ALBUQUERQUE BERNALILLO COUNTY
WATER UTILITY AUTHORITY
WEDNESDAY, JUNE 22, 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

APPEARANCES

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 (Excused)
COUNCILLOR KEN SANCHEZ, Member
TRUSTEE PABLO RAEL, Ex-Officio Member
MARK SANCHEZ, Executive Director
ROB PERRY, Administrative Officer, Alternate Member (Excused)
CHAIRMAN DE LA CRUZ: I call the June 22nd meeting of the Albuquerque Bernalillo County Water Utility Authority to order. First of all, let the record reflect that Commissioner Lujan Grisham and CAO Rob Perry are both excused. And all other members are present.

I think that's correct, Patty. Great.

First we're going to have an invocation, followed by the Pledge of Allegiance. The Pledge of Allegiance will be led by Mark Sanchez, executive director.

(Whereupon, there was a moment of silence.)

(Whereupon, the Pledge of Allegiance was led by Mr. Mark Sanchez.)

CHAIRMAN DE LA CRUZ: Thank you, Mark.

We have a motion to approve the May 18th, 2011 minutes. Is there a second?

COUNCILLOR GARDUNO: Second.

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

All those in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?

Motion carries.

(5-0 vote. Agenda Item 3 approved.)
CHAIRMAN DE LA CRUZ: We have no proclamations.

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

MS. JENKINS: We have two people signed up.

CHAIRMAN DE LA CRUZ: Okay. Who are they?

MS. JENKINS: Carol Benson and Geraldine Amato.

CHAIRMAN DE LA CRUZ: Okay. You will have -- just so that everybody knows, you will have three minutes to speak, with a warning at two and a half minutes. And since we don't have more than five speakers, we'll be fine.

MS. JENKINS: Carol Benson, followed by Geraldine Amato.

MS. BENSON: Thank you very much. I'm afraid I have too many disparate points to make, but it's not -- I don't have a lot to say about them.

First of all, the AVAC committee is interested in transparency and somebody on your board had said that they would set up -- get some staff and citizen meetings set up. And I hope to see that happen, that would be wonderful. That would really help with transparency.

Number 2, we don't want injection of water into the aquifer, and you've probably heard this and heard this, but you're going to hear it some more.
And we think it's vital.

We'd also like to see a comparison between the water -- the cleanliness of the water before the Rio Grande was used and after they started using the Rio Grande water. And that has not come out yet.

We'd also like to see Kirtland's feet held to the fire and get them moving faster on the jet fuel leak. And we're wondering -- I've heard now that the dentists often prefilter their water when it's leaving them, and I'm wondering whether the hospitals could not be required to do the same thing. Because the pharmaceuticals are one of our largest problems with our water.

Then personally, I wanted to ask you if something could not be done to incentivize the use of my water at home and of people on my block. If these meters could be more finely graded, and since I -- I usually live alone and I'm using just a tiny, tiny, tiny fraction of what is a regular average water use is, and yet I'm paying apparently a very standard minimum base. Right now I've had -- part of my family's been living with me for two months and that makes four people in the house, including a baby, and there's no difference in my bill, in spite of the fact that now it's summer and I have to water these
vegetables every day. There’s no difference in my bill going from one person in the winter to four people with a baby in the summer. And I don’t think that innocent advices me to use less water. Thank you.

CHAIRMAN DE LA CRUZ: Thank you.

Ms. Jenkins.

MS. JENKINS: Geraldine Amato.

MS. AMATO: Good evening. There’s been a series on KUNM on Wednesday mornings 8:30 to 9:00 called “Watersheds As Common Sense.” And it gives quite a bit of useful information regarding the situation we have here living outside the immediate watershed into what they called cross-basin Water Utility shed and how sustainability and that dynamic is not maintained -- or maintainable, sustainable, however you want to say it.

Also, I’m hearing announced on the radio that the residential watering should be three times a week, and yet there is no limits on golf course watering and car washes, as I notice, and even government policy here on keeping your cars washed apparently is not affected by that other ultimatum.

If you have a garden and are raising food, it seems to me that should be something that’s exempt from
limitations on watering. Because in this climate and this weather, you need to water a vegetable garden every single day.

But with the "Watersheds As Common Sense," what has been mentioned several times in that series, and you can obtain it, I'm sure, from KUNM, is that -- my mind went blank what I was going to say here. But let me say this, because I was thinking of this other thought, they will give us information but will never tell us because of the control we have on the press.

I mentioned at the last City Council meeting that there's 99.9 control of the dominant press and media. And this is reflected in the so-called public press and media as well. But they do give information, because we don't have total censorship at this time.

But that 99.9 of the control is in the focus and in the conclusions and in the spin of how the information is presented. So all of this information that has been coming forward on this particular series on KUNM, it's never said and it's not permitted to be said that this is a project with the overlords, who I called the absentee overlords, as a deliberate way of restricting our access to water as a vital resource. And when they get ready to close things down, we will, as a dominant society, be left out in the cold with no
control over the water resources. And it goes back
down again to who owns the wealth of this nation,
including the commonwealth, which includes the water
resource. And that is the owners of bankster cartels.

But if we want to redeem ourselves and
control the water supply, we must remove the authority
of these malevolent scoundrels, who have a project
that they're advancing in this society. And to date,
we have not shown any will to resist. We are being
set up for disaster.

The other thing -- and I'll end in a
minute -- or in a second. The other thing that was
mentioned in that series was that water conservation
does not serve to replenish the water supply for the
rest of us. It only serves to allocate more water for
development. And there was something on television
last night that one of the councillors is more
concerned about balloon landing places in that area
than to realize that we are overdeveloping this town,
so -- for the limited water supply that we know we
have.

CHAIRMAN DE LA CRUZ: Thank you, Ms. Amato.

MS. AMATO: There will not be the water for
those new developments. In time they will be without
water in their fancy homes. Does that matter to
CHAIRMAN DE LA CRUZ: Thank you, Ms. Amato.

MS. AMATO: We continue -- every meeting I go to, there's a new development project in the works.

Any questions?

