

Las Cruces Utilities Board of Commissioners
Minutes for the Meeting on
Thursday, April 14, 2016
Immediately following the Work Session
Utilities Center
Conference Room 225

Board Members Present:

Gill Sorg, Chair
William Little, Vice-Chair
Steven Baumgarn, Commissioner
Jim Carmichael, Commissioner
Jim Ericson, Commissioner
Harry Johnson, Commissioner
Olga Pedroza, Commissioner

Ex-Officio Members Present:

Jorge Garcia, Utilities Director
Daniel Avila, Assistant City Manager

Ex-Officio Members Absent:

Robert Garza, City Manager

City Staff Present:

Susan Cerny, Business Systems Analyst
Carl Clark, RES/TS Administrator
Marcy Driggers, Senior Assistant City Attorney
Paul Edwards, Business Systems Analyst
Lucio Garcia, Gas Administrator
Klaus Kemmer, Solid Waste Administrator
Chris Kiolbasa, Accountant
Viola Perea, Utilities Internal Auditor
Jose Provencio, Administrative Services Administrator
Mario Puentes, Gas Business Analyst
Estela Saucedo, Customer Service Representative
Dania Soto, Office Assistant Senior
Adrienne Widmer, Water Resources Administrator

Others:

Suzanne Michaels, Public Outreach Consultant

Chair Sorg called the regular meeting to order at approximately 3:13 p.m.

1. CONFLICT OF INTEREST

Chair Sorg: First Item on the Agenda is the Conflict of Interest. Is there anyone on the Commission or in staff that has any Conflict of Interest on any item on the Agenda?

There were none.

2. ACCEPTANCE OF AGENDA

Chair Sorg: Hearing none, then we'll take a motion to accept Agenda.

Little: So moved.

Pedroza: Second.

Chair Sorg: Moved by Commissioner Little, Seconded by Commissioner Pedroza. A vote would be in order right now.



Roll call: Commissioner Ericson – Aye; Commissioner Johnson – Aye; Commissioner Baumgarn – Aye; Commissioner Little – Aye; Commissioner Pedroza – Aye; Commissioner Carmichael – Aye; and Chair Sorg- Aye.

The Agenda was Unanimously Approved 7-0.

3. ACCEPTANCE OF MINUTES

- a. Work Session Meeting of March 10, 2016.
- b. Regular Meeting of March 10, 2016.

Minutes approved on consent.

4. PUBLIC PARTICIPATION

Chair Sorg: Next item is the participation by the public. Is there any member of the public that wants to address the Commission? Seeing none, then we'll go right to the Administrative Report, and Mr. Provencio is apparently at the podium.

5. ADMINISTRATIVE REPORT

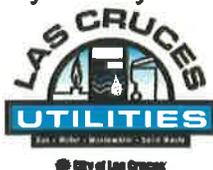
Provencio: Thank you Commissioners and Chairman. I'll update you on the activity ongoing in Customer Service and Billing and Collections.

First up, the Departments Business Systems Analyst has tested and re-tested final procedures with Customer Service and Billing for the approaching transfer of Mesa Development Center's (MDC) approximately 300 customers into our water service utility. Once the conveyance of the well and well site property is finalized, we'll be ready to transfer these accounts. I know we've been on hold for a while, but we're just continuing to make sure we have everything in line and getting the most recent list of customers from MDC.

Next item I want to brief you on, as you recall, bringing updates as to how the progress of the Utility Payment Assistance Program is progressing. If you recall, the budget sets aside \$75,000 for Utility Payment Assistance. As of the beginning of April, we're at 59% of the budget to Disbursements. These funds assist customers that need help with their City Utility bills. We'll keep you apprised as we get closer to the Fiscal Year to make sure we exhaust this fund to assist our customers.

The last slide, I want to provide a slightly different perspective of our uncollectable progress. This looks at all the uncollectible annual Utility billings as of March 31, 2016. This is in conjunction with the one Resolution we have that's on consent for the write-off for the year 2011, of uncollectible Utility billings. You'll see the progress that we've established since the customer service area was reorganized under the Utilities. The graph speaks for itself in terms of progress and provides a good bench mark for our internal goal of .75% of uncollectables to work towards obtaining and collecting all the monies that are owed to the Utility.

I'll stand by for any questions you may have.



Chair Sorg: Any questions from the Commission? Seeing none.

Provencio: Thank you.

Chair Sorg: Litigation.

Dr. Garcia: No update on this one, Mr. Chairman, that we know of. Jay hasn't contacted us. That's, in a way, good news.

I'd like Marcy to talk a little bit about this and, in fact, we were talking outside a little bit about the process. I'd like Marcy to elaborate as to what comes after we get some paperwork from Mesa and we revise the descriptions of the well sites, but the City Council did approve the condemnation action at the April 4th meeting, so that is done. Marcy, briefly tell us what comes next.

Driggers: As the two members of the Council are aware, the City Council at its last meeting authorized the condemnation of Mesa Development's well sites and adjacent rights of way in a friendly context. Representatives of the Pettes family, specifically Grover Pettes, were present at the Council meeting confirming that this condemnation is basically the only way that they could give subdivision compliant and title to the City.

