

Las Cruces Utilities
Minutes of the Work Session Meeting on
Thursday, March 14, 2019
1:00 pm
Utilities Board Room 225

Board Members Present

William Little, Chairman
Ed Archuleta, Vice-Chairman
Steven Baumgarn, Commissioner
Jim Carmichael, Commissioner
Dr. Harry Johnson, Commissioner

Board Members Absent:

Gill Sorg, Commissioner
Gabriel Vasquez, Commissioner

Ex-Officio Members Present:

Stuart C. Ed, City Manager (arrived at
1:13pm)
Jorge A. Garcia, Utilities Director

Others:

Becky Baum, RC Creations, LLC
Craig Hannah, Johnson Controls, Inc.
Eric Harrigan, Royal Bank of Canada
Cassie McClure, Pubic Outreach Consultant
Suzanne Michaels, Public Outreach
Consultant
Harry Romine, Johnson Controls, Inc.
Susan Schmutge, League of Women Voters
Greg Shervanick

City Staff Present:

Maria Cheng, Interim Budget Analyst
Carl Clark, RES/TS Administrator
Jeff Dillard, Business Systems Analyst
Marcy Driggers, Sr. Assistant City Attorney
Berta Garcia, Office Assistant Senior
Lucio Garcia, Gas Distribution & Construction
Administrator
Robin Lawrence, Solid Waste Administrator
John Mrozek, Wastewater Administrator
Jose Provencio, Business Services
Administrator
Mario Puentes, Gas Business Analyst
Domonique Rodriguez, Rate Econ. Analyst
Manager
Alma Ruiz, Officer Manager Senior
Victoria Strouse, Office Assistant Senior,
Temp
Adrienne Widmer, Water Administrator

Chair Little called the Work Session Meeting to order at approximately 1:00 p.m.

1. Joint Utility Bond Coverage Review, Projection, and Capacity.

Dr. Garcia: Thank you Mr. Chairman, Commissioners. Several months back we discussed the possibility of looking at the long-term financials. I know we've been working on rates as you well know. Incorporating that into future projections and cash flow. We sat down with our Financial Advisor who is Eric Harrigan from RBC and he's here today to give you an overview as to where we are, where we're going. He's incorporating some of the assumptions in the data from Stantec as far as water and wastewater, and so he's here to present and then we'll address questions. With that, Eric.



Chair Little: Before we start is it appropriate to hold our questions or to interrupt with questions?

Dr. Garcia: Mr. Chairman. Ideally let's go through the presentation and then we can always flip back and forth on the charts.

Chair Little: Great. Thank you.

Harrigan: Great. Thank you, Dr. Garcia. Chairman, Members of the Utility Board. Again, my name is Eric Harrigan. I'm with RBC Capital Markets in Albuquerque. We're the City's Municipal Advisor. As Dr. Garcia mentioned we have put together a presentation and have put together over the last few months sort of an update to the Utility's long-term financial plan. For a couple of reasons; one, to determine what from a bonding capacity the updated Utility Rate Resolutions, their impact, not only when the Utility will meet its rate covenant requirements as well as meet its additional bond requirements. We'll kind of talk about the financials in a couple of ways; one from sort of a bonding standpoint as well as what are the future long-term projections of the Utility. The goal of the finance plan is; one to try to be relatively conservative in our assumptions so that as we talk about the revenues and expenses and the capacity that we hope that these numbers will be generally a little bit on the conservative side. I always like to look at these models as sort of kind of a living, breathing model that we want to update on a periodic basis to make sure that the assumptions that were used actually did come true or if they changed in either a positive or negative manner how does that impact the capacity numbers that we talked about.

Harrigan: You should have a hard copy of the presentation if you want to follow along, but I will go ahead and page through the presentation as well that is up on the screen. We thought we would start off by talking about the Utility's outstanding debt obligations and currently the Utility has a total of seven different bond issues on the senior lien and then there is a subordinate lien and as you may recall the subordinate lien was used to fund the energy performance or the automatic meter reading contract that was done last year. These revenues are, or that service is really paid from the potential revenues generated from the automatic water meters as well as some of the operational expenses that that project identified. That Debt Service if you will, is really paid from those sources and that's why we put it on the subordinate lien.

I wanted to talk a little bit about from a legal standpoint what the various requirements under the Master Ordinance because this does play in a large part both in timing and capacity in the Utility. I think there'll be a lot of questions surrounding this once I finish the presentation possibly. The Master Ordinance essentially lays out what the legal definition of pledge revenues is, and that's important because when the Utility goes to issue its debt it has to



meet certain minimum requirements. The pledge revenue is really designed to capture what are the true revenues after your operational expenses that are going to basically be ongoing. When you look at your audited financials, the auditors will put in depreciation. They have to, but that's a non-cash item. It really is designed to capture what the depreciation in the Utility's assets on an annualized basis are, but it's not cash out the door. The pledged revenue's designed to try to capture what are the true revenues that are available after paying operational expenses to then be able to pay Debt Service. We focus on this because; one, you want to make sure that you have sufficient revenues after you pay your expenses to not only pay your Debt Service but to also pay for ongoing rehabilitation and maintenance in your system on a cash basis so you're not always having to borrow money to fund your infrastructure.

There are two main covenants if you will which is when you go to issue debt that you have to meet, and the first one is the additional bonds test. Effectively what that is, that is an investor protection so that once you issue those bonds that the Utility can't go out and issue additional bonds and put on a bunch of debt without meeting certain requirements. Under the additional bonds test, the City has to show that at a minimum the pledge revenues projecting out with the addition of the new debt is at least 125% of all of the outstanding debt plus the new Debt Service that is going to be issued.

Then the other one which is really an ongoing covenant is a rate covenant. Again, this is an investor protection to say that if the pledge revenues drop below a certain coverage level, that the Utility has to go in and hire a rate consultant and then raise revenues sufficient to be able to meet that level. Again that is also 125%. If your rates drop below 125% or if your revenue drops below 125% of the Debt Service, the Utility's effectively convening that it will levy rates and charges sufficient to be able to meet that covenant.

To kind of get into the numbers a little bit and I don't want to get too much into the weeds and the numbers but I think it's important to kind of look at what has been the history of the Utility's pledge revenues. This is effectively what that calculation is. We look at all of the total operating revenues that are identified in your audit. We take out the cost of gas and water, and then also subtract out the operational expenses. Then there are certain items that we add back like I mentioned depreciation, amortization which are kind of non-cash item, payment in lieu of taxes, and then also investment income. We get to effectively a pledge revenue number. That number has been as high as \$13 million in 2015 and then as low as \$9.3 million in this most recent fiscal year, meaning fiscal year 2018.

Looking back and taking into consideration the Debt Service from an annual basis, your Debt Service coverage was at a high point of 2.18 times or 218% of the Debt Service, down to a low of fiscal year 2018 of 118%. In this



particular case, in fiscal year 2018 the Utility dropped below its rate covenant, however because the Utility had already prior to this time engaged a rate consultant, was looking at rates, the City and the Utility were effectively compliant with what was required.

Now that we kind of talked about what that pledge revenue is, what the calculation is, and the various requirements to be able for your rate covenant to issue additional debt, wanted to talk about the cash flow assumptions that we've used. This was developed in collaboration with the Utility and making sure that we weren't getting too aggressive on rate assumptions or on expense assumptions, and also taking into consideration the rate revenue projections that were provided by Stantec. This Pro-Forma was developed so that we were evaluating each individual utility; Gas, Water, and Wastewater separately; and then as a combined basis.

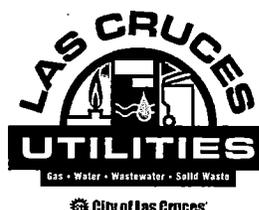
For Water and Wastewater revenue we projected the rate revenue increase as provided by Stantec in the rate study, but no growth in base revenues, if you will, over the next 3-years, which we felt was conservative. No customer growth or not capturing potential increase in usage. At the same time though after that point we were growing revenues at about 2.5% a year. From an expenditure standpoint, however, we projected 3.5% growth in expenditure starting in fiscal year '19. Even though we weren't growing your baseline revenues, we were just taking into account your new rate revenue. We were growing the expenditures by 3.5% a year projecting that out. The goal is to maintain the long-term Debt Service coverage at a minimum on a combined basis at 1.67%, to be consistent with the Utilities policy of maintaining that goal, which is really best practices because that means that the net revenue that you're generating from the system is sufficient to not only pay your Debt Service but also to reinvest and to pay for capital on a pay as you go basis. However, from each individual utility we maintained a minimum Debt Service coverage of 150%.

City Manager Stuart Ed arrived 1:13 p.m.

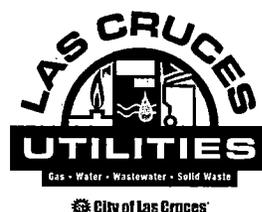
Maybe what I will do there, is that before I kind of get into the nitty gritty details of the capacity and timing and the Pro-Forma's, stop and maybe see if there's any questions that you all have for me.

Chair Little: Go ahead.

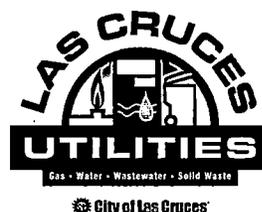
Carmichael: Just curious. The methodology has changed a little bit between the historical calculation and then going forward using cash flow, if I followed that correctly. You're using depreciation, as you said, and amortization to add back in the historical calculation and then using cash flow as the projection, and I'm just kind of wondering what the difference is.



- Harrigan: To answer your question, we're treating depreciation, amortization the same from historical on a going forward basis. When talking about, kind of a pay as you go, what I mean is because depreciation is a non-cash item we basically add that back because when we take out your total operating expenses, depreciation is included in your total operating and that's why we add it back, because it is a non-cash item. From a long-term Debt Service coverage standpoint, you want to be at least 1.5 to 1.6 times, that's a good, because what you're doing is that you're generating enough net revenues to cover 160% of your Debt Service. That additional 60% is then there, is really bottom-line money that can go towards reinvesting in your infrastructure on a cash basis instead of having to just borrow for your capital infrastructure, because obviously by borrowing it you're borrowing over 15, 20, 25-year basis depending on what that is. Whereas if you're doing pay as you go and you're continuing to reinvest in your system, because we all know that with utilities we have aging infrastructure, there are breakages and you want to have sufficient cash flow annually as well as fund balance to be able to take care of sometimes those emergency repairs that are common with the Utility.
- Carmichael: Okay. Thank you.
- Archuleta: I have a question Eric. First of all, do you clear the impact fees in the calculation?
- Harrigan: Impact fees are included in the operating revenues. That's correct.
- Archuleta: Because they can be variable as you know.
- Harrigan: Absolutely.
- Archuleta: The second question is the last time we issued bonds what kind of comments did the rating agencies have with regard to the Utility?
- Harrigan: The Utility's bond rating is Aa2 by Moody's. The last time that the Utility issued debt it maintained that Aa2 rating. There are comments mostly centered around the fact that there was good delineation between how the Utility Board discusses rates and the process that the City uses is quite a bit different and in a positive way compared to a lot of communities that issue utility bonds. The other comment was that the Utility has had historically very strong Debt Service coverage which is one of the reasons that the Utility has been able to maintain its Aa2 rating. The goal with this cash flow is to bring the City back to its historical levels of Debt Service coverage.
- Archuleta: Were there any comments with regard to litigation?