CHAIRMAN DE LA CRUZ: Let me announce at this time that our next scheduled meeting is scheduled for August 17, 2011, here in the Vincent E. Griego Chambers at 5 o'clock p.m.

Councillor Garduno.

COUNCILLOR GARDUNO: If I may, it's somewhat unusual, but there was a question asked. And I know that we don't have answers to every question. But there was a question asked about in the case of dentists' amalgams I think are captured, but there was a question raised about pharmaceuticals. And I don't know that we have the answer now, but if we could just find that out, I think that would be useful for everyone to know.

Thank you, Mr. Chair.

CHAIRMAN DE LA CRUZ: Okay. Moving on to Item 9A, WUA O-11-1, amending water and sewer rate ordinance. Mr. Sanchez.

MR. SANCHEZ: Mr. Chair, members of the authority, this is the second reading of the water and
sewer rate ordinance. I want to go through a very quick presentation and answer any questions that you might have.

First, again, this incorporates a five percent rate adjustment. Or said another way, it's a five percent revenue adjustment. We just had an additional five percent of revenue this next fiscal year to operate the water and waste water utility.

At the board's direction, we have added a 200 percent tier to the extra use surcharge. Previously there was a surcharge at 300 percent and 400 percent. So there would now be a price signal at 200 percent, meaning, if you use twice your winter average, we will now have a price signal in the summertime about your water use.

Ms. Benson I think earlier spoke to that, that if you're using twice the amount you use in the winter, there should be some kind of signal that it's getting more expensive. This should provide that.

On the other extreme, at the board's direction, you wanted to reward those water customers who are using less than 150 percent of their winter average. So if someone is using six units of water in the winter and they use eight in the summer, their bill is actually going to go down now with this
additional credit. So the credit will be going from 20 percent to 30 percent. And what is paying for that is the additional -- the new tier of 200 percent. So they each neutralize each other. So we're providing a price signal for doubling your usage and a discount for being below 150 percent.

In addition, there is a lower income credit for customers who meet an income criteria. And that's $10.31 a month that they can actually get off their bill. There's a nonprofit organization that certifies customers that meet that criteria, and it's an automatic deduct from their bill on a monthly basis.

The utility expansion charges and water supply charge would be adjusted by 3.4 percent. The ordinance has an index of the ENR, which is the Engineering News Report, which is kind of a construction industry standard across the country.

And the last change is that we have a target of having a fund balance of one-twelfth by 2015. We've had some discussion about our fund balance being at eight percent and being historically low for a governmental entity. The bond rating agencies from time to time remind us of that. And we think 2015 is a good target that we can achieve.

In terms of how our rate adjustments over
time compare to utilities across the country, you can see that over the last 12 years, in this slide -- 10 years in this slide, our rates have been adjusted by 16 percent. And the industry as a whole has seen rate adjustments of 64 percent. So I think our customers hopefully realize we have done the best we can managing the resources we have and increased costs that we've experienced without going to our rate base every year for rate increases.

In terms of the bottom line, how does it affect someone's bill? A customer with 80 units of water consumption, which is roughly 8,000 gallons a month, they could see an increase of about $2.88. A high use customer, with 20 units, which is about 15,000 gallons a month, would see an increase of about $10. That's on the residential side, high and low. A commercial customer potentially would see about a $23 increase. Industrial customer, $32. Institutional, about $56. And a multi family, about $7.

John Fleck wrote a story in today's Journal that had some percentages from these slides. And it's kind of complicated, because there's a base rate charge, there's a commodity charge, that's driven by consumption, and then there's these tiered surcharges, depending on your winter use and your summer use. So
you have to combine all those factors to produce the real impact of any one customer.

In addition to that, in March you may recall, Carol Malesky, from Red Oak Consulting, was here making a presentation about the equity adjustments in our rate structure. We have five customer classes, and eight variations within each class of meter sizes. And by policy, one customer class is not to subsidize another. So there were also some equity adjustments, like customer class, to make sure there was no cross subsidy.

In terms of how we compare to municipalities surrounding us, if you take a low use customer, and that's someone, again, consuming about 8,000 gallons a month, we're about half of Santa Fe and about two-thirds of Rio Rancho, in terms of your rates with this additional rate impact. For a high use customer, again, we're about half of Santa Fe and about, again, two-thirds of Rio Rancho.

I think that the difference perhaps is that Albuquerque Bernalillo County Water Utility Authority has secured, for the most part, its long-term water supply. And Rio Rancho and Santa Fe are currently going through that process. And they will see pretty staggering rate increases into the future. And our
rates, for the most part, will be fairly stable.

In terms of how we compare regionally, we're about in the middle. Colorado Springs is high. El Paso is a little bit higher than us. And Denver and Phoenix are lower than us. Although I point out, Phoenix has quite a bit of federal subsidy in their water system. In terms of high use regionally, again, we're in the middle. Colorado and Phoenix are above us, and El Paso and Denver are just about equal to us.

And that concludes the presentation briefly.

I'd be happy to answer any questions.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Mr. Sanchez, you were talking about Phoenix having federal subsidy. Does that mean that they pay actual or they incentivize, I guess, the use of water in Phoenix, or do they have a source that they get from the federal government?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, they have a source that they get from the federal government. The Central Arizona project is delivered through Arizona and they derive a discount, if you will.

COUNCILLOR GARDUNO: And that source is from the Colorado, or do we know?

MR. SANCHEZ: It's from the Colorado, yeah.
COUNCILLOR GARDUNO: Well, we don't have a Colorado, so we can't go there.

MR. SANCHEZ: Well, Mr. Chairman, Councillor Garduno, we do. We have, you know, the San Juan Chama, which is Colorado derived water, but we've paid for that.

COUNCILLOR GARDUNO: Right. Thank you.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.

COUNCILLOR SANCHEZ: Thank you, Mr. Chairman.

If terms of percentages -- you've talked about a lot of percentages here -- based on dollar amounts, how much more revenues are we going to collect by these rate increases?

MR. SANCHEZ: Mr. Chairman, Councillor Sanchez, the net yield in terms of revenue is about $9 million. When we went through the budget, we showed those graphs. And of the nine, about $5 million is actually going to the reserve. So our net cost going forward, our net operating costs, are about $4 million.