We've prepared the petition. Mr. Apelle, who is the attorney for Mesa Development, has prepared a friendly answer and a friendly stipulated judgement. What we are now awaiting are finalized Legal Descriptions for the four sites. Remember, there are two well sites, and then adjacent rights of way. The well sites will be conveyed to the City for the benefit of the Utilities Department. The rights of way abutting the well sites will be conveyed to the City for future road improvement projects. We've not received those updates yet and, as Councillor Pedroza knows, you can't file a condemnation action unless you're specifically showing the court what it is legally one to acquire. Henry Magallanes, who was the surveyor employed by Mesa Development to finalize these Legal Descriptions, just hasn't gotten us the final ones. Once he submits them to the City, the City surveyor will review them and approve them, because that's the legal description that the City will take to acquire ownership. I thought we'd have it by the end of this week. In fact, Paul Edwards has been asking me if I could give him a time projection, because they're just waiting in the wings to start this conversion process as well as the meter conversion. Dr. Garcia has indicated he's not going to convert the meters until we've acquired the system and paid for it. I was telling Dr. Garcia that I'll try to follow up with the City's surveyor to see if possibly the Mesa surveyor has gone directly to him, and see what appears to be the hang-up. Right now there's some hang-up in getting the legal descriptions finalized.

Dr. Garcia: Thank you, Marcy. Just to give you an update, Mr. Chairman, on the Proposed Rate Setting Process. We had a Council Work Session March 28th. There was agreement among the Council members that were at the meeting, all of them except one. I was the last item on the Agenda, and Councillor Eakman had to leave, unfortunately. The



direction I got from the City Council was to bring the formal action. There were quite a few questions and I think it's very clear as to what we are proposing.

We're preparing Resolutions for the May 16th Council meeting. There's three different Resolutions. One is about the New Rate Setting Process, the other one is to modify the by-laws to remove language dealing with the appeals, and then there was a Resolution approved by the Council adopting an Appellate process as well as establishing the RAC, and the RAC already expired so we need to rescind that Resolution, so three action items. I'll probably ask the Mayor to suspend the rules so Marcy and I can discuss all of them in one, because they all tie together. Mr. Provencio and I will be meeting with Councillor Eakman before the meeting so I can brief him and answer any questions he may have because he was not part of the Work Session and he's new to the Council, so that's the first exposure he has. I want to give him some background on the old process and how this process we think is a better process. We'll do that prior to the meeting so that hopefully we don't have any concerns from him, because the other Council members were unanimous in that this was a good outcome and they said bring it back.

If there's no questions with that item, Mr. Chairman, we're ready for the projects.

Chair Sorg: Okay.

Clark: Chairman, Commissioners. I'm here to give you the April 2016 projects update. The three projects that I selected are the Drilling and Developing Replacement Water Wells 29, 31, 32, the Picacho Avenue 12-Inch Waterline Extension Project, and the Stormwater and Utility Line Crossings Project.

The first project, Drilling and Developing Replacement Water Wells 29, 31, 32. You're all aware that Rodgers & Company has been here for a while, drilling this first well 29. The contract cost for all the wells is \$2,483,839.73. The contract time is 270 calendar days. The start date actually started December 14, 2015, with an estimated completion of September 17, 2016. Contractor is about 21% complete in regards to payments. He's the majority of the way through this first well, well 29. We've already plugged and abandoned wells 29, 31 and 32, the existing wells that we're replacing. Well 29 borehole is completed. The casing and screen was installed on March 19th, we've installed some photos of that with the casing and screen on site. The upper right photo is the stainless steel casing and the stainless steel screen that were set out there in the field, and then the installation of the stainless steel well screens that were installed as part of this project. The gravel pack was also placed right after that and swabbing was complete on March 31st. Right now the contractor is preparing to view the jetting that's needed in those wells out there. The jetting will remove some of the finer sediments and clays that were used to set up and drill the wells.

Chair Sorg: Carl.

Clark: Yes.



Chair Sorg: The well that's down there on Valley Dr., what number is that?

Clark: That's well 29.

Chair Sorg: That's the 29. Have they started 31 and 32?

Clark: They have not started either one of those two. They did break down the existing drilling well at 29. He moved in a different drilling rig to do the pumping process, and then the large well drilling rig is being moved over to well 32.

Chair Sorg: Yes, judging by the area that they need to do a well. When William and I were at the 29 during the tour, I don't see where they're going to get the land at the Munson Center. I don't know what number that is. You have the retention pond right next door, you've got the Munson Center on the other side, and the street is the third side. There is no fourth.

Clark: Right. We've looked at the site pretty closely. We provided some aerial photos to the contractor and he's laid out his equipment on the area photo to make sure he can fit his equipment in there. It's going to be tight getting it in, just setting up, but we think there's going to be enough room there to set up all their containers for their drilling mud. The set up for the rig itself is going to be a tight one. They've looked at it and looked at it so they're taking their time in setting that stuff up, but we think it can fit in there.

Chair Sorg: Okay, thank you.

Ericson: Mr. Chairman.

Chair Sorg: Yes, Commissioner Ericson.

Ericson: As the wells are completed, will they come online one at a time, or will you wait until the project is entirely completed before you bring them online?

Clark: Chairman, Commissioners. As you are aware, the last of the bonds went out to receive money to start rehabbing the buildings and setting up the equipment, so we haven't moved into that phase yet. We're anticipating getting a consultant on board to start the design efforts for that. There will be a Preliminary Engineering Report assessing the needs in the buildings and then we'll move right into that next phase. I'm not sure which one we'll pick first, we'll go back to our operations engineers and see which is the most critical and then start moving forward.

Ericson: So you anticipate that this project will be done and closed out before any of these wells go back online?

Clark: That is correct.



Ericson: Okay.

Clark: Any more questions?

Chair Sorg: Apparently not.

Clark: All right. We'll just continue to let the Board know when we move over and have other critical operations on the next well, and you all can come out and take another look at that. There's another question over here.