- Harrigan: Not really. I mean they always ask if there are any significant litigations that could negatively impact the expense or the revenues. At the time that we had that call there were no such, that I was aware of, there were no such significant litigations that would impact the Utility's operating ability.
- Archuleta: Great. Okay, but they could be going forward. Thank you.
- Chair Little: Anybody else? I have two. First of all, when they asked about litigation and you said "None to our knowledge" was that because of Texas v. New Mexico and Colorado was too far in the future?
- Dr. Garcia: I'll answer that Mr. Chairman. I believe in the last rating that we went through with the performance contract, I think the question came up and one of the things is that yes the future look at that litigation would mean since 2014, it was filed in 2014, it was disclosed that there is an Interstate litigation and then we disclosed also the Adjudication. At the same time, we also disclosed the fact that we had acquired water rights from the other company, Jornada, and we disclosed that those were the two main issues in litigation. Now as far as future impacts, the question didn't come up and we did not speculate as to what a future impact on the Texas v. New Mexico would be or something like that.
- Chair Little: Thank you. The second question is, in all of your analysis at this point, did you do anything that differs from what we might understand as common industry practice?
- Harrigan: The answer to that is no. This assumes best practices from a utility management and financial. In looking at, again as I mentioned from a Debt Service coverage as well as from a projection of operational expenses versus growth and operational revenues.
- Chair Little: That's a backhanded way of asking if another analyst would have come to similar conclusions and it sounds as though they would have.
- Harrigan: I would think so.
- Chair Little: All right. Thank you. That's it.
- Harrigan: Okay. When we get into the actual coverage, we want to look at what is the Pro-Forma coverage going on, on a forward-looking basis as well as what is the capacity under the assumptions that we provided in the model. After falling below the rate covenants we just talked about in 2018 with the assumptions that we talked about, the Utility is expected to be above that covenant and back to close to it, it's more in line with what it historically has been at in fiscal year 2019 of Debt Service coverage of 1.49 or 149% and then two-times by



the end of fiscal year 2020. If we look at what the capacity based upon that projection is, towards the end of fiscal year 2020, we would be looking at in the Wastewater Utility about \$8.2 million, in the Water Utility \$6.8 million, and in the Gas Utility of about \$11.8 million. As additional debt is paid off, that frees up future capacity and in fiscal year 2025 there's additional capacity under the Wastewater Utility of \$9.7 million, and the Water Utility of \$13 million. There will then again be additional capacity about every two or so years thereafter as existing debt pays off and as your Debt Service falls in 2027 and beyond.

We have included for your purposes the detail if you will, apologize for the reading test up here, but we wanted to provide the raw data, if you will, behind the capacity that we talked about. Again, what our long-term projections and goal is, is really sort of focusing on what is the Debt Service coverage provided in the future. You will see that in 2018 as we talked about already your Debt Service coverage was 118%. In 2019 it's projected to be 149% and then in 2020 right at two. With the issuance of that debt on the capacity that I talked about, that will drop the Debt Service coverage down to 169% in 2020 and then it creeps up incrementally from 2021 and there on.

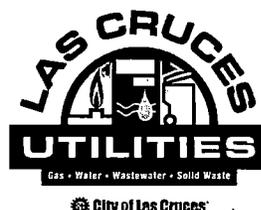
What I do want to note though is that this accounts only for just the Water and the Wastewater revenue increases if you will. It doesn't account for any future rate reviews in either Water, Wastewater, or Gas, it's just Water and Wastewater. We have provided the breakout of Water which you'll see that the annual Debt Service coverage for Water is just over 100% in '18, goes up to 132% in '19, and then by 2021 we're at the 1.67 level. Then in Wastewater, Wastewater currently we are actually below 100% on the Debt Service coverage but we'll take that up all the way to a little over 1.5-times by 2021, again this includes the issuance of additional debt in 2020. Then in Gas, the Gas Utility has fairly strong Debt Service coverage and if we look at what the future Debt Service coverage is on a going forward basis, we have again included that capacity while the gas system itself would have additional capacity under its Debt Service coverage, we also look at it on a combined basis. Since we hit that 1.67 times Debt Service coverage cap on a general basis, we have assumed no additional capacity in the gas if that makes sense.

I wanted to try to cover this at kind of a high level and I'm happy to answer any questions that you have. If you would like for me to get a little bit more in detail on the cash flows, I'm more than happy to do that, but I wanted to make sure that we had sufficient time for questions, and that I can walk through anything that you'd like to discuss.

Chair Little: Okay. Questions? Dr. Johnson.



- Johnson: Just a couple of things. In looking at the individual ones, Gas drops markedly after 2020 down to about 200% from 9.5% before that, is there something in there that explains the drop or not?
- Harrigan: That assumes on page six of the presentation when we listed the various capacities, that assumes that there are about \$11.8 million on the Gas side was issued when we determined what the capacity was for the Utility, and that's why you see the drop.
- Johnson: Then on Water and Wastewater there was a big jump from 2027 to 2028, not as quite as marked as with Gas and again is that just because of some of the assumptions that were made in there.
- Harrigan: That's correct. What you'll see going back to page two, that the 2010 bonds which was a refunding of existing debt for interest rate savings, that's about \$2.5 million in annual Debt Service which most of that falls on the Water system. That will get paid off in 2027. You see the Debt Service coverage jump in 2028.
- Johnson: There must be something similar in Wastewater because it has just the same jump.
- Harrigan: That's exactly right. You're exactly right.
- Johnson: Okay.
- Chair Little: Commissioner Carmichael.
- Carmichael: The Pro-Forma projection assumes that we exercise all available debt.
- Harrigan: That is correct. This is really kind of a max if you will.
- Carmichael: Right. That's what I was referencing. All right. Thanks.
- Harrigan: I believe that brings me to the end of this presentation. We did just for informational purposes, in your handout just have some general market commentary on sort of what's going on in the current tax exempt and bond markets. Just to kind of recap that real quickly, after hitting sort of a high over the last 12 months in October, long-term rates have started to come down and that's due in part to a couple of reasons; one with the Federal Reserve announcing that they were going to take a more conservative approach than what was maybe initially thought by the market in their overnight lending rate increases that they wanted to sort of see how the economy was going to shape up, to what was considered generally a pretty poor jobs report.



The last time it came out the economy only added about 20,000 jobs and that partially could've been due to the government shut down as well as there has been slow downs in both the Chinese economy as well as the European economy which is also driven down those long-term rates. We're still not at the level where we were a couple of years ago where we were seeing all time low long-term borrowing rates, but we're down about 70 basis points from where we were in October of last year. Still a lot of demand for municipal bonds out there. As the threat of volatility or recession looms people want to put their money in safer investments which is generally bonds and municipal and treasury.

Chair Little: Other questions? I have one. As Commissioner Carmichael asked this presupposes that we borrow all we can?

Harrigan: That is correct. From a cash flow standpoint, we tried to identify what the capacity in the Utility was. Of course, your Capital Improvement Program will drive what your actual needs are. This is really from a cash flow standpoint if the revenues and expenditures perform as in the model, that is what your kind of maximum capacity if you will be.

Chair Little: Okay. Anything else? Thank you.

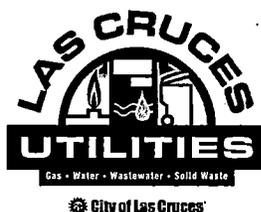
Harrigan: Thank you very much. Appreciate your time.

2. Advanced Metering Infrastructure (AMI) Customer Web Portals.

Dr. Garcia: Mr. Chairman. The next item is the Advanced Metering Infrastructure (AMI) Customer Web Portal presentation. Craig Hannah from Johnson Controls will do the presentation and then we'll entertain some questions.

Hannah: All right. Good afternoon. If you will bear with me just one minute while I get the presentation running. Thank you. Appreciate the opportunity to present to you the work that your staff and Johnson Controls has done regarding the customer web portal. If you can't hear me or need me to speak up, please let me know.

When we first began looking at customer web portals the Utility gave us three criteria; one was they wanted a single sign-on so that a Las Cruces Utilities customer would not have to login to their Gas account, log out, login to their Water account, log out, and then perhaps login to the greater Las Cruces Utilities web site as well. We wanted one single sign-on so a customer could go to either the master utility home page, to their water account, or to their gas account. Make it as simple as possible. Then they wanted a customer web portal that would be supported by your current Utility billing system, obviously. Then during the early part of the selection, you selected Paymentus for your



online payment option, so we obviously wanted a portal that would support the Paymentus payment option.

Here's a brief timeline of where we are. When you first launched your pilot AMI system project you selected or you purchased the Itron water and gas customer portal. I must say you're in a unique position. There are over 5,000 water utilities in the United States of America. There's a tremendous market for customer web portals for water utilities. On the other side there are very few gas, or most gas utilities are investor owned. There's not a large market for customer web portals because there's just not much market there since its all investor owned. Most of them are owned by investors. Your choices were rather limited and I think you'll see that as we go along.

In late October of last year, I delivered a work shop for the Utilities staff where I presented all of the different combinations of water and natural gas portals, their relative strengths and weaknesses, and at the end of the presentation your staff narrowed it to two rivals; one is a company called UtilityHawk. They're out of Colorado Springs, Colorado. The other is a company called Smart Energy Water. They are out of San Francisco, California. Your staff had a series of questions that they wanted clarified and so we issued the additional questions to both of the firms. We received a response in November and then at the end of January this year we invited both Smart Energy Water and UtilityHawk to present before the staff to answer their questions and to do a live demonstration of their software.

The next few minutes if you will indulge me, I'd like to look at what is available today. As you can see, we have five choices for your review; one is the Itron water and natural gas portal that you purchased as part of your pilot project. I think that you will see the Itron portal is a good portal. It's primarily designed for your customer service staff. It's not a very sophisticated portal. It does not offer a lot of features and benefits that others do. If I were a Las Cruces Utility's customer, I would probably be desiring more options that are available through the Itron portal.

Another option is what is called Dropcountr. That is not a mistake. They did not forget the "e." That's just the way it's used to market themselves. It is a little bit different in that for end users, your account holders, it would be an app for their smart phones. Now, the Las Cruces Utility staff would have a portal but the portal is designed solely for staff use. It is not designed for your account holder use. Then Dropcountr only for water, so then you would need the Itron gas portal.