COUNCILLOR SANCHEZ: And I know one of the biggest concerns with many of the residents in this community is, anytime there's an increase, there's an outcry. But we've not raised the rates year after year; is that correct?

MR. SANCHEZ: Mr. Chairman, Councillor Sanchez,
that's correct. In fact, the last rate increase we had was in 2000 — I want to say 2004. It was FY07, but it was dedicated for conservation, so that it was a one percent rate impact dedicated for conservation, not operating. The last general operating was in FY04, which was a 4.5 percent rate increase so we've effectively gone eight years without an operating rate increase. And we've gone through efficiencies, doing our best to manage our debt cost. A Triple A rating helped a great deal going forward to decrease our cost of financing. Things like that. And going forward, if you recall during the budget, we projected the need for an additional rate increase in FY14, in two years. And then beyond that, we feel very, very certain we will not need another rate increase until FY 2018, which will be another five percent. So it will be two more years and then four years.

COUNCILLOR SANCHEZ: And also, the programs that we have in place, the people that conserve water will be getting a rate decrease, yet those that are abusive of the usage of water will be paying more. So basically, that will be cost neutral; is that correct?

MR. SANCHEZ: That's correct. The addition of the 200 percent tier and the conclusion of this 30 percent credit for low use are a wash revenuewise.
COUNCILLOR SANCHEZ: Thank you.

CHAIRMAN DE LA CRUZ: Mark, the -- I think it was last year that this board voted to incentivize some of these fees, whether it was an increase or a reduction. And I think people aren't all that clear on exactly what that means. Now, you have a base rate of five percent. If you use any amount of water whatsoever, is there any fee beyond that?

MR. SANCHEZ: Mr. Chairman, yes. The base rate essentially captures the hydrologic capacity of the meter that you have serving your residence or your business or institution. So if it's a one-inch service line for a house, essentially, we're reserving, we just reserve the capacity to serve you. So that base rate covers that.

The commodity rate captures the additional consumption, or the consumption, if you will, of water beyond that for that particular service.

CHAIRMAN DE LA CRUZ: So it will be some increment of cost beyond that initially five percent.

MR. SANCHEZ: Yes, yes.

CHAIRMAN DE LA CRUZ: And how is that determined? What does that increment mean to the average resident?

MR. SANCHEZ: The average resident will see
about the $3 impact if you're on the eight unit or
8,000 gallons a month, which is about 200 gallons a
day. If you're a high user, it's almost $10. That
would be 15,000 gallons a month or about, roughly, 500
gallons a day. So probably in the middle, someone
might see about a $5-a-month increase.

CHAIRMAN DE LA CRUZ: And I think that's
important for the public to understand, that there is
a base five percent increase, but based on your
individual use, if you're an average consumer, we're
talking about three bucks.

MR. SANCHEZ: That's correct.

CHAIRMAN DE LA CRUZ: And then it goes up from
there. So that no one is misled with the idea, well,
you raised my rates five percent, but my bill clearly
is much more than that, it's based on your individual
use.

MR. SANCHEZ: That's correct.

CHAIRMAN DE LA CRUZ: It's my hope that we can
finally get to the point that we truly have some
incentive to save. Because one of the frustrations
that the public has had, and I'm sure everybody, the
councillors and commissioners have heard, and I think
we had a speaker that spoke to that today, is that you
do everything you can to save water, conserve water,
and yet you're not seeing anything happen in your bill. And I know that's created frustration.

Executive Director, do we feel confident that that will help alleviate that frustration?

MR. SANCHEZ: Mr. Chairman, no. Unfortunately, it's counterintuitive. Our costs are relatively fixed; they're not variable. So as we consume less water, the cost of that water is not decreasing, it's actually increasing. Because our costs to treat that water and distribute it are not decreasing proportionately with that reduction. I realize the frustration. I wish I could say that discount will address that. It's an attempt to send a price signal to the low users, but it is not going to completely alleviate the concern.

The reality is that the cost of water in the future is going to skyrocket. The good thing is that this body has anticipated the need for that future water supply, we've secured it, and we're not going to see the staggering rate increases that surrounding communities will see and that our regional neighbors will see. That's the one thing we can tell our customers.

CHAIRMAN DE LA CRUZ: And also along with the frustration that customers feel, you also get the
opposite reaction sometimes from customers where they would prefer higher rates to really, really force people to use less water. So we get a little bit of everything when we're talking to the public.

MR. SANCHEZ: Mr. Chairman, this is just a balancing act. We're doing our best to conserve water as best we can, because we must do that. We're doing our best to contain our costs. We're doing our best to maximize our efficiencies, change as a culture, change everything we do in the interest of the customer. Because the last thing we want to do is continually raise rates.

CHAIRMAN DE LA CRUZ: How confident are we in the numbers that we're looking at right now? I think you said $9 million. How confident are we?

MR. SANCHEZ: Very confident. We presented the ten-year financial plan to you. And everything we do is based on our financial plan.

CHAIRMAN DE LA CRUZ: Okay. Because I don't know that we'd want to see that -- or give the appearance that we're trying to make some kind of a profit. We're just trying to meet our base needs and, of course, pay our debt and reach our goals into the future for our core operations.

MR. SANCHEZ: That's correct. In fact, Mr.
Chairman, that's all we can collect. We cannot collect more than we need to operate, to pay our debt and to have the required fund balance.

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

Mr. Sanchez, and I know it's impossible to anticipate everything, but I can just imagine that in the future, the pressures that Santa Fe and other municipalities are going to have, because they haven't been able to, for whatever reasons, do the kind of work that I think the utility authority has done, that they will be demanding more usage out of the headway, or a water source, that we also rely on.

Do we anticipate anything where we're going to have the old west wars of -- you know, water wars?

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, I think that's very likely. I'm not sure it will be between Albuquerque and Santa Fe. I think you're likely to see that with Colorado, Arizona, Nevada, California, New Mexico. There -- there will be some interstate compact issues. There always are. As time goes on and demand goes up and supply remains the same or goes down, we will see some litigation.