Pedroza: One question.

Chair Sorg: Commissioner Pedroza.

Pedroza: Thank you, I really enjoy all of the project reports and so on. What I'd like to know is, are these randomly chosen? Do we have an awful lot that we never hear about? How do you choose them?

Clark: Chairman, Commissioners. I pick only a couple of the projects, otherwise we'd be here for another hour or two to have all the projects that the Utilities has going on.

Pedroza: Have we heard about all of them, then?

Clark: I think you've been briefed on just about all of them.

Pedroza: All right, thank you very much.

Clark: Kind of rotate them through.

The next project is the Picacho Avenue 12-Inch Waterline Extension, Project No. 15-16-010. The contractor is DuCross Construction. The contract cost for that is \$375,645.51. The contract time of 120 working days, they started this project January 26, 2016, and there's an estimated completion of July 14, 2016. Contractor is about 80% in regards to construction complete on this project. All the borings have been complete, there's two borings, those have been completed. Southern service connections have been installed and we're on track to complete this project early, two months is reaching out there but I think it's going to be right around two months that they'll be finished. Contractor is moving along really quickly, he's doing a very good job with all the obstacles in the way they've had. I've installed a couple of pictures, the upper right picture is the photo looking East towards Bamhar and North Fairacres. Then, the lower picture is a boring under South Fairacres Road. That one is moving along. There's also kind of a strange thing, Dona Ana Mutual Domestic is installing a water line, same area too. We have two contractors right there just on top of each other moving along. It hasn't been too difficult, but we try to stay ahead so they have to work around what we put in the ground. We're moving quickly to do that.



The next project that I installed here was the Stormwater and Utility Line Crossing Project No. 15-16-016. I wanted to update you all on this because this project is already complete. I'll talk about that a little more. Burn Construction was the company that we got in here to do this work. The contract cost was \$89,633.00. The contract time is 55 working days, a short time line. The start date was February 8, 2016, with an estimated completion of April 25, 2016. The contractor, however, is done. Percent complete, we have 99% because we're still finishing up the acceptance letter, so we put it at 99%. The final inspection was March 10th on that project, so you can tell we've been done for a while now. This project first got started when we had a sewer line rupture in the storm drain off of Farney. I don't know if you all recall that, that was back in 2015, that that sewer line ruptured. Well, spinoff, we had Molzen Corbin come in and assess all these areas where we had stormwater and sewer line crossing conflicts. These projects that we picked out here were the highest priority projects. We had about 28 locations that we had to identify, this only handles about 11 or 12 of them, the rest of them are lower priority projects which we'll be getting after here this next Fiscal Year. We're going to put out another contracted to take care of the remainder that need to be done. I've installed a couple of pictures of that process. They did some in situ forming, it's a sleeve that they place inside a pipe and then they expand the sleeve and they cure it with steam. There's a photo of the sleeve on the upper right picture there, it's orange in color. They run that through the pipe, then they push the steam through, then it expands to the shape of the pipe and then hardens when it goes in there. It takes a little bit of time.

Chair Sorg: On the inside?

Clark: On the inside of the pipe. It's essentially a pipe within a pipe. We installed another photo here which you can see it's already in place, it's in a sewer manhole. You can see the reddish/orange color of the new sleeve that's in there. They'll go in there and they'll trim it down and shape it up. Burn Construction was the lead on that. We don't have an open contract for in situ forming, Burn brought them in under their contract and have been doing that work. Question?

Ericson: I have a question, Mr. Chairman.

Chair Sorg: Mr. Ericson.

Ericson: Dr. Garcia may have to answer this. Didn't we do in situ form on the Amador main sewer line about 100 years ago? I seem to recall something in the back.

Dr. Garcia: You're exactly right.

Ericson: How did it work?



Dr. Garcia: Excellent, it's still there. The only part that we didn't do in the '90's, if you recall, I believe you may have been City Manager then, when we had a collapse of the sewer line in a portion we hadn't done and that was done all the way to the plant.

Ericson: That's why I was asking, because I didn't remember. I know we had done it and I thought the results were good, but I remember we had something go south on us.

Dr. Garcia: Mr. Chairman, the portion that we hadn't done is where it went and we had to then repair the line, but the rest that was more critical was repaired all the way into the plant. We also did a portion of University Ave. more recently a few years back but not in the '90's. The first one we did was in the '90's, the one you remember on the big interception.

Ericson: What's the typical life span of the in situ form?

Dr. Garcia: I believe it's rated like PVC, that is 40-45 years or so. It's basically PVC type of material that is 'cooked' sort of speak once with this steam. Once it's expanded into the pipe, it's soft when they put it in, and then they 'cook' it and then it hardens.

Ericson: How much does it narrow the pipe?

Dr. Garcia: Mr. Chairman, it depends on the pipe size. I don't know on this job. It does reduce the capacity of the line somewhat but when you do the hydraulic calculations, you have less roughness, like in concrete for example and PVC. You don't necessarily lose capacity because you gain velocity in the pipe.

Ericson: Okay.

Dr. Garcia: It's a very good technology. It is not economical to do it on a very large scale, but in areas like this one or areas where that you have too much traffic that you don't want to be cutting the road.

Ericson: Lohman and University.

Dr. Garcia: We did it in University for that reason. Traffic impairment was going to be too bad, so we did that. We did also the line into the plant, that's a very deep line and we did that one.

Ericson: Okay, thank you Mr. Chairman.

Chair Sorg: You're welcome. Is that it, then?

Clark: That is all I have.