The third option we looked at is WaterSmart for your water and Itron for your natural gas. I said at the beginning of this presentation that Itron's portal is a very basic portal, it's primarily designed for your customer service



representatives, to illustrate that fact, Itron themselves having knowledge that they're portal is rather basic and if it's a water only customer, Itron themselves chooses WaterSmart. They don't even go with their own portal for a water only account. Now when you go with a gas account it complicates the situation. That's where we are.

We looked at WaterSmart for the water and Itron for the gas and then we also looked at UtilityHawk and Smart Energy Water. Both of those two portals will support water and natural gas, so you'll have a uniform look. This right here is a screen shot. I don't expect you to read it, but this is a screen shot of the Itron portal. As you can see it's a very basic screen. It shows you consumption daily which would be on the upper right, on the bar chart, and then monthly which would be the bar chart on the lower right. Then you have a historical comparison by year of your previous bill and that is all there is. That's all that is available in Itron.

The next one is the Dropcountr app. Again, this is for water only. Your gas will be using the Itron portal that you just saw. One of the things I liked about the Dropcountr app is it offers Spanish as a language of choice, so when you enroll in the Dropcountr app you can select Spanish as your primary language, but again that would not apply to your Itron portal for your natural gas customers.

This is an image of a screen shot for the staff portal that the Las Cruces Utilities staff would have access to, but again your account holders, your individual account holders would not have access to this particular portal. All they would have is the smart phone app that you see right there.

WaterSmart, very sophisticated, very nice portal with many very useful features for your account holders, very intuitive to use. It's available either on a tablet, smart phone, or traditional computer, laptop computer. Again, it does not support natural gas, this would be for your water customers only. We would go with the Itron for the natural gas.

This is a screen shot for the UtilityHawk. This is your water screen shot and again I apologize for it being so small as it is displayed but it is very customizable up there in the upper left you can have the Las Cruces Utilities logo, their icon. There's a single login for home, for your water, for your natural gas, and also offers bill presentment. I think we'll show that in a minute. At the very first, at the upper left corner it gives you all of your account and contact information. In the middle it tells you your estimated bill for water and then you can click on gas and it will give you your estimated bill for gas. It will also show you your usage for water, your usage for gas to date. In the upper right side, you'll see any alerts or alarms.

In other words, if it appears there's a leak at the property that has a toilet that has a leaky valve you can send them a notification right there that says you



might want to examine that to lower your water bill. Then here at the bottom is a graph that shows water usage, average temperature, and rainfall. You can compare your usage against those three accesses, and you can also configure that easily for a certain period of time, be it one day, two days, three days, a month, a month and a half, as well as 12 months. It's a very useful tool for your water holders.

This is the gas account. It's very similar to the water. You have one format for your customers to learn. Same information as in the water side, just different units. Instead of K-gallons it would cubic feet of natural gas.

Smart Energy Water, this is the other portal that is available for both water and natural gas utilities. This is their home screen. This is what your account holders would see when they access the portal. As you can see up at the top there is a whole list of icons; my account usage, billing, outage notifications, other notifications; for example, service is going to be interrupted on Motel Street due to a water main break. I don't want to jinx you Dr. Garcia, but just using that as an example. Compare your usage, water and gas. It can either have a service request. There is an icon there that you can select to notify the Utility that there is an issue with either your water or your gas service. There are also links that you can go to for water conservation tips, gas conservation tips.

It's a very useful portal for an account holder. Gives them a tremendous amount of information but in an easy to read, easy to access format. There is your water page and you can see at the top it gives you your average monthly bill, your highest bill this year to date, what your usage is to date. In other words, if it was the end of the billing cycle that's what's your bill would be and then it also says if this is your usage for the month then your projected bill is going to be that much. Your account holders can get an idea of what their utility bill may be if they continue with their current usage program. It also gives you usage and dollar amount as well for each month. Gas portal is almost identical, just different units. Those are screen shots of the different portals.

Next, we compared the actual features and benefits of the different portals. Again, I would encourage you to look primarily at the last two columns that say UtilityHawk and Smart Energy Water because those are the two portals that your staff have chosen as the finalists. Again, primarily for the reasons a single portal, a single look for both the water and gas that support the Paymentus billing system option. That's why we're going to focus, or with your permission I'd like to focus on UtilityHawk and Smart Energy Water. Data presentation, what this means, consumption. They can see how many gallons of water they've used, how many cubic feet of gas they've used, comparative analysis. They can look at their usage compared to this time last year or a year



to date usage compared to year to date last year. Dollars and cents, how am I doing, how is my bill in terms of dollars and cents compared to where it was last year. Do they support Paymentus? As you can see UtilityHawk and Smart Energy Water both can do a link to Paymentus so a customer can pay their bill right there. Both do support Spanish which would be very helpful. Both will gladly offer a single sign-on.

Both UtilityHawk and Smart Energy Water are configured to inform your account holder if there is a leak suspected on the property. It will also allow the user to set a threshold so that if the user says "please let me know if I am approaching 4,500 gallons in this billing cycle" it will send either an e-mail or a text alert saying you're approaching 4,500 gallons, so that way the customer can take appropriate measures to keep their bill within a range that they can afford. It does provide e-mail, text, and voice notifications and you can do bill presentment or statements.

As far as engagement, UtilityHawk will develop a survey for you if you want to survey your customers about either utility or the portal itself, what they'd like to see added to the portal. Smart Energy Water does not offer customer surveys. Both UtilityHawk and Smart Energy Water offer conservation tips for water and for natural gas. Those links are imbedded into the portals themselves.

Broadcast messaging, in other words if for example if you have to interrupt service on Motel Street you could notify all, you could just basically go in there to a map, select all the businesses, schools along Motel Street and send them a message saying "water service will be interrupted from 2:00 p.m. this afternoon to approximately 6:00 p.m. this evening" so that they could be notified about that ahead of time.

Group messaging. For example, a good use of this would be irrigation. If for some reason you needed to notify all of your irrigation customers that there was a main break and you didn't wish for people to irrigate today because of supply issues, you could just send a message to all of your irrigation meters.

Water/Gas reports. In other words, this is very similar to bill presentment. UtilityHawk and Smart Energy Water both allow you to create a goal and to track your progress towards that goal. The key advantage of that is it helps you financially because if the customers can track their usage, if the customers can set goals, the odds of you having an insufficient funds situation with account are greatly reduced, because they know ahead of time what the bill's going to be and they can take corrective measures. UtilityHawk and Smart Energy Water both will track the number of customers that are signing up for the portal and how frequently their using the portal. Do they use it one time just to create the account? Do they use it on a monthly basis? Do they use it



on a weekly basis? Also, if you have a property owner here that has multiple properties, they can check multiple properties at once without having to login to each account, that's very helpful for your property owners.

Financially, UtilityHawk and Smart Energy Water, the initial set up fees are reasonably close to each other. Both of them include the account holders support fee, so in other words if you have a customer call either firm for assistance that fee is included in the cost. The ability to send alerts varies. UtilityHawk is a \$1.25 per meter per year, Smart Energy Water's \$1.87 per meter per year. There's a little bit of difference on the ability to have alerts. Neither firm has a minimal contract, so if you decide that you're not happy with either firm you can end that service at your leisure. UtilityHawk does, if you'd like a special report and again this is something that is custom report for customers in Las Cruces Utilities, there is an initial fee with UtilityHawk. Smart Energy Water does not charge an initial fee for a special report, but again this is something that would be totally unique to some or all of your customers.

UtilityHawk will determine the cost, if a customer requests to have a printed report mailed to them, obviously there would be a fee for that and UtilityHawk would determine the cost for that once we negotiate terms. Smart Energy Water does not offer the ability to print reports and mail them to the end users. Neither of them offers the ability to print welcome letters, so that is an expense that Las Cruces Utilities would have to incur if they chose to send welcome letters encouraging people to sign up for the portal.

Group messaging, for \$657 a month UtilityHawk will allow you to send group messages up to 5,000 constituents. Smart Energy Water does not offer that. Training. UtilityHawk says that on-line training works best for them. They will be glad to come here to Las Cruces and train your staff, it would cost \$8,000.00 for that training. Smart Energy Water, the training cost is included in their initial fee. As you can see UtilityHawk, the estimated base annual cost without any of the options such as special reports, group messaging, things like that, the basic cost for UtilityHawk would be \$101,000.00 annually, and then \$151,000.00 for Smart Energy Water, so there is a little bit of difference between the two portals in terms of overall cost. Again, this is assuming that you give, that every one of your, you provide access to the portals for all water and gas customers. That's a decision that still has to be made.

This is where we are today. Your staff recommendations. Your staff recommends one portal to serve both utilities, Water and Gas so that way you have a common look, a common feel, common features between water and natural gas, as well as the ability to have one source of support, so they're not going to WaterSmart for the water and Itron for the natural gas for example. In order to meet those requirements, your staff chose UtilityHawk, Smart Energy Water. They're both fine portals.



Here we are for our next steps; would be portal selection and then once you have selected, to negotiate a contract with the chosen firm. Then there will be a period typically from one to three months for them to set up the portal to your liking because it's customized specifically for Las Cruces Utilities. Then it has to be tested to make sure that all the links work properly, all the data is imported properly from the billing system. It's typically a one to three-month period for the set up and testing. Concurrently with that there's also a marketing campaign to get your account holders interested and signed up for the portal when it's available, and then there will be a formal release. That's what I had to present. Are there any questions for me?

Chair Little: Questions? Dr. Johnson.

Johnson: It's not uncommon for people that own the rental units to have water in their name and then the gas goes into the renter's name. Do both of those accommodate so that as a renter I can look up my gas but I not access the water, and visa-versa for the property owner can access the water part but not the gas that he doesn't pay for?

Hannah: That is an excellent question. I had not considered that so I will have to research that and get back to you on that.

Johnson: Okay.

Archuleta: This software it's fairly new. It's been out maybe four or five years and as you said in your opening remarks there are not a lot of utilities that have gas and water. My question is how many accounts do each of these firms have right now?

Hannah: In the millions. They both have signed up with some very large cities.

Archuleta: UtilityHawk.

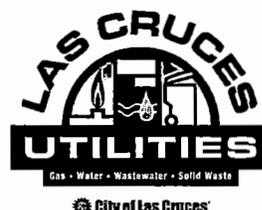
Hannah: Yes sir.

Archuleta: Which cities?

Hannah: I can get you that list.

Archuleta: All right. Because there's very few utilities that have gas. Memphis is one of them.

Hannah: I can present you with that list.



Archuleta: The second question is, has the Utility staff been out to visit these sites and actually ask questions with regard to the, some of the people that have had these in operation for a while. Has that happened yet?

Hannah: I will defer that to Dr. Garcia.

Dr. Garcia: No, Mr. Chairman. That would be something we'll consider doing. We want some feedback from the Board whether you want the presentation from the top two or more than the top two, number one. Then once we narrow down on one of the firms, we'll do a thorough background checks and potentially visit with those. At this point we're not recommending going and visiting two, or three, or four at this time. We need to know what you're thinking, what you want done, and then we'll narrow it down and then, because reference checks are going to be critical so we can call people that are using them.