COUNCILLOR GARDUNO: And one of the concerns I have, just from a point of view of supply again, is
California will soon enough, I think, find out that they cannot supply the kind of water that they're used to because the Colorado will change character and will change distribution. I'm sure that you folks are looking at that as we go forward.

MR. SANCHEZ: I think California will rely, for the most part, on ocean desalinization and the transmission of that treated water.

Nevada and Arizona have different problems, I think, especially Nevada. And New Mexico, they all have a set-aside in the interstate compact for the Colorado water, but in the event there's shortages, and with the Navajo Nation water rights settlement, there's some degree of uncertainty about what could happen with that.

COUNCILLOR GARDUNO: And, Mr. Chair, this is not in order to alarm anyone, but it is something I think that you've been thinking about, but we need to be serious about and, you know, be proactive.

MR. SANCHEZ: And, Mr. Chairman, Councillor Garduno, this was envisioned with the water resources management strategy. And the idea was that we would divert surface water that we had a right to conserve the aquifer as a drought supply. So in the event there's ever a shortage of surface water, we would go
back to pumping more water. But in the interim, the aquifer is recharging itself. And that is by design.

But we have water rights to support our pumping, our water rights to support our surface water diversions. And you must have that to do that. And we feel fairly secure that we can rely on that supply going forward.

CHAIRMAN DE LA CRUZ: Mark, we need an approval here. Do we need a motion? I have a note here that says: Motion to approve floor substitute of O-11-1. I'm not sure --

MR. SANCHEZ: Mr. Chairman, there was one change. I believe it's on Page 13, Line 12. Just a clarification. It's one -- two words. And it says "in addition to" instead of "including." And that's the only change.

CHAIRMAN DE LA CRUZ: Okay. I need a motion to approve that change. And then we'll vote on a larger.

COUNCILLOR GARDUNO: So moved.

COUNCILLOR SANCHEZ: Second.

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

All those in favor, say aye.

ALL MEMBERS: Aye.

CHAIRMAN DE LA CRUZ: Opposed?
Motion carries.
(5-0 vote. Amendment approved.)

CHAIRMAN DE LA CRUZ: Now we need a motion to approve WUA O-11-1.

COUNCILLOR JONES: So moved.

CHAIRMAN DE LA CRUZ: 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. Thank you.
(5-0 vote. Agenda Item 9A approved, as amended.)

CHAIRMAN DE LA CRUZ: Moving on to Item 10, other business, A, Southside Water Reclamation Plant update. Mr. Chwirka.

MR. CHWIRKA: My name is Joe Chwirka. I'm the plant operation division manager. I'd like to give a quick update on the status of some of the projects we have going on down at the waste water treatment plant. So the thing that I'd like to talk about are odor issues, preliminary treatment facility and the dewatering design, reconstruction of the final clarifiers, primary clarifiers, digesters, dissolved air flotation, and blower/aeration based analysis.
I hope this doesn't bore you to tears, but it's all very important to us.

A couple of projects that I'd like to just quickly mention before I move on to these is the UV project. We had a ribbon-cutting project for that. Several of you were down there for that. I just wanted to let you know that that project is working very, very well right now. If you go back to 1995 and you start looking at the exceedances we have with our discharge permit with EPA, approximately two-thirds of those related to either adding too much or too little chlorine. So we've completely eliminated the use to have chlorine, and so we're going to be much better able to meet our discharge requirement and provide a safer facility at that treatment facility.

Also, I'd like to talk about --

CHAIRMAN DE LA CRUZ: Mr. Chwirka, let me interrupt you just for a second and talk a little bit about that UV system. Councillor Jones and I were there for the ribbon cutting, joining members of the community, who were very, very appreciative of the fact that now we have a much, much safer facility for the immediate community. And I know it was greatly appreciated. But I would encourage the councillors and commissioners, if you haven't had a chance, to go
out there and look at it. State of the art. It's amazing. And it's an incredible upgrade to what we had in the past. And I can tell you for at least the constituents that I represent, that I'm deeply appreciative. So I appreciate all of the water authority staff's vision.

Thank you, Mr. Chwirka. Continue.

MR. CHWIRKA: Thank you, Mr. Chair. The other project I'd like to quickly mention is the reuse project. That is an overall approximately $35 million project. We'll take water from our waste water treatment plant and filter and distribute it to parks, schools, medians, things of that nature, in addition to two million gallons a day going to the waste water treatment plant use. So those are two big projects that we have ongoing right now that are very, very important for us.

The other issues I'd like to talk about today are odors. It's an issue that's very, very close to my heart. Being very closely related to the waste water treatment plant, it's very important for us to operate a facility that is done properly. We have, in the past two years, been able to increase the overall efficiency of our chemical odor scrubbers, which take the odors from the preliminary treatment
Facility. And that was one of our biggest sources. So right now we're operating this facility at 99.9 efficiency, which is really very good.

The biofilters are another type of technology that we use. In the past, all of those biofilters were not functioning, so we had a lot of odors associated with the primary clarifiers because of those. We've been very effective at getting all the existing facilities that have to be operational right now. Last fall we started adding hydrogen peroxide to the influent waste water, and that is -- it's like a magic chemical, and it's reduced the hydrogen sulfide loading tremendously. And I think it's going to have a huge impact on our ability to be a good neighbor in the coming years.

The cost of adding hydrogen sulfide, that's 220,000 a year, and that's about two percent of the total budget down at the waste water plant. So it's a huge investment for us. So right now the biggest odor generators are the primary clarifiers, and when I say that, it's because when we have a primary clarifier, when the sludge line gets plugged, we have to take the primary clarifier out of service and it gets septic and stinky, and then the neighbors start to notice. So we have a project that we're going to address this
issue with, and I'll discuss that shortly.

The anaerobic digesters are another source of odors right now. We have cracks in the dome that tend to release hydrogen sulfide into the atmosphere. And I'll show you some of the results coming from that.

And just general housekeeping. We've been working with our lines guys. You know, they go out and clean the sewers. Whenever they bring the gritty material back, they used to dump it in the backside of the plant. We've pretty much eliminated that right now, so we don't have grit material just sitting there stinking to high heaven.