Chair Sorg: Okay.



Dr. Garcia: We're ready for Resolutions, Mr. Chairman.

Chair Sorg: Yes, sir.

6. RESOLUTIONS ON CONSENT AGENDA:

Resolution 15-16-LCU021: A Resolution Recommending to the Las Cruces City Council to Authorize the Write-Off of Uncollectible Utility Accounts Receivable for Fiscal Year 2011 in the Amount of \$852,187.01.

Resolution 15-16-LCU021 was Approved on Consent.

Resolution 15-16-160: A Resolution Awarding a Contract for the Las Cruces Utilities Video Surveillance Project Phase II, Project No. 15-16-160, to Access Technologies, Inc., of Albuquerque, New Mexico, for a Total Award Amount of \$95,075.95.

Resolution 15-16-160 was Approved on Consent.

7. RESOLUTIONS FOR DISCUSSION

Chair Sorg: First Resolution for Discussion is **Resolution 15-16-LCU020**. A Resolution Recommending Approval of the Las Cruces Utilities Fiscal Year 2016/2017 Annual Budget and the Funded Capital Improvements Program Budget to the Las Cruces City Council.

Chair Sorg: Is there a motion to approve?

Johnson: So moved.

Chair Sorg: Commissioner Johnson moved.

Baumgarn: Second.

Chair Sorg: Seconded by Commissioner Baumgarn.

Dr. Garcia: Mr. Chairman, just a recap. We had a Work Session on this last month. We sent you two other files other than the Administrative Report. This just updates the numbers that have changed very little, very small amounts. Chris did his magic. He's the architect on the Budget and he cleaned up some accounts, but the Proposed Budget and the items that we're recommending to the Council have not changed. I don't intend to go through these two presentations today, but the files that we sent are the updated ones. If you don't mind deleting the old one and keeping this one, it has the right numbers. In the Power Point with all the graphs is updated and the little flow diagrams are updated. That's the only reason we sent those. If you absolutely have to get into it, we'll be glad to go over those presentations. What I did is I extracted some of those slides from the updated one just to summarize some of the items. Nothing has changed, you've seen what the major initiatives are and the very biggest one is the separation of the management of Water and Wastewater. Since then, I've had a



meeting with the City Manager and the Assistant City Managers to discuss the benefits of doing this at this time and following the Mercer Reports, because that's what that does. It does add two FTE's (Full Time Employees), an Administrator and an Administrative Assistant, so that we can separate the functions.

We intend to do a Rate Review if the City Council approves the process. We intend to be doing two things late this Spring. One is starting with the training portion that we talked about, the recap of the Rate Making Methodologies for the Board. Number two, selection of the consultant through the SAC (Selection Advisory Committee) process. That's is high priority for the Water Utility at this time.

The budget provides funding for all of the rehabilitation development projects that Mr. Clark brought up last time. A lot of that money is coming from the Bond issuances that we've done recently, and that rehabilitation also parallels in the projects that are done in conjunction with our street system, because they were Hold Harmless Gross Receipts Bonds issued. We have funded the utility rehabilitation under those projects as well. Carl brought up that we did put some extra money in the Bonds for the well project, the pump stations, and then we did put monies for the update of the Mesa Development acquisition.

We will continue to prioritize projects that have Legislative Funding, and those are the projects that are in the septic systems and the wells. Carl discussed those extensively last time and he's brought you several updates since then. We'll continue to work on all these lists of projects, I'm not going to go through all of those, but the water reclamation for the Well Tank and the Co-Generation System, our Laboratory Improvements, those were funded with Bonds. Carl did the architectural and engineering work with consultants so that we can get those out.

One of the proposals that is before the City Council, if you recall, we discussed this here and you recommended that we modify the Ordinance that allows the use of Water Rights Funds to supplement and fund the Water Conservation Program. At least until such time that we decide to acquire Water Rights somewhere else. Right now we don't need to acquire Water Rights in this Basin, as you've seen in your Work Session charts, but the Ordinance doesn't allow us to supplement the Water Conservation Program. We need to add that use, even though Water Conservation is a requirement of Water. At the time that we amended that Ordinance with Marcy, we didn't think that that may be a possibility, but now I think Water Conservation could use some of the monies that are in that fund. That is before the City Council on the May 2nd meeting. We had our first read, Council said bring it back, so it's at the May 2nd meeting.

We will continue to update you on Water Litigation. The Supreme Court case is moving very slow and later this Summer I'll bring Jay Stein back in to give you a briefing, especially if something develops in that case or in the State AG (Attorney General) Case.

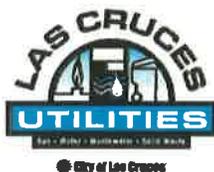


We continue efforts with the Griggs/Walnut Superfund. We were going to bring you an update at this meeting and Adrienne is working an update on that project for next meeting. We thought that this Agenda was extensive enough already with the Work Session and the Budget, but we need to brief you on that project. There's two components; one is of course the operation of the system which is going very well, but the other one is the negotiation of the consent decree of utilities. Still don't have one, so technically we are cleaning that site voluntarily right now.

Mr. Kemmer talked a little bit about that we have a new residential route proposed and that's another FTE in this budget, one driver and one new truck that are fully funded by Solid Waste. We talked a little about the pickup of the green waste by the other grappler service; we will be composting that and Mr. Kemmer described that at the last meeting. That's part of the plan.