Archuleta: There's a big cost difference also between the various firms.

Hannah: Yes sir.

Archuleta: I guess these are all negotiable fees, I assume.

Hannah: The cost that you saw in that presentation, we're assuming that every water account holder and every natural gas account holder signed up for the portal, and that's a decision that you will need to make. Some Utilities make a contract with the provider and then they pass the fees on to the account holders that sign up for the portal, so that way it's a pay as you go network. Other Utilities choose to make the portal available to all their account holders and then pass the cost for the portal to the account holder through a fee of some sort. That's a decision that you will need to make.

Archuleta: Can you provide us the list of the cities that are, especially from the last two for UtilityHawk and Smart Energy Water.

Hannah: Yes.

Archuleta: To Dr. Garcia. Okay. Thank you.

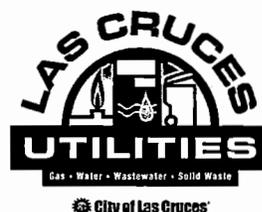
Chair Little: Other questions? I have just one question and then I'd invite the Board to talk. Who owns the data?

Hannah: The data is owned by you. It resides in your billing system. The portal providers basically go to the billing system, extract the data from the billing system and import it into their software.

Chair Little: The data do or do not reside in San Francisco or Colorado Springs?



- Hannah: The physical data will reside here in Las Cruces. They just access that data that resides here.
- Archuleta: It's through the Cloud, right?
- Hannah: It is through the Cloud, yes sir.
- Chair Little: Again, this is with the background of every system is vulnerable to being hacked and the data pirated for nefarious purposes, so how much of an additional exposure are we undertaking by asking for this portal in any of these vendors?
- Hannah: That is an excellent question. There is a risk. I will not deny that. Based on our conversations with the providers, the risk is minimal.
- Chair Little: Okay. Now as a Board let us talk among ourselves, remember this is a work session not a decision session, but speak to things like; are we content with only looking at the top two? Are we content with going with the staff recommendation alone? Are we interested in crafting a payment schedule, the fee type thing, that was a brand new idea to me and certainly if you took the entire fee from the more expensive of the two highly rated ones and divided it by the number of users, that would be a noticeable amount of money to show up on the bill?
- Hannah: If I may interrupt you sir.
- Chair Little: Go.
- Hannah: The fee that you saw, the \$101,000.00 and the \$152,000.00, that was the fee for every water account holder and every natural gas account holder. If only 10,000 water accounts and 8,000 natural gas account holders sign up, that fee is noticeably reduced.
- Chair Little: Right. What the arithmetic that we need to do is \$150,000.00 divided by how many users? We don't know that number.
- Dr. Garcia: If I may Mr. Chairman. Two concerns, number one, one of the reasons we did this is for customer service, so I would highly discourage to pass this cost through. We're going to do rates every four years as promised so you pass it through rates, that's the cleanest way. The \$150,000.00 is for all customers. What we need to do once we implement this, is do a survey and see how many customers want to sign in and negotiate a contract for the ones that sign in. You pay proportional to the number of customers that sign in. Because if not, I agree dividing, even if you're going to have 10,000 customers total between



gas and water and then you have the \$150,000.00 then it's a large amount, but I think it's proportional to the number of customers that connect.

We don't know how many customers will use this. I think there's going to be quite a few but it's not going to be everybody. We still have customers that walk to City Hall, that come down to City Hall every month to pay and those customers are not accessing our payment system right now through the computer, they will not use this system. We will do a survey and then contract for the amount that we need as we move forward.

Chair Little: Okay.

Hannah: If I may compliment what Dr. Garcia just said, nationwide the average is around 10%. Ten-percent of the utility customers sign up for the portal and actually use the portal with some degree of regularity. Now with the increasing reliance on smart phones, that number is increasing, but right now it's around 10%.

Chair Little: That's not surprising. Dr. Johnson.

Johnson: I'm a little confused here. The \$102,000.00 and the \$152,000.00, is that the total cost of getting that service plus distributing it out to all the customers. It seems to me that we want as a Utility to have the capabilities that the system will give us even if there are no customers who want to use it or if everyone wants to use it. I certainly feel that the cost that the Utility wants for what they want should stay with us, it's a question of whether we want to pass on the cost to a customer for their ability to access it if they want to. I'm confused. What are those numbers? Do they include?

Hannah: That \$101,076.00.

Johnson: Yes.

Hannah: And the \$151,210.00, that is the estimated cost to give every water and every gas account holder in Las Cruces Utilities full access to the portal.

Johnson: Okay. If we had nobody interested that would be zero, but then the cost that was the first line on your first slide where you're showing...

Hannah: The initial.

Johnson: ...That's the cost that we need to add to pay for the Utilities to have the capabilities.

Hannah: To set it up. Yes sir.



- Chair Little: If there were no, if the system were purchased and installed and there were no takers, there would be no annual fee, or is there some?
- Hannah: It is a tiered paid structure, so you will have zero to 2,000, 2,001 to 5,000, and so on and so forth, so I think it's an inclining tier fee structure for both and it varies between the two providers.
- Archuleta: I think just to kind of expand on what Dr. Garcia said is that basically what you're doing is purchasing this system so that we have better customer service because of the smart meters that we spent a lot of money on, right? We would install this in order to have all the information access and then I'm not aware, are most Utilities basically just passing that on through their rates and not charging additional fee for those that want to use the system? Because the intent is to try to encourage as many customers as possible to use the system, right? Just pass that on to rates without having a separate fee for a customer that wants to use it. That seems like a needless penalty you know to have to penalize your customers for something that you want them to encourage and use it. Because you want to communicate with them, if they have a leak or something you want to let them know, back and forth. You want them to know more about their consumption. It's kind of one of those kinds of costs that basically it benefits the Utility and it benefits all customers to invest in this.
- Hannah: I agree. I think it's a better use of resources personally because it is easier for the portal provider to notify account holder that there may be a leak at the property than for one of Dr. Garcia's customer service representatives to take time out of their day and notify that customer.
- Archuleta: Go out there and check it and everything else and then get on the phone and what have you.
- Chair Little: I think it's the sense of the Board that acquisition and operation of this system will be borne by the Utility and reflected in future rates. That there'd be no serious consideration to any fee to user.
- Carmichael: Nor would we be considering then a rider since that's a variable cost.
- Chair Little: Right.
- Carmichael: That we would just, what is it today and that's what it'll stay till the next rate case.
- Johnson: I think so. I think that's probably. The way to get it out there where the people that can do something with the data that will save the Utility money, is a better approach to it and we may be surprised that there's a number of people who really want to know what's going on with their use patterns, not just once a



month which is kind of hard to react to, but if your concerned that something may be going on. The heater gets turned up to 80 when you're not around, things like that. I think people will use it more once it's available and given what you can do with your phone now that you couldn't before, it probably will grow over the years.

Chair Little: Okay. What is the sense of the Board as to options to ask staff to consider? Are we content with only looking at the top two?

Carmichael: Personally I am. I would propose that the staff continue their process through a due diligence phase that considering the items that have been drawn up regarding the data security and looking at the cities and talking to the cities, potentially even visiting the folks that use them. I think it's a matter of time before we're going to be there either proactively or not. Once we enter this system one of the other of these two, that doesn't mean you've got to be with it forever, if it doesn't work out over a period of 2- to 3-years, then you can stop it or do something different. I'm comfortable with the staff proceeding with due diligence and a recommendation back to us.

Chair Little: Dr. Johnson.

Johnson: I would like though, I think we asked three questions that you said you were going to get information back. I'd like that information to come back and be included in what the staff is going to look at. The one I asked about rental properties I think could be fairly significant. Somebody that owns a 500-unit apartment house, that's a big question for them.

Stafford: Commissioner Johnson. Can I speak on that topic?

Dr. Garcia: James. You have to go to the mic please.

Stafford: My name is James Stafford, Management Analyst, for the City Utilities. In regard to that each account holder would access their own account. The landowner who has the master account would access that account would not see the gas accounts for each of their units.

Johnson: Okay.

Stafford: Nor would the tenants see the master account.

Johnson: Okay. That's the way it should be.

Chair Little: The sense of the Board is to pursue those two desirable vendors, to ask them the questions that have been raised here; to pursue due diligence and I think probably not come to us for a decision until there's another Work Session



where you say "Here's the two companies and here's what we found." Then you can come to use with a resolution to pursue a contract.

Dr. Garcia: Mr. Chairman. Two things, one is we will proceed with due diligence and bring it back to you and answer all the questions. Number two, I need to discuss with Legal as to how and if we need a contract. We certainly will want a resolution from the Board because the web portal is part of the performance contract and we had an average amount of \$94,000.00, \$95,000.00. We have additional funds in the project to pay for the web portal on the first year. Contractually, I want to see what we need approved because we are acquiring this through the performance contract. I need to see what type of resolution you will have. It might not be the contract itself, but a resolution selecting or supporting staff after we show you what the due diligence shows on those two.

Chair Little: That's what we...

Dr. Garcia: The form of your action I still have to consult with Legal as to what it would be. We'll bring something to you that includes all the due diligence.

Chair Little: I'm sure that Ms. Driggers will tell us the right thing to do.

Driggers: I will tell you a thing to do.

Chair Little: Okay. Anything else? Thank you.

Hannah: Thank you.

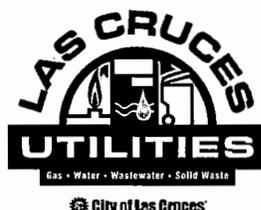
Dr. Garcia: Thank you Mr. Chairman. We have good direction to follow-up with this.

3. Energy Savings Performance Contract (ESPC) Services Phase II Investment Grade Audit (IGA) Wastewater.

Dr. Garcia: Let me try to set up Mr. Romine now on the next item of the three.

Romine: Well Mr. Chairman, Commissioners. Good afternoon. My name's Harry Romine of Johnson Controls. I appreciate the opportunity to visit with you this afternoon and kind of give you an update on our Phase II Energy Savings Performance Contract (ESPC) project. Just kind of refresher. I think you know this already, but ESPC project is basically a procurement vehicle that allows you to make improvements today and over a term you'll use the revenues and the savings to pay back these improvements and that's kind of why they call it performance contracting.

Eric and Dr. Garcia, correct if I'm saying something incorrectly but we just talked about how you're trying to maintain this 1.25 coverage. Really with a performance contract you know we're guaranteeing the revenue and savings



to pay it back, so in reality this type of contract should not really have an impact on that ratio. I mean it's going to remain about the same with this because your operating costs are going to go down, your revenues are going to go up, and yes, the Debt Service goes up, but you have the revenues and savings to pay it. Is that sort of correct?

Dr. Garcia: That's correct. Before Harry goes any further Mr. Chairman, one of the things we want to address today with this presentation is the specific projects and the willingness to move forward with this project. We still have not sat down with Mr. Harrigan and looked at, okay what do the financials look like if we move forward with this project. I want to qualify that, that it happens that both presentations we had at the same meeting, but this is not included in what he did. We need to still do that, should you be interested in pursuing this project.