So every quarter we do a fence line odor survey, and so what we do is we go through the entire survey of the fence line of the treatment plant and we take hydrogen sulfide readings. The results of that are shown here. The red line, the red horizontal line is the state limit for hydrogen sulfide, which is ten parts per million. And as we walk our way around the plant, if you look over on the east side, I don't know if I can point to this on here, but on the east side you get a little bit of an increase. And that's where the digesters are. So all of the high odor complaints that we're seeing right now are over on the east side
of the plant. And then occasionally, we'll get on the south side. And I think that's related to the digesters also, from wind blowing to the south.

This is an aerial photograph showing what we believe is occurring with the odors at the plant. And the red dye is where my boss lives. My boss doesn't work for the authority. His name is Ted Padilla. He's a retired principle with APS. Mr. Padilla and I have talked probably 50 or 60 times over the last couple of years. And every time he gets an odor at his house, he calls me up and I apologize profusely and I say we're going to try and do something else. So I talked with Mr. Padilla about two weeks ago and I asked him how we're doing, and he said, "I don't know what you guys did, but we're not smelling anything recently." We have the warm summer months coming up, so hopefully we'll do a good job and keep Mr. Padilla happy, my boss.

And if you look at the arrow, you can kind of see that what we think is happening is at night, when the air starts to cool down, we see the lower density air sink down on the ground and then work its way through the San Jose drain, and then right straight over to Mr. Padilla's house. And so we would leave the plant around 6 o'clock at night and not
smell anything, but I would get a call from him at home at 10 o'clock, and he would say, "It's stinking like heck out here."

So we're moving forward with that. And it's just unacceptable for us to generate the kind of odors that would be offensive to our neighbors. So we're in the process of trying to fix that.

Preliminary treatment facility, or PTF as we call it, and the dewatering facility is currently being designed. One of the big issues we have with our facility right now is accumulation of grit. Our existing head works facilities have failed, and so we're not removing the grit like we need to. Consequently, the grit moves into the primary clarifiers, the primary clarifiers then pump the grit to the digesters. The digesters fill up with grit. And then we transfer that grit, or sandy material, to the centrifuges, and that chews the centrifuges up and the pumps up. And so we have lots of problems associated with this grit. It's a very fundamental process in waste water treatment that we need to get it fixed.

The other part of it is our dewatering facility, and that's where we take the digested sludge and we run it through the centrifuge and remove the
water from it. And so that is also very, very
important. If we don't have a good dewatering
facility, then we can't process the solids that are
generated at the waste water treatment plant. If we
can't process the solids, then we can't treat the
water properly, and then the solids start to back up
and we have discharge violations.

So it's very important to do both of these
facilities, the PTF and the dewatering facility. The
design is anticipated to be complete in August. We
hope to bid it shortly after that and be able to
perhaps begin construction in October time frame.
Construction will be about two years and the estimated
construction cost is about $38 million.

This is a rendering of the facility. The
facility in the front is the PTF the facility in the
back is the dewatering facility. On the upper floor
there, we're going to have all our centrifuges, and so
the sludge will fall directly into four bins that
store the sludge until we can drive a truck in there,
unload the sludge and then take it out to our soil
amendment facility for treatment.

Another project that we're doing right now
is the final clarifier reconstruction. We've got 12
final clarifiers out at the plant and many of them
I have begun to fail just simply because of age. And so we've began an in-house project to replace all 12 of the mechanisms and to update the clarifiers. We're doing this at a cost of 7.3 million. And the completion is estimated to be done in January. I've got to say that, because this is an in-house project, we were able to get these clarifier mechanisms very, very inexpensively. When you look at the economy right now, the guys who make the clarifier mechanisms are not selling very many of them these days. So we were able to buy these and get them very, very cheap. We're looking at a cost of about 600,000 per clarifier and that's a very, very good deal.

This is what they look like. Inside the clarifier, we have this long arm that sticks out and beneath that there will be scrapers that move the sludge towards the middle. These are all 304 stainless steel mechanisms. And so we don't have to paint them anymore, and so the maintenance is going to go down. And so being able to get stainless steel clarifiers in this economy is just a wonderful thing for us.

Let me talk about the primary clarifiers. These are the clarifiers that are used upstream of the aeration basins. These were initially constructed in
1962, so they're -- you know, they're almost 60 years
old. The technology is very old. We've had
significant problems with plugging of the sludge
pipes, which leads us to have to take the clarifiers
out of service, which means we get odors again. We've
seen significant corrosion of the concrete. Because
we have hydrogen sulfide, hydrogen sulfide will chew
away at the concrete. And we've actually got
corrosion down to the reinforcement steel of the
clarifiers.

So really what we need to do is build new
clarifiers with domes so they're completely enclosed.
No odor will escape from these clarifiers anymore.
We'll be able to work inside them and provide good
odor treatment for many odors that are generated in
those primary clarifiers.

Let me talk quickly about digesters.

Digesters are the solid handling side of the waste
water treatment plan. We take all of the solids out
of waste water and we put it in this anaerobic
d digester and we mix it and we heat it, and the solids
become stabilized and the pathogens get killed. And
so this is a graph showing the various capacities of
the solids processes we have at the waste water
treatment plant. And this -- the third bar from the
right is the anaerobic digesters and you can see that it doesn't go up to the 76 MGD capacity line. All the rest of the plant is rated at 76 MGD except for the digesters. So we need to add more digesters.

The important thing to note about this, that I like to tell you about, is this is based on assuming ten percent of the volume was occupied by grit, we took a digester out of service late last year and found out that approximately a third of it was filled with grit. So when you reduce the total volume of digester space, you reduce your detention time, and EPA requires that we have a minimum of 15 days detention time in these digesters. So we're getting to the point where we're not meeting the EPA requirements. So it's very important for us to get these digesters going.

Right now, we have ten primary digesters and approximately two years ago 80 percent of those mixers had failed. And I'll show you a picture here in a second. But these digesters don't function well if you don't mix the sludge very well. All the heat exchangers had failed, and we're in the process of replacing those right now. We have three more to go and then they will all be replaced, so we can actually heat the digesters. The digesters were getting cold...
in the wintertime, so that prevents them from doing
what they're supposed to do, generating methane gas
and stabilizing the organics that are in the waste --
in the sludge.