This is a summary of the personnel; the bigger change is two positions that require the reorganization. One position for the driver of Solid Waste, and the other one that has no budget impact is making a contract position of a Supervisory Control Technician and making it a regular employee, but that one has no real budget impact. Then, we're making some small personnel adjustments that are in the various areas. One that we discussed last time, and if you look at your data, you'll see that biggest impact was Waste Water. I described last time that the City Manager's Office had approved, even in this budget year, to revamp the salary scale of Waste Water because we were not able to hire personnel. The Manager approved putting a differential between Water and Wastewater so that we can attract Wastewater Operators. We already implemented that, but this budget fills up with that gap. We were able to afford this year based on vacancies, but now for next year we need it. The biggest budget change in personnel, if you recall, was Wastewater. We're assuming across the board for Level IV Operators, Supervisors and Level III Operators 12% across the board higher salary so we can retain and hire, because we had a point in time in the last few months that we were up to 20% vacancy running in the Wastewater Utility. I've described to you that Carlsbad was stealing some of our operators because they were paying more, so now we think that we're a little more compatible at least with the adjacent Cities so we can retain personnel. I want to thank Assistant City Manager Avila because when I presented this problem we're discussing he said, "Let's just do it now, don't wait next Fiscal Year". The City Manager agreed with him and we did it, so it was a quick move to do that. This budget again makes up for that because this year we were affording that with vacancies, so now next year we will correct for that.

You heard about Capital Projects. A lot of these monies, \$11 million in Gas, \$17 million in Water, \$21 million in Wastewater, those are several Bond Issuances. The numbers you see below; those titles are different funds where those monies are. Very little of this money, other than the fund that we see in Gas 5250, very little of this money is really operating money. It is Bond monies that we issue and, if you recall, we've had three Bond Issuances over the last few years in the Utility parallel to the General Fund



Bond. We're fully funded to do all these projects mainly through Bonds and Debt Service.

There's quite a bit of equipment that we are replacing. Chair Sorg had asked for additional information on that, and I'll show you a graph in a minute. Each fund covers its own expenditures of vehicles, and we are fully funded. The concern that I brought up last time is that, for the following year, the Water Utility has very little fund balance and I think I showed that graph that shows that the Water Utility fund 5360 has very little money. Maybe we can buy one or two pickups, but that's about it. That's critical even though we're funding this year. Chris reminded me earlier today that \$290,000 of vehicles that Fleet said we should buy Water are not here, we decided to wait on that. Chair Sorg asked, "What percentage of the Fleet are we replacing?" In Water we're replacing about 9%, but it may have been about 13% if we had replaced everything that Fleet recommended. We decided not to do that, we deferred a few because of the lack of funds. I believe that next year's ending balance is only \$69,000 in that fund, so we are at the 11th hour in terms of looking at Water and the funding of Water. Just like we were in Solid Waste before the Rate Case, you saw the need of vehicles and the lack of money. We corrected that and Solid Waste is doing very well now, but we need to do something about Water.

I made a lot of transfers last time. We had some transfers in some of the Utilities but in terms of Water, transfers to the Capital Fund, Equipment Fund and Development Fund are not going to happen again next year because we need to have sufficient funds through Rate Adjustments. There's no other way. Solid Waste did transfers to Closure Fund and Equipment Reserve Fund. The good news in Solid Waste is that if you recall the Rate Case, we we're going to borrow money here, then cash flow, then borrow. We don't think we need borrow for next year, we transferred sufficient monies to do the next cycle with sufficient funds in Solid Waste. Unless something happens this year that we don't know about, it looks like it's a pretty good scenario for Solid Waste for the following year.

In the financial, I talk about the Water Rate Review. We did reduce the Budgeted Operating Expenses and that's what partially funded the higher Personnel Expenses, so we trimmed down some Operating Expenses. We looked at the actual expenditures of the budget drop on the Operating side, and that helped us fund some of the Personnel change. Overall, we have a reduction of the total Utility Budget of about 2.2%. Even though we're asking for Personnel changes and additions with the reductions in Operating which are a bigger piece of pie, we're still having an overall Utility-wide reduction in the total Utility Budget. All the graphs that you had in this other presentation last time we tried to summarize in one table. The first table is what you have in your action, except for the total column on the last part. This table is what you have in your action form. We just added the total here, this is Personnel plus Operating, and this compares both Personnel and Operating to the prior year. In terms of the Operating side we have \$2.1 million less. Not a lot of that deals with transfers, we have fewer transfers because we already borrowed money, so we don't keep money aside for projects. Then, on the other end, you have the increasing Personnel



of about 7% overall. Look at the Wastewater increase, it's the largest, and that's the one where we corrected salaries across the board. Overall, the net is at the last table that we have here, and the net is a \$1.2 million reduction total and 2.2% overall Utility Budget.

In terms of vehicles, this is what I understood that the Chair wanted to see, and Chris did a good job of putting together two charts. One that deals with vehicles that have automobiles, pickups, dump trucks and trash trucks; and you see the turnover rate. For example, in Gas we're replacing eight vehicles and that is 16% turnover, the green little bars are the new acquisitions, and there's one vehicle and one piece of equipment. The 9% I was talking about in Water, after talking to Chris this morning, we determined that really that number could have been larger if we had had sufficient funds, because there was \$290,000 that we did not spend here. The table at the top, and this is in your packet as well if you need to zoom in to this presentation, shows the number of replaced vehicles and again, we follow guidelines, unless we don't have funds like in Water. We follow guidelines of our Fleet Administration, City-wide guideline for replacing our vehicles and in the case of Solid Waste, we're starting to stick as close as possible to the Rate Case Plan that we have those series of replacing schedules in the Rate Case so that when someone in the future asks, well, yes, we complied with what we said we were going to do.

