Chairman, I should point out, we're probably one of a handful of utilities in the entire country that now have an Asset Management Plan and use information and data to project very long term what we need to finance, which assets we need to finance on a systematic basis. So it was a huge undertaking.

Very quickly, I know the hour's late. Our state legislative priorities included two requests, one was to get lien authority, which we did not have, and the second was to help mitigate our costs for renewable energy costs that were paid to PNM.

On the lien authority, we currently borrow that power from the City of Albuquerque. When the Water Authority was created, that power was not extended to the Water Authority. Since we collect on behalf of the city for its solid waste function, we have been borrowing that power. However, as we've gone to the rating agencies, that's always been one of the concerns that, in some case, worst case, we didn't
have the ability to collect outstanding delinquencies from our customers. So this change was important from that aspect. It doesn't really change how we operate, but we now solely have lien authority. What we've done is amended the Municipal Code to include a Water Authority. And Senator Bernadette Sanchez and Representative Larranaga each passed a bill and the governor signed the house bill version of it.

On the renewable cost, we've been paying PNM about $250,000 a year as a rate rider to procure renewable energy projects on our behalf. And our request was to not dilute that investment by 30 percent for their profit and overhead, but rather, allow us to make our own investment in renewable energy, much like our cogeneration facility, which powers, literally, our reclamation plant. So that bill was sponsored by Senator Sanchez, Senate Bill 549. It made it through both houses. The governor signed it. And we can now spend $250,000 forever in our own renewable energy projects. So you'll see more and more of those coming to you.

So we had a very successful year in the legislature. Our lobbying team did a great job. And I just wanted to give you that update.

CHAIRMAN DE LA CRUZ: Thank you, Mr. Sanchez.
Councillor Garduno. Sorry.

COUNCILLOR GARDUNO: And I want to commend you, Mr. Sanchez. I think this is great work in some of the things that were needed. But I'm still not clear as to the lien and what will be -- what kind of lien will be placed on noncompliance?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, again, nothing we do is going to change based on this. But right now, if a customer goes 90 days in delinquency, or over $300, we'll typically place a lien on the property against those charges that are due the Water Authority, and release that when they're paid. One of the reasons for that is historically, if you let a customer go too far, you'll find that you reach a point of no return in terms of making payment against that water bill. And sometimes properties are transferred, so it's a way for us to get repaid in the event a property is sold or transferred. At that point, typically, a title company will catch that lien and make us whole, if you will, for those charges.

COUNCILLOR GARDUNO: Thank you, Mr. Chair. Thank you, Mr. Sanchez.

What I was worried about is that we would have -- I forget what the term is, but a subordinate position to the city.
MR. SANCHEZ: No.

COUNCILLOR GARDUNO: Okay. And the only other thing I was going to say is, this 250,000 share that is available now comes from where, exactly?

MR. SANCHEZ: It comes from ratepayer funds. Typically, it's been an add-on to our PNM bill. So now it will be deducted from the bill and we'll -- we're required to make that same investment going forward, for renewable energy, but projects that we'll invest in, and it will be 250,000, not 30 percent taken off the top.

COUNCILLOR GARDUNO: And that will be a line item in the budget?

MR. SANCHEZ: Going forward next fiscal year, yes.

COUNCILLOR GARDUNO: Right. Great. I think that's wonderful.

Thank you, Mr. Chair.

Thank you, Mr. Sanchez.

CHAIRMAN DE LA CRUZ: Mr. Sanchez, I'd just like to, at this point, thank Senator Sanchez for sponsoring the Senate side, and Representative Larranaga for doing that on the House side. We really, really do appreciate that.

MR. SANCHEZ: And, Mr. Chairman, I think you've
sent and letter to both of them thanking them and
inviting them to the next Board meeting so that the
Board can recognize their efforts.

CHAIRMAN DE LA CRUZ: Yes, we have. Thank you.

Councillors, Commissioners, this meeting is
adjourned.

(Whereupon, the proceedings adjourned.)
STATE OF NEW MEXICO

COUNTY OF BERNALILLO

REPORTER'S CERTIFICATE

I, Paul Baca, New Mexico Certified Court Reporter, No. 112, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and the pages are a true and correct transcript of those proceedings and were reduced to printed form under my direct supervision.

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

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