Carmichael: The existing contract is in here what you've done.

Dr. Garcia: Correct. The existing AMI Phase I is, but this is not, because we are not sure what the appetite from the Board is going to be to move forward with all of the projects, some of the projects, or not. We will meet with the financial advisors once we get some direction.

Romine: Thank you Dr. Garcia. What I'm trying to do is just give you an update on where we're at with this Phase II project with the Wastewater Utility. Before I did that since you just brought it, the timing's right, just a recap of the Phase I project, where we're at, which is your AMI more accurate water meters, automatic leak detection, customer web portal, just talked about. There's an allowance in that contract to pay for whichever company you go with. You'll see that we're getting close to getting complete with everything. About 80% for the entire project. We're hearing a lot of good things from the staff on how things are looking and it's moving along very smoothly. We're projecting to be finished about June of 2019.

One thing I kind of did mention is that way back when you started this with Johnson Controls, I think this was 2018, you basically executed an Investment Grade Audit Agreement with us. The scope of that was for us to look at everything in the Water, Gas, Wastewater Utility any place we could identify increased revenues, reduce operating costs, and what we found when we got started with the audit is your biggest need was the AMI, the more accurate water meters, so us and the staff made decision to kind of divide this audit into two construction projects. You approved the Phase I. What I'm kind of presenting today is the rest of the Investment Grade Audit, what we found between the wastewater and for the whole Utility. This is kind of the second part of the audit is what I'm trying to kind of review today.



Just a summary of this second audit, we did partner with Molzen Corbin to assist us with this audit. We looked at 36 months of operating costs, bill out of site visits, testing, and we did find some good opportunity to self-fund most of the improvements which I'll go through in a minute. Had lots of workshops with staff to agree upon the best solutions. A little bit more, what we found, you know a lot of this, just kind of summary of your three wastewater plants. Jacob Hands obviously is the oldest and the largest, and you can see from the annual operating cost, this is kind of where we focused our effort for looking for opportunity. You can see West Mesa is maybe got about 10% flow versus its design capacity. There's lots of room to take on more flow and operating costs are low. We really weren't able to find much at the West Mesa plant, but there are lots of good stuff at Jacob Hands.

One thing we discovered is on the Supervisory Control and Data Acquisition (SCADA) side. Your water distribution side has a very organized SCADA system for all the wells and the tanks and the booster pumps but the Wastewater Utility has kind of been ignored from a SCADA standpoint and we found that it could be very beneficial for the Wastewater Utility to also have a new SCADA system, ties all three wastewater plants together and allows them to operate more efficiently.

Jacob Hands, one thing we did do, I mentioned we partnered with Molzen Corbin, but we also partnered with a professor named Dr. David Stensel. He's with the University of Washington and together we built what they call a BioWin model of the Jacob Hands plant. I can't explain to you exactly what a BioWin model is, unfortunately. I don't know, John could maybe, he's pretty familiar with it but it is a very good tool that not only allowed us to find good opportunities to reduce some cost at Jacob Hands, but it also will be beneficial to the plant even moving forward when they're having to make some decisions on changing maybe some of the processes. We tested the aeration diffusers in the aeration basins. Due to the age of them we expected them to show some signs for improvement, but actually they're in very good shape still, so that's good news. There is a lot of old equipment at this plant that's a good opportunity to be replaced and you're aware, you recently started the two co-gen units back in January which are helping with the operating costs there quite a bit.

The East Mesa plant, it's in good operating condition. The one thing we did find is you have two lift stations that send flow to this plant and there is an opportunity to get them to operate more as a single coordinated unit. I think you're also aware your solar PV system there is performing very well and has already reduced the electric cost about 50%. Which is a good thing.

West Mesa, you do have some old blowers there but as I mentioned, I mean you've got four blowers, you only need one, so you've got three standby and



the usage there in operating costs are low, so we really couldn't find a good opportunity for performance contracting there.

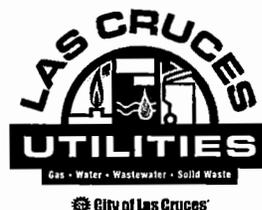
I'll try to go pretty quick through the recommended improvements. I mentioned that a new Wastewater Utility SCADA system that ties everything together and helps improve the operation, reduce operating costs. I didn't mention it, it would be also tied to the emergency dispatch center, so after hours there would be certain critical alarms that would go to your emergency center, which you don't currently have for the wastewater side.

Jacob Hands plant, that's where the biggest opportunity was. One of the big improvements is you have these four natural gas driven blowers there over 20 years old, pretty costly to maintain, and we'd be replacing those with three new energy efficient electric blowers, and with the new co-gen facility it's a nice fit to go to electric and not have these four engines you've got to maintain more, air permit issues, there are a lot of benefits of getting these new electric blowers, some aeration controls, some Return Activated Sludge (RAS) improvements all result in reduced operating costs. Primary sludge pumping improvements is a good opportunity at Jacob Hands as well.

Next would be at the East Mesa just one opportunity really there. I mean the SCADA is at all plants but this is kind of more specific to each plant. There's just kind of a restriction at one of the lift stations that we worked with the staff to kind of identify so this is just really a piping improvement at the one North Fork Lift Station that will help the whole operation of East Mesa by doing it.

Lighting improvements. We will be, this facility and at a few tanks, the three wastewater plants converting some old inefficient lighting to LED lighting. Has a good payback. The last improvement and this is the best kind of improvement because this doesn't cost the utility anything. We did analysis of all the electric bills. We've actually found some sites that you can change the rate just from a commercial over to this municipal rate and it's going to save I think about \$40,000.00 a year, just a matter of getting it switched over. I wish we could find more of those. Those are the good ones.

Next here, this is a little hard to read but this is kind of a breakdown of the cost of these recommended improvements that I just went through. The first one you can see is for the entire Utility. Second is the aeration improvements at Jacob Hands that includes those new blowers and the controls and some other improvements. You've got the primary sludge Jacob Hands. East Mesa is the piping improvements, lighting, and then I talked about the rate conversion, the cost is zero, but generates some savings. Bottom line, with the construction management, GRT, it's about an \$8 million investment. Next slide shows you the annual savings; electric savings, gas savings, O&M savings, so



your total is about \$440,000.00 a year based on these improvements, a simple payback of about 18.2 years.

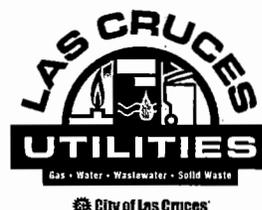
If we look at it just preliminarily from kind of a financing standpoint, if we were going to have a term of 20 years, which you typically, that's kind of what we did for the first project, this one you actually would have to come up with about \$1.6 million of the \$8 million to keep the term at 20 years. Now the interest rate we're using was 4.25 which is very conservative. I believe you could get something better than that, but giving you a snap shot of where it looks like. The first one that you approved, Phase I, if you remember, there was no cash contribution from the Utility. The revenues and the savings paid back the entire investment which is the situation we're looking for. In this case because of some of things that the Utility's already done like the solar PV system, like the new co-gen units at Jacob Hands, the savings opportunity was limited and then in this project we're doing stuff like putting in a whole new SCADA control system that is not there now. There's no savings or little savings associated with that, so this is a little different from the first project is the reason for it. Yes sir.

Ed: I just want to mention to the Board that the last time we've recently gone out for financing, I think our financing guru just stepped out, but we just went out for some financing for the GO Bond program and it was 3.25%. That was our last competitive rate after we went out for bond funding. Just so you know.

Romine: Thank you. That would obviously reduce that cash contribution if we could get it down to like 3.25, that would make a big difference. When the time is right, if the Commissioners decide to move forward, we'll be able to look at this again and really nail down everything.

There are other benefits to the project. As you know the City Council, one of their goals is renewable energy by certain dates. This project will help in that regard. This is just some examples of what the annual utility savings are equivalent to. It is something that the City Council will like to hear as well is reducing your utility and reducing the carbon footprint.

Last slide, one thing that we have discussed with staff is there's a few other potential opportunities that we're probably going to look at. One is associated with this new co-gen plant at Jacob Hands. Right now, you cannot export power to El Paso Electric from that co-gen. You have to make sure that you limit the output where you don't ever export. One thing is to, and we've talked to El Paso Electric already, there is some interest in this and an interconnection to where we can resolve that where you could run those co-gens at their full output and occasionally export that kind of arrangement which should generate some more cost savings at the plant. El Paso Electric has some interest in this because the state requires them to have a certain percentage



of renewable energy, so they are kind of interested in that co-gen plant fortunately and will hopefully lead to some good discussions. Based on that first one, it might make sense to consider a third co-gen unit at the plant, that plant was already built and allowed space of a third unit in the future so it's already kind of set up, it'll be fairly easy to add one. It kind of depends on how the talks go with El Paso Electric on this interconnection whether it can make sense to look at that.

The last thing is in the first project we looked at all the meter accuracies on water meters. The one thing we really didn't look at was your large industrial effluent customers. We didn't look at those meters, so that's one of the things, there's not that many of them. I think there's 15 or 16 effluent meters and then there's three or four reclaimed water meters coming from East Mesa, so we're just going to take a look at those and check the accuracy of those just to make sure everybody's getting billed correctly there. With that I believe that's everything. I'll open it up to any discussion or questions.

Chair Little: Questions? Go ahead.

Johnson: Because of my poor memory for acronyms, what the dickens does SCADA mean again?

Dr. Garcia: Supervisory Control and Data Acquisition. Some of the controls of the system. One thing, if I may add to Harry's, he's correct in the fact that we have a, and we've had for some time a very good SCADA system for the Water Utility; wells, pumps, and pressures. The Wastewater is quite a bit more advanced and you can correct me Harry, because in the water system what we do is monitoring mainly. We can bring parameters and monitor whatever we want. On the wastewater SCADA we will have the ability to control and manage that part of the operation with it. It's quite a bit more sophisticated system than just monitoring which is what we do with water. In the water yes, we can start and stop pumps, and do things like that, but the wastewater is quite a bit more sophisticated system than the Water Utility for a reason, because the plants are much more sophisticated and complex.

Romine: Thank you. Good point.

Chair Little: Commissioner Carmichael.

Carmichael: A couple of questions and just a comment. On the co-gen long-term, did you expect to come out of that part of the study an understanding of what the total potential might be? I'm not sure I've ever heard what the potential capacity of co-gen there is. Is it three units, four units, five, whatever? That would be one area of interest. Then a question is, is the inability to export that back to the



grid limited in our contract with the El Paso Electric or through the way the wiring and infrastructure works?

Romine: Yes Commissioner. I mean Joe I may have to get you to help me a little bit, but on the interconnection my understanding is its hardware that's not in place to be able to export and part of the talks is on what the future rate will be. There are different options you can take. That'll be part of that analysis is looking at what's the best rate option if you move into that mode, and then what's the cost to get that equipment in place so you can do it.