The next table that Chris put together is backhoe, ditch witch, loaders, forklifts and trailers. That includes equipment that may be also for gas or compressors, or things like that. This is without a person having to drive it, this is equipment trailers, things that you pull that is not a vehicle. There are two tables and it shows you what the turnover is. In Water, we're not buying any of that additional equipment.

With that, Mr. Chairman, I believe that's all I have for the Budget. No big changes in what we discussed last time. The process is you approve the recommendation that gets attached to the City Council approval of the overall budget. The Council doesn't see the Utility Budget in this detail. In terms of projects, there's going to be two or three projects presented in City-wide projects. They will see every single fund summary that you have in your packet, they get incorporated into the overall City Budget.

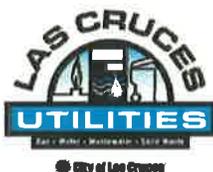
Chair Sorg: Thank you Dr. Garcia that's excellent.

Dr. Garcia: Questions?

Chair Sorg: Any last words or questions?

Pedroza: Congratulations.

Chair Sorg: Yes. Congratulations.



Dr. Garcia: It's a good healthy budget, but worrisome in the sense that we need to do something about Water.

Chair Sorg: Yes, we can see that. I just have one little comment, I'm just mildly surprised on how many vehicles it takes to run this Utility. It's incredible, I think.

Dr. Garcia: Yes, and you'll see the differential also between Utilities has to do with the fact that, if you recall, for example, the Gas Utility has 39,000 customers. That's about 7,000 customers more, and we have a lot of service men. You may have locators and servicemen; they have more locators than Water so they each have one vehicle, so it takes a lot of vehicles to run this 50 plus million operations.

Chair Sorg: Yes, it does. Very good. If there are no further questions, I'll take a vote on this.

Called for the roll on the Motion to Approve **Resolution 15-16-LCU020**. Commissioner Carmichael-Aye; Commissioner Pedroza-Aye; Commissioner Little-Aye; Commissioner Baumgarn-Aye; Commissioner Johnson-Aye; Commissioner Ericson-Aye; and Chair Sorg-Aye.

The motion was Unanimously Approved 7-0.

Chair Sorg: Next item on the Agenda is **Resolution 15-16-LCU022**: A Resolution Approving the Third Addendum to the Agreement of Compromise, Settlement and Release, Dated March 6, 2003, as Amended March 7, 2003 (First Addendum), and November 16, 2005 (Second Addendum), Between Doña Ana Mutual Domestic Water Consumers Association and The City of Las Cruces.

Pedroza: Move to approve.

Chair Sorg: Move to approve by Commissioner Pedroza.

Baumgarn: Second.

Chair Sorg: Seconded by Commissioner Baumgarn.

Chair Sorg: Okay. What's this all about?

Widmer: Mr. Chairman, Commissioners. Quite a few years ago, there was a settlement agreement between the City of Las Cruces and Dona Ana Mutual Domestic Water Consumers Association that primarily had to do with service area of both water and wastewater. Through the years, based on what was discussed, there's just been a little bit of tweaking. For instance, the first addendum clarified more of a use of easement between the two of us. The second one further clarified service areas. The third one, I'm going to talk about the highlights so that you understand that from the settlement agreement up until this point, any services for wastewater North of the City Limits and West of I-25 were considered interim customers. That meant that if Dona



Ana Mutual Domestic ever had a plant North of us, all of those customers would eventually turn into theirs. We've been working with Dona Ana Mutual Domestic for quite a few years going back and forth. We're excited about this third addendum highlights and of course in the packet you probably saw that their Board has already approved the agreement and signed it, so that you all would understand that they have been fully positive about this and they're ready to move forward.

Part of the highlights is it finalizes Water and Wastewater collection service areas, and in a moment I'll show you a little bit of the difference between the two. It also allows the City to revive Wastewater treatment services within Dona Ana service area, but it's going to be permanent. It also allows Dona Ana Mutual Domestic to provide Wastewater collection services in their service area. They'll be collecting the wastewater and sending it to us, we'll be billing Dona Ana Mutual Domestic. It also allows Dona Ana Mutual Domestic, in the event they do decide that they want a Wastewater Plant, to actually develop it, but they will let us know when they're going to do it, what the dead line date is and anything after that, people that connect will be connecting to them as opposed to us, but those that are sending wastewater to us will continue to send wastewater to us on a permanent basis. There's approximately 69 customers that are existing, that are our City customers that were originally considered interim that will be turned over to Dona Ana Mutual Domestic, but we will be collecting the wastewater and we will still continue to collect the revenue. To give you an idea, this is what the service area from the second addendum looked like. I know that's very small, but that's pretty much the Northern side of the City from the river up into the East Mesa. You'll pay particular attention to this area here.

Chair Sorg: Where is that again?

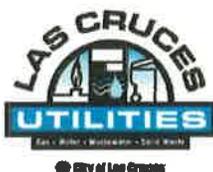
Widmer: It's very difficult to see, so if you'll look primarily in here, that service area has increased. It used to go pretty much along here, we've obtained that area and a little bit down here. Actually, there's probably a little bit down in here too. The lines are pretty much the same, but the nice thing is that it provides them a little bit with the base to get started. It also allows us to be the permanent wastewater treatment supplier until such time that they say, "Okay, we won't be sending any more to you."

I will stand for any questions you may have.

Chair Sorg: Commissioner Ericson.