As I mentioned before, about a third of the
volume is filled with grit. The digester roof
structures are severely corroded; mostly because of
age. And we've experienced large cracks in the roof.
And as you can imagine, we're getting hydrogen sulfide
coming out of those cracks in addition to methane, so
don't be smoking up on top there if you ever go up
there. It's a very hazardous condition and it creates
odors. So we need to get those fixed. We're in the
process of getting all those cracks sealed right now,
as a temporary measure, so it will take care of itself
from that safety standpoint.

So here's a photograph of the digesters.
And that is the mixer up in the front end of it. And
what happens with these mixers is there's a bearing
that goes down into the sludge, and so that bearing is
always getting contaminated with gritty material and
the bearing fails. So we've got to pull that mixer
out and then send it up to Denver and have it
remachined and then send it back down. So we do this
like one at a time, so it's a very laborious kind of
process. We have four mixers on each digester.
In addition, these mixers are very old
school and inefficient and we need to replace them.
And so the projects that we have upcoming are to
basically rip the tops off these digesters and replace
them with new high efficiency mixers that will
actually reduce the requirement for digester mixing.

Dissolved air flotation is another process.
And we use that to thicken the waste activated sludge.
That sludge then goes into the digesters. When you
don't thicken the sludge, then we reduce the detention
time in our digesters, so it's very important. And so
we have seven DAF units right now. Last year we only
had three that were functioning. We've been able to
get them back, but these have very much outlived their
usefulness and they need to be replaced.

The aeration system. The heart of any waste
treatment plant is to be able to transfer oxygen
into the waste water. When we can't do that, the
whole process is impacted. And so the aeration system
consists of blowers and a diffuser system. The
picture here shows the diffusers that we have inside
the aeration basins. These are old ceramic stones.
We need to replace them with the current technology,
goes over that. The membrane does not get fouled, like the stones do, so our oxygen transfer efficiency is significantly reduced right now, and we bring in hydrochloric gas, you know, a very hazardous gas, to try and clean these things. And it just -- it gets to the point where it doesn't work very well. So we need to go in and do major changes to the aeration basins. We also have 12 blowers, seven of which are functioning right now. So we need to move towards the different style of blower and increase the blower capacity.

Looking at the projected costs of these facilities that we just talked about today, it's about $150, $160 million. And so these are all very expensive fixes that we need to do at the waste water treatment plant.

The message I'd like to leave you with tonight is we need to invest in that waste water treatment plant. It's a very, very important facility for the city. You know it's just as important as the water treatment plant. So we need to invest in that facility, we need to invest heavily and we need to invest soon.

So I'd be open for any questions.

CHAIRMAN DE LA CRUZ: Councillor Garduno.
COUNCILLOR GARDUNO: Let me go back to -- I think it's the one before this, the aeration system, the diffuser. These are ceramic or ceramic stone or...

MR. CHWIRKA: Yes, they're ceramic material.

COUNCILLOR GARDUNO: And if you change to membrane, that will allow you not to use hydrochloric?

MR. CHWIRKA: Yes, that's correct.

COUNCILLOR GARDUNO: So that is one danger that you'd be getting rid of, plus using a better technology; is that right?

MR. CHWIRKA: That's correct, yes.

COUNCILLOR GARDUNO: I just wanted to clarify that. Thank you very much.

MR. CHWIRKA: Thank you.

CHAIRMAN DE LA CRUZ: Councillor Sanchez.

COUNCILLOR SANCHEZ: Thank you, Mr. Chairman.

You made the statement that we need to invest soon, yet the cost of all the various projects are going to be approximately $159.3 million. Now, if we don't invest soon, that cost will also escalate. Where are we going to come up with that kind of money?

MR. CHWIRKA: I'm not sure. That's not my job. My job is to tell you what we need to do. And where the money comes from, that's not my job.
COUNCILLOR SANCHEZ: Thank you.

CHAIRMAN DE LA CRUZ: Mr. Sanchez.

MR. SANCHEZ: Mr. Chairman, Councillor Sanchez, the -- all these projects that Joe has gone through today are in the Decade Plan, if you recall, we presented a month or two ago, and yes, the management plan going forward. We've anticipated all of these costs over the next decade. We're ramping up our spending. We're actually doubling our spending at the reclamation facility. Is that soon enough? Probably not in an ideal world. But that's probably as quickly as we can finance and construct these projects going forward.

COUNCILLOR SANCHEZ: Thank you.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: Thank you, Mr. Chairman.

Mr. Sanchez, I don't know if you care to go there, but have we talked to the federal folks to see if there's any way that they can help us?

MR. SANCHEZ: Mr. Chair, Councillor Garduno, we pursue that all the time. John O'Donnell, in fact, is here and he'll speak to you later on your agenda.

COUNCILLOR GARDUNO: Okay. That's one of the reasons I brought it up. Thank you.

CHAIRMAN DE LA CRUZ: I think it's important
that for the obvious reasons to have a more efficient, more effective, safer plant. But also just the simple fact that we are reinvesting in our infrastructure is absolutely critical. And we don't usually talk about economic generally in terms of what we do here at the water authority board. However, the dollars that are spent, as simple as the UV systems and the other contractors, there is construction going on right now at the plant.

And, you know, Mark, I'd like to see maybe something Mr. Allred can put together that talks about what this means in terms of economic impact. Because we are reinvesting in ourselves. And I think that's not only an important thing for not only the board to know but also to share with the community.

MR. CHWIRKA: Mr. Chairman, I might comment that from a construction standpoint, the water authority is the biggest spender and one of the biggest interests of most contractors in the State of New Mexico.

CHAIRMAN DE LA CRUZ: Thank you. I agree and that's why I think it's important to look at that information and then share it with the public.