Carmichael: Good. I think that can be an exciting long-term project. Second question, having to do with East Mesa. Did we look at any option of expanding the solar field there? Seem to me like when we did that there was some extra space there that the solar field could be expanded. Was that looked at?

Dr. Garcia: Mr. Chairman, Commissioner Carmichael. The solar runs the plant during daylight hours. Nice day like today. That plant has room for expansion, you're absolutely right. There's room for additional solar and additional plant capacity. At that time, we would look at additional solar capacity to run a bigger plant. At this point we have not reached the one million a gallon a day because of there isn't enough growth to run to one million gallons a day. We still have capacity available. You're right, there is room and there may be room for improvement, but in this project, we didn't look at additional solar because I don't need additional solar right now, but at some point, when we expand that plant certainly that question should be asked and analyzed.

Carmichael: Okay. Then just a comment. As these items are considered, the cash need out of the Utility and then the financing, I guess given our financial coverage, our debt coverage, timing could be an issue there. When you play our available funds and debt capability against other needs I guess is where I'm kind of trying to think about that as we've looked at the long-term strategic plan that your folks had done such a good job of, like replacing infrastructure and that sort of thing in the next year, year and a half, that could potentially be a tradeoff kind of an issue between other projects and this one. Just something to keep in mind, I think.

Dr. Garcia: Mr. Chairman, Commissioner Carmichael. Like I said earlier, we have not incorporated the financial analysis of this with the financial consultant, but that's certainly something to consider. We do have improvements that we have to make at the plant is one of the strategic goals to look at the solids handling portion of the plant. One of the challenges for staff is going to be to identify better technologies than what we have out there. I certainly would not recommend to go and put \$20 million on brick and mortar like we have over there when there are better technologies in the world right now for solids handling. We need to do a lot of homework and prioritize those projects as



well. If you're comfortable and depending on the feedback we get today on this project, we're going to have a financial work shop which we did on the AMI project with the financial consultants and the Finance Department and all of us together to bring a proposal to you. Right now, we haven't done that. This is all technical and we'll have to consider the immediate cash needs.

One possibility that I've talked to Mr. Romine already is there is a time lag between starting a project and there's design. It's going to be a little different than the prior projects which you all ordered me to start installation so fast. We have design to do and we have some current funds that could start with the design portion of the project and not issue debt till we are into FY20, maybe early calendar year, Fiscal '20. That we have not done. Look at those possibilities, but that is a possibility that not having money sitting while you're designing, because that's part of the problem if you issue bonds. Way back many years back, and we haven't done it recently, we used to issue Utility revenue bonds with payment schedules in a way that the first two- or three-years payments were minimal because we were designing the projects. Then the project was in place and then you started paying your Debt Service. We need to do that analysis to bring it to you.

I would anticipate a separate Work Session to see the finances of this project once we narrow down all the details. Potentially we may have more information on the El Paso Electric issue with the co-gen and be able to export energy, because right now we have to meet the energy needs, the plant needs, we cannot. It's hardware but it is also contractual that we can't and should not export that power. Thanks to Johnson Controls they've approached and then Joe from our staff, El Paso Electric and they're willing to talk now in allowing this to not be an island but any excess power be able to put it on the grid.

Carmichael: That's a great idea. Thank you.

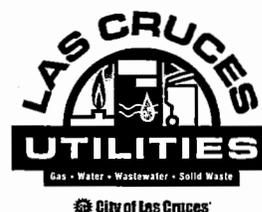
Chair Little: Go ahead.

Archuleta: I have a question then a comment. Who prepared the construction cost estimates?

Romine: Well we again worked with Molzen Corbin, we had about a, it's hard to say, maybe a 70% design drawings and so we went out and got competitive bids already for each one of these improvements based on those kind of 70 and what Dr. Garcia was saying is that we still got to do that last 30%, whichever improvements you decide to move forward with to get to the 100% construction drawing so they can build on them. We've gone through the competitive bidding.



- Archuleta: Do you know if the SCADA (Supervisory Control and Data Acquisition) system includes all the lift stations too?
- Romine: That's a very good question. I don't think, I believe that some of your lift stations are actually on the water SCADA system already.
- Dr. Garcia: If I may, Mr. Chairman. That's just monitoring right now. There is a potential in the future to move those from the existing system to the plants, but the proposal right now is mainly for plant and plant management, plant control. Lift stations are just like any other pump station, you can bring pressure flows, intrusion alarms, and that's it, wet well levels.
- Archuleta: Right. I think it would be good to have them as part of the wastewater than separate them out.
- Dr. Garcia: That is not in this cost. This cost is to start from almost zero on the wastewater side and have the plant stuck to each other and have one system for the plants.
- Archuleta: The other thing I think when you do the financial analysis, I'd like to see the difference between, because this one seems to be kind of marginal in terms of whether or not it's something that has that payback. Particularly if we can borrow money at 3.25%, but I think that we need to kind of take a look at if we go with this process, this is what this looks like, if we go with this process independently like we normally do, what does that look like? Because this is a project that doesn't have to be done all at once either, it could be scheduled and done as need be. I'd just kind of like to see that kind of analysis if we could Dr. Garcia.
- Ed: The only thing that I would add is the benefit of this solution over other more traditional solutions is that this is a performance guarantee and that's very valuable. Having an outside engineering firm do the analytics, identify the payback, but then to do that performance guarantee and absolutely guarantee that return I think that makes it a very attractive option versus other options. Thanks.
- Archuleta: If it works.
- Ed: Well if it doesn't work then they write us a check, so it will work. We'll get the payback one way or the other, that's the beauty of the performance contract.
- Chair Little: Other comments or questions? I have several. First of all, I was under the impression that the current co-gen system at Jacob Hands consumed all of the digester gas.



- Dr. Garcia: It does right now, yes, that's correct. In fact, John told me that we used it all up.
- Archuleta: Actually, you supplement natural gas.
- Dr. Garcia: That is correct. We supplement of course natural gas.
- Chair Little: The opportunity to say reduce a carbon footprint is limited by the amount of digester gas that we can create. The second question, is the same one that I asked for Phase I, and that is what is the downside of saying thank you for the audit, here's your fee. Going forward on our own schedule, our own priority list to accomplish many if not all of the items in the audit.
- Dr. Garcia: Mr. Chairman. Once we, Mr. Ed just brought up one of the downsides is it's not performance guaranteed. Staff will not guarantee you, they'll promise you that they'll get that but it's not going to be dollar guarantee per contract, that's one. One of the things we want to do is once we look at the financials we can bring you the pros and cons and say, "If we don't do it this is what we will do it and how we will do it and how long would it take to do it, like the SCADA, one plant at a time instead of bringing all the plants." We can bring you the what if, now that this is the financial scenario and it can be done and it's guaranteed, this is, if we do these projects under this other scenario. I'd like to see the financials first because we need to, if you concur with the projects, again that's all we want today is guidance to move forward with the projects, we still have work to do and bring a financial model that would offer you the what-if scenario on the no action alternative you want to call it that way or no performance alternative, but doing it as a regular design bid build project.
- Chair Little: Are there comments or questions? Okay, without making a decision, I would like to seek the sense of the Board as to guidance to give Utility staff and Johnson Controls. I personally am disquieted by the idea of buying the whole thing, but I would like to hear some kind of opinions from the Board Members about how we want the Utility to proceed.
- Archuleta: I'd like to see us proceed as recommended, at least do the financial analysis. I think until we see the financial analysis it's kind of hard to make any kind of decisions.
- Carmichael: Yes. Options that you mentioned that Dr. Garcia said that you put together.
- Chair Little: Okay. You have nodding of heads all the way around. Would you please proceed with the financial analysis and the options analysis and come back to us, again probably in another Work Session?
- Dr. Garcia: It'll have to be a Work Session, yes.



Chair Little: Right. We will look forward to that.

Dr. Garcia: Very good.

Chair Little: That's all.

Johnson: Going back to one of the previous presentations. Wastewater is still predicted in 2019 for a 0.98 instead of the 1.25 or higher, so I think we need to be a little cautious of what we bite off quickly in wastewater and make sure we put it to the most urgent or the most quick payoff things that we can, but that's I agree. We still need to look at all the financials to know enough to answer that question.

Chair Little: 2019, of course is now and we've only got a little bit of that left. Almost nothing we can do about 2019.

Johnson: Yes, but until we get the rate increase in wastewater in, we're not going to get any healthier.

Chair Little: Yes. I agree.

Johnson: That's why I think we need to be a little more cautious on the wastewater side than on some of the other sides of what we take on.

Chair Little: Thank you for that, for the time, we appreciate it.

Romine: Well I appreciate your time. Thank you. We'll go ahead and get to the financial analysis and then come back at the right time. Thank you.

4. Proposed Utilities Fiscal Year 2020/2021 Operating and Capital Improvement Program (CIP) Budgets

Chair Little: Now, where do we stand?

Dr. Garcia: We have one more item on the Work Session Mr. Chairman, but the good news is you don't have resolutions today.

Chair Little: True.

Dr. Garcia: It's a long work session.

Chair Little: Are we good with continuing? Okay.

Dr. Garcia: Mr. Chairman. The last item is Budget Work Session for Fiscal Year 2020. We have two presentations. I'll do the budget portion for the different Operating Funds and Mr. Clark will do the Capital Improvement Plan. I'll have other staff



participate as necessary as Dominique Rodriguez did all of the work with Maria. Where is Maria? Acknowledge the person that worked weekends and Sundays and evenings is there and so did Dominique, they put a lot of time in this budget. Because if you recall this budget is not just, we're in a transition to performance budgeting so we had to mimic the budget to the Lines of Business in the Programs that you saw in the Strategic Plan. That was not easy. They developed two budgets; one budget under the old chart of accounts, once we approve that they migrated that to the different programs. It's a double budget this year.

Carmichael: Same numbers at the bottom.

Dr. Garcia: That was my test is the bottom line cannot change, right?

Chair Little: This is the last year you'll have to do two budgets, right?

Dr. Garcia: Yes. Now we adopt the chart of accounts under the performance budget with the new Lines of Business and Programs. It was a transition to the new accounts. You've seen this slide many years, it's just to provide you guidance as to what the numbers mean. Numbers starting with 5100 are the Shared Services, 5200 Gas, 5300 Water Utility funds of various types, Wastewater is 5400, and Solid Waste 5500. We have Griggs Walnut that is 2780 and 3618, and then the Environmental Gross Receipts Tax that pays for the Griggs Walnut is 2800. This slide will be more relevant next month when we bring you all the details of the budget, right with all the Fund Summaries. Today we're going to look mainly at the Operating Funds.