Ericson: Can you go back to the first slide on the highlights? If I understand this correctly, if we have somebody that's getting their water and they're on our sewer system now, do they stay as a customer for the City permanently? Did I understand that correctly?

Widmer: So how this is going to work, those that are in their service area, we will be billing Dona Ana Mutual Domestic for the wastewater services that those people use. They'll become Dona Ana's customers, but Dona Ana becomes our customer.



Pedroza: Until such time that they create their own.

Ericson: If I have a house in the North Valley just North of the boundary and I tie in to the City's wastewater treatment sewer system, am I the City's customer or Dona Ana's customer?

Widmer: We would be transferring you to Dona Ana Mutual Domestic so that you become their customer.

Ericson: So I'll pay my wastewater bill to them?

Widmer: Yes, sir.

Ericson: Okay.

It goes on to talk about wastewater treatment services with their own Wastewater Plant on the second to the last bullet. The wastewater from my house is going to the Wastewater Treatment Plant out here. If they build their own Wastewater Treatment Plant, are they going to install a series of lift stations? Because last I recall, wastewater ran downhill. It would seem to me if I'm just North and it's currently running downhill to go to their Wastewater Treatment Plant, there's going to have to be a lift station built. Is that not correct, or am I missing something in this view?

Widmer: Mr. Chairman, Commissioner. If you're sending your wastewater to us for treatment and they build a plant, you will continue to send your wastewater to us.

Dr. Garcia: Mr. Chairman.

Chair Sorg: Yes.

Dr. Garcia: If I may add. The scenario that Commissioner Ericson is describing is what would happen today without this third addendum.

Widmer: That is correct.

Dr. Garcia: We decided to negotiate something that we don't have these interim customers when we accept development and say, "Let's just clean the areas, there's 69 customers which will still get the wastewater, but we're going to retain the customer that would have otherwise gone to Dona Ana Mutual at some time". The scenario that he was describing is what the current second addendum would contemplate. I know it doesn't make sense from the engineering point of you of lifting and taking it away, but that's what the addendum says today, the number two addendum. Number three addendum cleans that up and lets us keep customers instead of incubating customers for them, once they are nice good customers we give them back to them, that will not happen under this addendum, correct?



Widmer: That is correct. Any development that comes in that starts sending their wastewater to us from now until they tell us otherwise, they will stay sending their wastewater to us. We won't be incubating any customers anymore.

Chair Sorg: Yes, go ahead Commissioner Ericson.

Ericson: In past history with the predecessor to Dona Ana Water and Picacho Hills, that Utility, there was a sizable minority who were significantly concerned about rates, that Picacho Hills water and wastewater was charging them what they felt was an exorbitant rate compared to the City of Las Cruces. It got to the Council and the Council wisely chose to not get involved in that little fight. Is there a potential for that similar type of issue to come up in the future, on customers getting a significant cost differential that is going to become a political issue? It may not directly impact the City, but you're going to see shock waves coming that have some relationship to the City. The Council can say it not our circus, it's not our monkey.

Widmer: Mr. Chairman, Commissioner. The only ones at this point that may make a comment would be the 69 that would be transferred, because it's up to Dona Ana Mutual Domestic to do whatever they're going to do, because Dona Ana Mutual Domestic we will charge them based on our tariffs.

Ericson: Is there any probation in this to avoid us becoming a profit center for Dona Ana Mutual?

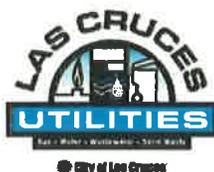
Dr. Garcia: Mr. Chairman, Commissioner. We have no control of Dona Ana Mutual Rates, so they could add 10% to our rate. What is important is, and another change on what Adrienne just brought up, the current addendum agreement implies, because it's really designed for the village of Dona Ana rates, that we need to charge the county villages rate from our tariff. One thing that we wanted to clarify in this addendum, and I don't think I see it in the summary, is that now we will be paid by Dona Ana our applicable tariff. A City resident on our system, Dona Ana needs to give me the same amount of money for the City resident on their system to us because the village rate would have subsidized. We cleaned that up too because said we can't live with that differential across that blue line, that's the good news. They may add to that resident of 10% or whatever they want, but they have an appointed Board.

Ericson: I assume they have to go to the Public Regulatory Commission.

Dr. Garcia: No, they're Board regulated but our rates are public. A citizen on their service area or a customer from them that is getting water from them and now wastewater from them will know what they have to pay us because our rates are very transparent.

Ericson: Is this the final addendum?

Dr. Garcia: Mr. Chairman, Commissioner Ericson. We tried to improve this and this one took what, three or four years?



Widmer: Yes, it did, so we're definitely hoping that this is the last one because the last thing that was causing issues was interim customers, and how do you plan for capacity in your plant if you only have interim customers.

Ericson: True.

Chair Sorg: Okay, one little quick question. Will these 69 customers ever be billed or become a City customer for the wastewater? They never will be; they'll always be Dona Ana Mutual?

Dr. Garcia: Mr. Chairman, Adrienne isn't it true that a lot of these customers are outside City Limits right now like Los Venados? It's a subdivision that is outside.

Widmer: Mr. Chairman, Commissioner. All 69 of these with the exception of one of the schools are outside of the City Limits already.

Chair Sorg: You mean Vista Middle?

Widmer: Yes.

Dr. Garcia: Let me add one more thing that this addendum is going to add even though we need to do that. We will make sure that now we also segregate physically the sewer system so that none of our customer wastewater goes into their line or the Dona Ana County line that you're familiar with that they built in the '90's.

Ericson: The high pressure in the ground.