MR. SANCHEZ: Mr. Chairman, before we move on, one point Joe touched on is that the reclamation facility is just as important as our water treatment
plant. In fact, I would say it might be more
important, because the water treatment plant, we can
shut it off. We cannot shut off the reclamation
facility. Everything that flows to that facility must
be returned to the river. The condition we return
that to the river is what's at stake with all of these
improvements. And I think Joe mentioned that from
time to time we actually are challenged to meet our
EPA requirements in our discharge permit because of
the condition of the facility. And that's one of the
drivers for making these investments, in addition to
odors and the operations of the facilities.

CHAIRMAN DE LA CRUZ: Thank you. If we could
have that report for the next meeting, I'd appreciate
it.

MR. SANCHEZ: We can do that.

CHAIRMAN DE LA CRUZ: Thank you.

Next we have Ms. Yuhas, water conservation
and drought update. We're still in a drought.

MS. YUHAS: Mr. Chair, you stole my thunder.

Now I don't have anything to say. Mr. Chair, Members
of the Board, as you all recognize, yes, we are still
in a drought. In fact, this first slide that I'm
showing you shows that the drought has actually
worsened. Most of southern New Mexico is in
exceptional drought. And just for a little perspective, this is the largest drought that the United States has ever experienced. 9.8 percent of the land mass of the U.S. is in exceptional drought. That's the highest stage, that dark maroon color. And that does not even take into account the area of the U.S. that's in extreme drought, which is where Albuquerque is right now.

This next map is from the National Weather Service. And it shows you their predictions for precipitation over the next month. And basically what it's showing is they're looking at below average precipitation over the next month in the southwest. That's that tan area that's over Texas and eastern New Mexico with the "B" in it, B for below average.

As you dig a little further into these maps and the science behind them, though, I would say that it's important to note that the National Weather Service has low confidence in their ability to predict what is going to happen in our region with respect to precipitation. This is the one month and this next one is the three month. And both of these come with a low confidence rating on their ability to predict what's really going to happen. I think we can certainly feel pretty comfortable that we will not see
a monsoon season until at least mid July.

And finally, this map is looking at the drought itself through the end of September. And what you see here with New Mexico being all green is great, that's good. And that's that by the end of September, they expect the drought impacts to lessen. But by "lessening," all that means is that the drought level will drop by one level of severity. So rather than being in extreme drought by the end of September, we'll just be in severe drought. Which still sounds bad, severe versus extreme.

But there is some good news, lest you think this is all a dire presentation. This next graph shows you our water usage. Now despite the fact that this is the worst drought we have ever been in, our customers used less water than our goal as of the end of May. We are 230 million gallons under our goal at the end of May. And looking at the first 19 days of June, we've remained under our goal. We are another 200 million gallons under our goal. So now we are, you know, 430 million gallons below our goal. Now, that could get used up. That's not -- you know, that's not a huge savings, but still, given the severity of the drought, our customers are doing a fantastic job.
We won't have that July meeting, so when I speak to you again in August, we'll have another discussion about where we are in terms of water usage. The fall is a very difficult time for water usage in our area. It tends to be very dry, it tends to be a warm time. If we haven't gotten that monsoon season, we might want to think about putting something in place for the fall, just -- you know, just to get us to the cool weather in order to curtail water usage. But we don't need to do that at this time. Right now, the drought advisory seems to be working for us.

If there are any questions, I'd be happy to answer them.

CHAIRMAN DE LA CRUZ: Councillor Garduno.

COUNCILLOR GARDUNO: If I may, Ms. Yuhas. Thank you for this. It's always good to hear good news. But do you foresee, if it doesn't happen and we don't have the precipitation that is assumed, that we would go to another level of advisory, I guess?

MS. YUHAS: Mr. Chair, Councillor Garduno, if we don't get a monsoon season, we didn't keep up using less water than our goal. We're going to -- yes. I mean, it's getting hotter and hotter, the soil is getting drier. We'll be in a situation of using a lot of water in July and August if it doesn't rain, yes.
COUNCILLOR GARDUNO: Thank you.

Thank you, Mr. Chair.

CHAIRMAN DE LA CRUZ: Thank you, Ms. Yuhas.

MS. YUHAS: Thank you.

CHAIRMAN DE LA CRUZ: Next we have our federal update. John O'Donnell.

MR. O'DONNELL: Good evening. Mr. Chairman, Members of the water utility board. I want to focus on basically two things as far as my report from Washington, and it's kind of timely, because one of them is reclamation. But I'll start by talking about some of the work that we've been doing actually for several years with the water utility authority and the Carnuel community. And you folks are well versed in the situation where the water utility authority has been acting as fiscal agent in connecting in the Carnuel system or letting the Carnuel system connect to your water utility authority to deliver water and handle waste water.

You folks have acted as the fiscal agent in terms of state water trust board money and stimulus money over the past several years to help them complete Phase I of their project. There are three phases to it. My office, on behalf of the water utility authority, has been working over I would say
the last year and a half, maybe two years, more actively with the Rural Development Service, which is an agency of the Department of Agriculture. They have a Rural Development Service that has a water and waste water component to it. They work with unincorporated communities in rural areas. We've reminded them that the title of this authority is the Albuquerque Bernalillo County Water Utility Authority and that you folks have served in a capacity to help Carnuel with its water system, its water quality.

Where we are at present is we have a conversation arranged. They were ready to meet with us last week. Frank Roth was in Washington and we went and met with the delegation staff. And several of my colleagues in our firm who have worked with the Department of Agriculture and the rural water service to advance what we think is necessary at this point, and that is a meeting with Washington officials who run the Rural Development Service to see if we can't find some solution to the problem. The problem being at this point is that the Rural Development Service is really not set up to handle a relationship with a metropolitan water utility. And it's not -- its rules do not really allow for the ownership by an entity like the water utility authority of the Carnuel water
1 and waste water lines.
2 On the advice of some people I've spoken
3 with, they think that there may be some flexibility
4 that we should pursue in discussion with the Rural
5 Development Service. So that's the purpose of this
6 conversation July 1st. And the water utility
7 authority, and I haven't discussed this in detail with
8 Mr. Sanchez, but I expect that the water utility
9 authority, the lady who works with the Carnuel
10 Domestic Mutual and ourselves will be involved in that
11 phone conversation with the Rural Development Service
12 headquarters people. And, again, on the advice of
13 several of my colleagues who've worked with rural
14 development pretty closely, their suggestion was at
15 this point, and let me say this congressional
16 delegation staff also agreed with this, that it's time
17 to have that conversation with headquarters.
18 We feel that's pretty timely, because the
19 work that you folks, your staff has done with the
20 Rural Development Service here in New Mexico, on
21 several occasions, they've had to seek the approval or
22 concurrence of headquarters in terms of interpretation
23 of policy. So we thought at this point it probably
24 makes some sense to have this conversation between the
25 parties here and the Washington office to try and
resolve this matter. So that's what we're doing on that front.