Some of the budget themes and goals is obviously the number one is implementation of our new Strategic Business Plan. Later today in the Regular Board Meeting we will get some additional input from you so we can finalize that plan. We're scheduled to complete the advanced metering project and we will bring you back some options on the wastewater but that's something that we want to complete this coming year, in Fiscal Year '20. We've been doing a lot of work on the Natural Gas Utility regulatory compliance in developing a state of the art operating procedures and all that. That will continue. We're going to be finalizing a long-term water well replacement program, working with our hydrologist. That effort has started but it's not completed and I'm hoping to complete it in Fiscal Year '20 and that's one of our goals.

There are no new personnel. We have very serious issue with vacancies throughout, not only throughout the Utility but throughout the City. I did not agree even though some of the staff wanted to get additional personnel, I said "Well we can't fill the personnel, the vacancies we have." One of the things that we are doing is reclassifying some positions to areas of more need within the Utility and within the individual Utility. That's one thing that I did, I will be



recommending to you. Then we will complete our Transite Pipe Replacement Plan.

We have some monies to enhance our Utility Internship Program, adding two additional people. Implement Solid Waste customer base expansion. We have agreements with South Central Solid Waste Authority and approval from the County to collect residential solid waste in areas adjacent to the City limits and that would increase our revenue. We do it already on the other utilities. We don't do it as much in Solid Waste and one of the things we want to do is expand that customer base in areas that make sense to serve. For example, some of the Jornada water system area we've had increase, "I get your gas, now the water utility, but can I get your solid waste?" The answer until recently was "no" until we have all the agreements in place. We will be tackling that and trying to bring those benefits.

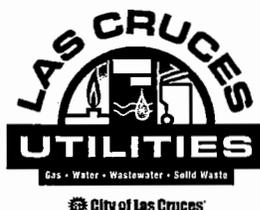
One new initiative and I'm just going to talk very little about this because we don't have the final plan, but South Central Solid Waste Authority, you've heard the issues and you had presentation some time back about the issues with China and the issues with Friedman and potential of not having a viable recycling avenue to get those materials out. One of the things that we've started with South Central, we're partnering and developing our own recycling in terms of collection. It will be some funding here to start the acquisition of containers. We will repurpose some of the Solid Waste trucks to begin our own collection rather than doing Friedman, and continue with Friedman for the processing for now. That's part of the plan this Fiscal Year '20.

We think we can do it at the cost of Friedman but then potentially have more opportunities for revenue if we process and market some of the cardboard for example separately rather than sending it to Friedman. We are working with South Central. Mr. Peck from South Central has extensive experience in solid waste and recycling so he will be guiding us through this process.

The South Central Solid Waste Authority budget, presentation to that board also included this partnership and starting the recycling collection as part of our own operation rather than private sector.

Water litigation is an issue that will be at the forefront. We will discuss a little more today and you should have a copy of some of the materials. Marcy will discuss what's coming next on the Texas v. New Mexico.

Then we are proceeding with the Griggs Walnut litigation as well. That is the litigation against the Federal Guard for contributions to the cleanup of the plume. That litigation is in progress, so we will be working on those issues.



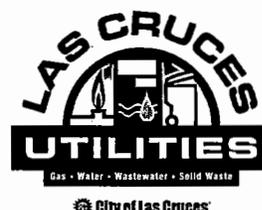
In personnel, I mentioned that there are reclassifications, or reassignments, one of the positions that we will be moving and we're moving from the, thanks to the performance contact, we're removed some FTEs from Meter, Meter Reading and one of the ones that we're moving to my area, Administration is we want to centralize the Human Resource Management in the hiring in the Utility. I want to have one person that deals with the hiring with Human Resources (HR). Right now, we have each individual supervisor that is hiring is a hiring manager and therefore they deal with HR and they deal with the same person. You could have 10, 15 people, or more dealing with one person in Human Resources at different stages of the hiring process. Not very efficient. By us centralizing we'll make sure that we are doing our job and doing it right and then connecting with one person in HR, so that's the purpose with that. That's one of the goals in the Strategic Plan.

We're reclassifying three positions from contract to full time. There's no financial impact in terms of the Gas Utility. Then this reclassifications of positions to better meet the needs of each individual Utility are listed there. There are five in Gas and of course five in Meter Reading. Some of the things we're doing with the permanent meter readers, now they are being trained in the technology. They're no longer out there reading meters, they will be now addressing issues with the technology and the Itron system. There are some reclassifications. Budget impact is minimal, but we're repurposing personnel to meet the new technology.

I'm not going to spend too much time on Capital Projects as Carl will do that. He'll go through the list of Capital Projects. What is important here is that Fiscal Year '20 in terms of Capital is funded with existing bonds. What Carl's going to present is already funded with prior bonding cycles, so it has no impact on the presentation you saw earlier today in terms of the financials.

Rolling stock, there's different needs in Shared Services, Gas, Water, Wastewater, and Solid Waste. Because of the ability of the Water Utility to replace everything they need, we defer some of the replacements to mid-year and we want to collect additional revenue before we actually go and buy that equipment because we are buying it cash, we're not borrowing for that. Of course, the largest one is the Solid Waste Utility, it's about \$1.2 million but we are glad to report to you that we are on track with the prior Solid Waste Rate Case in terms of the commitment of replacing equipment. The Chair will remember that we had those discussions and it's working.

Transfers, just for clarification transfers are really internal transfers from the Operating Fund to either equipment or the capital or contingency and there has been some changes from prior years but other than the capital fund in Gas which is our large transfer to complete some of the projects from Operating to the Capital Funds so they can be expended from the Capital Funds, the rest of



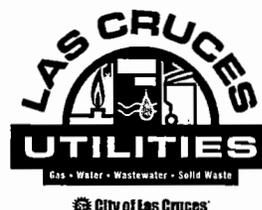
them are smaller transfers that we're doing within the different funds within each Utility.

In terms of the financials, the Rate Reviews for Solid Waste and Gas are proceeding as you well know, but they are not in the budget. We made no assumptions or presumptions of getting additional funds in Gas or Solid Waste. In general, the operational experiences are status quo. There are some changes in personnel that we will explain, but in general all the guidelines to the staff was we keep operational expenses pretty much level with Fiscal Year '19. There were some increase in Debt Service, you saw the Debt Service tables, not only that Eric presented but I gave you copies sometime back, and so there changes in Debt Service mainly on the Water Utility and we have to adjust for that.

There were some increases in personnel based on citywide benefit changes and that was incorporated. Then again utilization of existing bond funds for projects. There was no assumption of additional revenue.

The following diagrams or charts show both revenues and operating expenses in the different Utilities, the main fund for the Gas Utility is 5200 fund, small assumption of growth in terms of revenue. No assumption based on new rates. Some decreases in the operating because that includes the cost of gas, you can see there's a small decrease. There are some adjustments to salary and benefits that vary across Utility in general. City-wide they provided us with guideline as to what those increases are, but it will vary from one Utility to the next because, and I'll explain why it's not the same change in each Utility. For example, in Gas the total change is about 8.9% but also reflects changes that have occurred in Fiscal Year '19 in terms of employees taking certain benefits and not taking certain benefits. It's not just the projections from Human Resources as to what next year's going to be, but changes within the staff population of that individual fund.

New rates are reflected in the Water Utility, if they change its looks fairly small to you, it's because we already did mid-year adjustment. You recall you recommended and the Council approved additional staffing that we deferred to mid-year and we adjusted revenues and we adjusted expenses, so that's why one-year increase in revenues is in Water. Some changes in operating mainly because of debt and some transfers. In this case the salary and benefits, the net is a negative number because anytime that someone leaves or we have a vacancy it gets re-budgeted at the first quartile level, so it's not that we don't keep the same salaries. If an employee with tenure leaves, then that budget backs down to the one-quarter of the salary scale. You're saying why did Gas increase and Water decrease, well there are increases assumed in all the Utilities, but there were some other decreases that offset that in the Water Utility. You'll see the same thing in Solid Waste.



Wastewater assumes full year of new rates, so that's why the larger change because that is up for consideration on Monday. I'm hoping the City Council will approve that. It's on consent. The Council had very good questions on the work session, but the Mayor did put this on the consent agenda for the Wastewater on Monday. We should have about two months this fiscal year and then of course we're assuming 12-months of additional revenues next Fiscal Year.

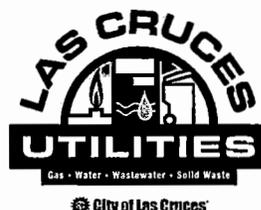
The prior year we didn't have any transfers in Wastewater Utility so this year the main change you see there, Wastewater is pretty much status quo operating budget but there's a transfer to buy and catch up with some of the vehicle acquisition and that's what you the difference in the operating there and then the adjustment of salary and benefits is about the same size as the Gas Utility.

Solid Waste Utility, no assumptions. Very small growth rate in terms of revenues, very conservative. Then a negative net change in operating decreases some transfers mainly and we are assuming some additional recycling costs. We know South Central is increasing the rate of the disposal fees but that is for the landfill, so that is incorporated in the budget. Then again, the net is negative on the personnel for the same reasons I explained the Water Utility.

The fund 5100 the large change in revenues is in the prior year we did, if you recall the 5100 fund pays for all of the ancillary services and they're funded by the other utilities based on a percentage of the number of customers. Last year we reduced those charges to the other utility because there was an initial fund balance that we utilized. The change looks large now is because there was additional monies last year and we're trying to zero out that fund and now we're starting again so that's why the large change. Summary allocation of programs and that's why you see some changes in both the operating and then the personnel adjustments.

These projections we see a little bit of progress with the new rates in the Water and Wastewater Utilities compared to last year, at least on the Operating Fund Balances. That effect is not seen yet on the Capital Fund Balance because we are using all of the money we have for projects in addition to existing bonds in the equipment reserve fund, so right now we don't see the impact or the benefit from the new rate structure going back down to this fund balance that we do see it on the operating fund.

In general, the personnel budget increases reflect anticipated salary and benefits that the City-wide government does for all employees. With our revenue projections include Water and Wastewater Rate Reviews and



adjustments but nothing on Gas or Solid Waste. The rehabilitation and development projects on the Capital Improvement that Carl's going to present in a minute is paid with existing bond funds and then we have moderate and scheduled fleet and equipment upgrades across all Utilities except the Water Utility we're deferring approximately \$400,000.00 for mid-year once we have a revenue stream from the new rate setting process. With that in the back of your presentation you have other additional supplemental information, but I'll be glad to start answering questions or if the Chair wants to hear about projects first, then we can answer questions, it's up to you.

Chair Little: Any questions on the overall? Just one simple one. When will we hear about the new recycling plans?

Dr. Garcia: Mr. Chairman. I would like to come to the Board with Pro-Forma that South Central has after South Central Solid Waste Authority has seen it. It's going to be a couple of months and probably a short work session for that.

Chair Little: Okay. Thank you.

Dr. Garcia: We can bring you the plan and show you where the numbers are in what we're going to do.

Chair Little: Okay.