Dr. Garcia: High pressure in the ground. Through this addendum we'll segregate, and we need to build some pipeline, but then we will physically segregate our sewer as well so that our sewer doesn't go into their lines or into the Dona Ana County line. They have a deal with Dona Ana County that that line that was built with colonia monies will go back to Dona Ana. We couldn't get it because the City has too much money, so we couldn't get it. You may remember the discussions in the '90's. This addendum will allow us to clean up some of the physical disposition of the wastewater as well. Correct?

Widmer: Mr. Chairman, Commissioner. That is correct.

Ericson: How many existing future City residents, this is probably for the two Councillors who happen to be City voters, are going to be billed by Dona Ana for sewer service?

Widmer: Mr. Chairman, Commissioners. There's quite a few people that live in the City of Las Cruces limits that are actually required to get Dona Ana Mutual Domestic's water already, so that's not going to be a surprise to those customers.



Chair Sorg: New development will be on Dona Ana rather than the City?

Widmer: Mr. Chairman, that is correct on the North side of the blue line.

Chair Sorg: My blue line here is different than yours there, I don't get that line. I see there's that large green area there up in the very top that's undeveloped, totally undeveloped and bits and pieces between Angler and what is actually Tucson Ave. the blue line follows Tucson Ave. I believe or off of Del Rey. It's actually one block over from Tucson. It doesn't matter, we'll go on. If there's no further questions or comments, I'll call for a vote.

Called for the roll on the Motion to Approve **Resolution 15-16-LCU022**.
Commissioner Ericson-Aye; Commissioner Johnson-Aye; Commissioner Baumgarn-Aye; Commissioner Little-Aye; Commissioner Pedroza-Aye; Commissioner Carmichael; and Chair Sorg-Aye.

The motion was Unanimously Approved 7-0.

8. OLD BUSINESS

Chair Sorg: Any Old Business? By anyone? Any Old Business Dr. Garcia?

Dr. Garcia: No Mr. Chairman.

9. NEW BUSINESS

Chair Sorg: Any New Business?

Dr. Garcia: Not from staff, I believe. One item, Dania do you have the date? Or maybe Mr. Kemmer. Let's provide the Board a date of the Airplane Park just for the record to make sure. Dania will send it through email, but we'll inaugurate the Airplane Park and there's going to be a fly-in and all those good things.

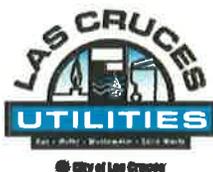
Kemmer: Yes, it will be a grand opening of the Model Airplane Park on Friday the 22nd at 10:00 a.m. The Old Foothills Landfill and yes, they'll have a flying demonstration there. The State will be down and NMED will be down. This is something unusual for them, so I'm sure it will be a nice celebration there. I welcome you all.

Chair Sorg: Very good.

Dr. Garcia: Thanks Klaus. We want to make sure and you'll be invited in your Outlooks. That's all we have, Mr. Chairman.

11. BOARD GENERAL DISCUSSION

Chair Sorg: Any comments from the Commission? Yes, Commissioner Carmichael.



Carmichael: Just one, just a question whether it would be a good idea or not at some point if this Commission heard a brief Water Quality Report, just for the record perhaps. I know we have the Annual Water Report, we got a press release with all the information that's been generated through the lead issues and so forth. Would it make any difference to be on record as having heard a report perhaps and then open for discussion 10-15 minutes at some future meeting?

Dr. Garcia: Mr. Chairman, Commissioner Carmichael. We can certainly do that and we were planning also, maybe not next month, but bring also the Groundwater Monitoring Program that Annie McCoy brought up today. You need to be briefed on that. It's on our webpage and that's a little summary of water quantity, the water levels that we're monitoring, describe the program, and also look at the Quality Report. We can do it all together and we could do it in the Administrative Report, no need for a Work Session.

Carmichael: Okay.

Chair Sorg: Okay. Commissioner Ericson.

Ericson: Has anything come of the Southwest Environmental Bosque Project that we dealt with a couple of years ago, or is that still on hold?

Chair Sorg: Bosque?

Dr. Garcia: Adrienne, do you want to address that? It's the Water Rights lease that we authorized for the La Mancha Wetland, I think he's talking about that one.

Widmer: Mr. Chairman, Commissioner. The State Engineer acted on the well permit, so it's completely up to them to go ahead and finish their development and put them to use.

Ericson: Okay, so we've done our part?

Widmer: Mr. Chairman, Commissioner. Yes, sir.

Ericson: Okay, thank you.

Chair Sorg: Any other comments? Commissioner Little.

Little: I spent the morning at the Children's Water Festival, and it was a really satisfactory event. It was well organized, it was well run. The kids were all appreciative and eager to learn. Our new Water Conservation Program Coordinator did a great job in the 30 days available to her and she deserved more than just one pat on the back for that.

Chair Sorg: Very good.

Dr. Garcia: Thanks for the comment.



Chair Sorg: Okay, if there's no further comment I'll entertain a motion to adjourn.

12. ADJOURNMENT

Baumgarn: So Moved.

Chair Sorg: Commissioner Baumgarn moved to adjourn.

Little: Second.

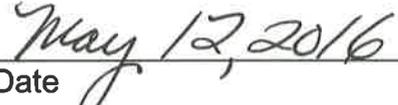
Chair Sorg: Seconded by Commissioner Little. All in favor say aye. Meeting adjourned.

The motion to adjourn was Unanimous 7-0.

Meeting adjourned at approximately 4:08 p.m.



Gill Sorg
Las Cruces Utilities Board Chair



Date