The other issue, and it's timely that you received that report on reclamation, because back in 1996, working with then Senator Domenici and Senator Bingaman, we got a provision put in a senate bill, which was the Waste Water Reclamation and Recycling Act of 1996. It was an amendment to a 1992 bill. But what it did was authorize at that time the City of Albuquerque to participate in what they call the Title 16 program, which was reclamation, recycling of waste water.

When they authorized the Albuquerque project, as they did with many at that point -- there are about 56 projects like this nationally -- what they did was put a $20 million cap on the federal contribution in that program. The federal match is 25 percent to your 75 percent. Over the number of years that you've had this authorization, we've reached almost the $20 million cap. According to the Bureau of Reclamation officials I've spoken with, we're at about -- we have about 1.8 million left.

I mentioned this in a conversation with Mr. Sanchez, and I talked to congressional staff and this delegation about this. They saw an opinion from the
Bureau of Reclamation, which is the federal agency that manages the Title 16 program. And some time ago we had a conversation with the bureau in which they said, "Yes, we do index for inflation, and if we do index this project, the $20 million cap, you'd have about eight and a half million dollars of spending authority left."

The Catch 22 to this though is that because we have law that says there's a $20 million cap, we're almost at that. This would make it 28.5. So they tell me they don't have this authority.

In talking with Mr. Sanchez, what I've suggested we do is, Senator Bingaman is chair of the energy and resources committee, which authorizes the Title 16 program, so I've recommended that what we do over the next several months, when it's possible, is that the water utility board meet with Senator Bingaman and explain some of the challenges. And as I've listened to this report tonight, your question, Councillor Garduno, about the federal participation, we want to try and advance additional authorization or access to that indexed funding. And maybe, actually, the most reasonable way to go about it is to try and access the index funding.

Without getting too much into the detail,
I'll say this, that with the climate of no earmarking, and, frankly, that's how a lot of this money got delivered by Senators Bingaman and Domenici in the house delegation. What we're probably talking about here and will have further conversations with the authority utility staff about this, is we're probably looking at making some policy change, rather than a specific earmark that would address the Albuquerque Bernalillo County Water Utility Authority project. What we would talk about in terms of policy, that would make the index funding available that would apply to everybody who has a Title 16 authorization. So I just want to let you know that on the Canel front, we're making some progress. But we have a tough road in front of us, I think. And on the Title 16, we have our challenges, but I think there's some opportunity. And I think your being part of the discussion with Senator Bingaman would be important at this stage, because I do know you have a pretty ambitious Title 16 water reclamation program. And I think it's pretty clear that -- I think the word "economy" was mentioned by you, Mr. Chairman. I think this has a lot to do with your further work on Title 16 related to some economic development within the metropolitan area.
So that concludes my report. Any questions?

CHAIRMAN DE LA CRUZ: Not necessarily any questions, at least not at this time. But I think we ought to refocus and put together a package that we can submit to the senator that -- and I know we have some. But I just think we need to refocus it and maybe include some of this terminology and justification.

Councillor Garduno.

COUNCILLOR GARDUNO: Mr. O'Donnell, thank you for the information. And especially on the Carnuel, I think. On both issues, but on Carnuel. Because I think that's one of the areas that in the past we were very concerned about that part of the region, not having services that we were very ready to offer. But with this, RDS, the Rural Development Service, is that an impediment or do you think we can solve that in a very quick way?

MR. O'DONNELL: Well, I don't know if we can solve it in a quick way, but our hope is, in terms of preparing for this July 1st conference to try and see if we can't find -- and some of this will be on research that we do with some folks that we know in Washington -- to see if we can't identify a way for RDS to have some flexibility to accommodate the
Because I happened to run into Commissioner Johnson this morning, and as he reminded me, this -- there is no other option for Carnuel. This is a problem that needs to be solved. And I keep going back to the fact that I think that there needs to be some creativity around the table to find a solution to the problem.

The bigger picture, and this goes back to what I said about reclamation, is what is sort of -- what is unique about this, is you have a metropolitan water utility authority trying to assist a rural community. And we ask them to exercise some flexibility in the way that it approaches this problem.

COUNCILLOR GARDUNO: And you may not know this, but, Mr. Sanchez, Carnuel is not in any danger of not receiving those services just because we're having a hard time federally and locally.

MR. SANCHEZ: Mr. Chairman, Councillor Garduno, what's at stake here is about a half-a-million-dollar loan. As you know, we've secured millions of dollars through the state water trust board for this project. But this half a million dollars is needed to get to that next phase.
COUNCILLOR GARDUNO: Sure. And I just want to impress on the folks that water or service is not going to be interrupted to Carnuel.

MR. SANCHEZ: We are pressing forward and we're being very aggressive in everything we do to make sure this project moves forward and is constructed. And we're optimistic we'll get there.

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

CHAIRMAN DE LA CRUZ: To speak to what you said earlier, John, that you have this body trying to assist a rural community, I think that's one of the advantages that we have by virtue of the fact that the water authority or the water utility morphed into this body now that allows us to do some of that work. I think that's one of the advantages.

But I think that we need to refocus and I don't know how that -- how we can do that exactly at this moment, but I'd like to meet with Mark and see what we can do.

Thank you.

MR. O'DONNELL: Thank you.

CHAIRMAN DE LA CRUZ: Keep up the good work.

MR. O'DONNELL: Thank you.

CHAIRMAN DE LA CRUZ: I don't see any other
business. Any comments?

This meeting is adjourned.

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

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