Dr. Garcia: South Central is supposed, they are meeting quarterly now and that's part of the problem so I think they're next meeting may be next month. There was no meeting this month. We'll bring it in a work session and show you what the plan is for the collection only at this point.

Chair Little: Okay. On to projects.

Dr. Garcia: Mr. Clark.

Clark: Chairman, Commissioners. I'm here to bring you the Capital Improvements Program for 2019/2020. As Dr. Garcia said, you're going to see the extensive use of the remaining bond funds that we have out there, NMFA loan. We also see the use of Impact Fees and rates for the different projects that I'm going to present to you. Some of these projects are going to be carryovers because we're in the middle of the projects right now, and we'll start off in Gas with the first carryover.

As you all are aware, we're on the Talavera Project right now. I believe the last two months, two months ago you awarded the high-pressure side, so the remaining portion of the Talavera projects are going to be the low-pressure distribution network which is in the heart of the Talavera area. As you recall we went through the first phase which was Soledad Canyon, we had to get



ahead of the County on their roadway widening project. That was completed. The high-pressure gas line from Sonoma Ranch to Soledad Canyon is under construction. There's approximately 2.6 miles of high-pressure gas line that will be installed. Then we have almost a mile worth of low-pressure gas line that's on Dripping springs as well that will be installed by the same contractor. We anticipate letting one of the low-pressure projects out later on for another month or two and getting that under construction. Then the final phase, the \$2.1 million that we anticipate using for the last portion of that project where all the customers will have the opportunity to get onto gas service.

The next project is the Calle Jitas High-Pressure Gas Pipeline. This is another carryover project. That's one's currently under design. It's approximately 60% in design. We're anticipating around \$261,000.00 to complete that extension of the high-pressure gas line. I believe that goes from Soledad Canyon to Silver Hawk Road and we hope to see that one finish up, I'd like to let it out before the Fiscal Year change, that's what I'm hoping for and pushing the consultant for. We do have some right-of-way acquisition or gathering that we need for this project which I believe is going to be the hold up. We'll be negotiating with one of the property owners at the first portion of that gas line.

The next project is the Parrigan Way and Mission Bell, Saddle Mountain Low-Pressure Gas Line Extension. As you are aware, we have the new extension policy for the customers, and we've had a lot of interest out there. We identified three different areas where we're going to extend the low-pressure gas line. Two of them I believe Parrigan Way and Saddle Mountain are on the East Mesa, Mission Bell is in the Las Alturas area. We're anticipating approximately \$840,800.00 gas to pay for those projects.

I listed the maps of all those different areas for this. There's the Mission Bell area, and then finally we have the Saddle Mountain Road area is on the East Mesa as well.

Unfortunately, Councilor Sorg is not here today. This is one of his projects. The Vista de la Luna, Vista de la Montaña and Pines Subdivision Roadway Resurfacing. This is the second half of that project after we're done completing the water service installation and patch repairs, we have budgeted money there to go in and resurface the roadway. It'll be a micro-surface so that the roadway won't look quilted, it'll be a nice homogenous surface left behind.

This next project, Bowman Avenue Water Line Replacement. Bowman Avenue is actually in the Town of Mesilla limits; however, we service water in that area and the Town of Mesilla received some grant money from the state in order to replace the roadway and do some drainage improvements. Knowing their project, we went and looked at our utilities, all of them; water, sewer, and gas. Sewer and gas were the most recent projects that had rehabilitation in both of



those, the sewer and the wastewater side. The wastewater was back in '98 I believe and the gas was rehabbed in '99 and they're all showing good condition right now. The only thing that we did not take care of was the water in that area. We have records saying the water was installed in the '60s, it has not been rehabbed and we're going to go ahead and change that out and put some new PVC water line in there. I believe it's a 10-inch water line that will be installed in there. There are approximately 1,900 lineal feet of that that we'll be replacing. We're estimating costs around \$200,000.00. We are working with the Town of Mesilla. We met with their Public Works Director over there and he's on board with this. He wants us to change our water line so that way we can keep that roadway preserved.

The next project I have in here is the Spruce Tank Booster Station. This booster station is needed so we can move more water from the valley up to the upper zone. This will help us utilize our Valley wells, especially our new Valley wells that we received state legislative funding for wells 29, 30, and 31. This will help us push this water up to the upper zone in a more efficient manner. Estimated cost is approximately \$271,000.00 in rates and bonds.

Zone One Interconnect project. This is a large project. We had completed the first section or the first phase, which is this blue line right in here. We completed this a while back, I believe that was 2016 we completed. The next phase is this red portion here that we have drawn up for you. We have some development over here in the Sonoma Ranch area and we want to go ahead and loop the water line systems, so we're extending this water line. There are Impact Fees utilized to do this extension. There are still several phases that have to go on. You can see that orange, to me it's orange, all the way up to Highway 70. We didn't do the entire thing because due to costs, so we phased it out. I believe the cost was somewhere around \$4.8 million. We couldn't afford it all at once. This next phase we're looking at about \$800,000.00 to keep continuing further to the north to the next section line.

Archuleta: Carl.

Clark: Yes.

Archuleta: Do you have all the right-of-way for that?

Clark: Chairman, Commissioner. We do have the right-of-way for that. State Land Office, we have an agreement with them, we acquired all that right-of-way to do that. It's just a matter of funding the project now. We are doing the final alignment, so that means there's a lot of dirt work involved to install the final grade that we want to see out there.

Archuleta: Thank you.



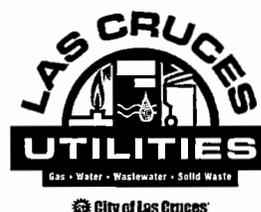
Clark: Sandhill Wastewater Interceptor. This project I anticipate letting out the first phase of this project which is estimated at about a million dollars this year. We have budgeted next year \$1.6 million to do the second phase and that would finalize the project. We should see the final design here before the end of the month and then we'll review it and let it out for bid and move forward on Phase 1, and then I believe the consultant also has Phase 2 wrapped, so when we get into the new Fiscal then we'll look at moving forward with getting that out and moving it under construction. We do have the right-of-way for that. That was the original holdup on that project was the right-of-way acquisition on that.

The next project is the Jacob Hands Wastewater Treatment Facility East Primary Clarifier. I believe everybody here on the Board was around for the West Primary Clarifier that we completed. It came out really well, it was an excellent job. We anticipate approximately \$2 million to rehab this East Primary Clarifier, which is in about the same condition as the West Primary Clarifier. This helps us continue with our reinvestment in the treatment facility. Looking forward to doing this project. We should see that one completed within Fiscal Year '20.

The next project is the Jacob Hands Wastewater Treatment Facility Ultraviolet Light Disinfection System. Basically, it would be the ultimate replacement of the chlorination/dechlorination system that's at the treatment plant. With the replacement of that it'll reduce all the hazards that we see with this current system. There are some hazards to handling that material, safety issues that are always of a concern to our employees as well as the surrounding City. This project will hopefully eliminate all that and then make it a little safer area to work in. Approximate cost is approximately \$450,000.00. We'll be utilizing Wastewater fees.

The next project is once again we work with Public Works really closely. They've identified three roadway rehabs that they're going to be doing. This first one is Van Patten Street from Alameda Avenue to Melendrez Avenue. We budgeted \$62,000.00 for gas, \$164,000.00 for water and \$125,000.00 for wastewater. As you can see, we're using loans and rates in this project. There is some gas, water, and wastewater that will be installed. Approximately 1,100 feet of gas and 1,000 feet of 8-inch sewer and 1,500 lineal feet of PVC water line will be replaced in that roadway.

The next project is the Tashiro Avenue rehab project from Motel Boulevard to Valley Drive. I think everybody's been down that roadway once or twice. We have budgeted in there approximately \$62,000.00 for gas and rates fees and \$243,000.00 for water. We'll be extending a long water line. We'll be utilizing the NMFA (New Mexico Finance Authority) loan and bonds funds that we have for that and then \$90,518.00 for wastewater for the improvements on the



sewer system there. Relatively the same amount of gas, about 1,100 lineal feet of 2-inch gas that we're going to be installing and 2,700 lineal feet of 12-inch PVC water line that will be installed in that roadway, and 700 lineal feet of 8-inch sewer main that will go in place.

I believe that's the final Public Works project that I've listed here. From McFie Avenue from Valley Drive to First Street, so we budgeted \$122,000.00 for gas and \$218,000.00 for water with loans, and \$18,000.00 for wastewater. A little bit more extensive gas work that's going on out there on McFie and the water side which is always interest to us is 2,200 lineal feet of 8-inch PVC water line that'll be installed and only 150 lineal feet of 8-inch PVC that'll be installed in that roadway.

The next project, the NMDOT (New Mexico Department of Transportation) I-25 and University Avenue project. We do have some utilities as you can see in Triviz Drive. We identified only water and gas that need to be replaced and only a small section of gas, you can see it in yellow there, so the largest amount of work is going to be the water side. We have \$16,000.00 budgeted for gas and \$100,000.00 budgeted for water. That is already designed, ready to go out to bid. We will be given a window in the DOT project to go in there and install those items. We won't be utilizing the DOT's contractor, we'll be hiring our own contractor. More likely we'll bid it out and get the contractor involved and then they'll give us a window to get in there and replace these items. That's why we feel those budgets are strong and efficient.

***City Manager Stuart Ed departed 3:26 p.m.**

Clark: In summary this Capital Improvement Program provides for the necessary Utility infrastructure and meet growing demands as seen on the East Mesa the water line, it provides the necessary level of funding to continue our investments in Jacob Hands and to continue our investments along with Public Works into the roadway improvements and the DOT roadway improvements. As I've shown you there's an extensive use of bonds and NMFA loans for this program. Any questions?

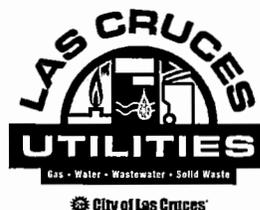
Chair Little: Dr. Johnson.

Johnson: Very small nitpick. If you noticed slide two.

Clark: Slide number two. Talavera.

Johnson: Yes, the funding for gas lines, the last line down there you need to pick a different color, I expanded that to 200% and I still can't find that color.

Clark: That yellow at the very bottom?



- Johnson: Yes.
- Clark: Yes, that is yellow. It is a little difficult to see and that's always the color we signify. Yes, we will try and on those I'll try and expand them more so you can see them.
- Johnson: Well maybe I'm color blind I just could not find that anywhere.
- Clark: I have that same issue. I do have a map that I can pass on to you, maybe you'll be able to see it.
- Johnson: That's okay. I could never find it.
- Clark: That's all the low pressure, we consider to be low pressure. The Regulator station, the square at the top of, on the north end of Soledad Canyon is the regulator station.
- Chair Little: Anything else?
- Dr. Garcia: Mr. Chairman just to finalize the process is we bring you the action items and the detailed Fund Summaries. We'll send them a little earlier so you can know all the Fund Summaries so we'll send them a little earlier. It's an action item recommending, a resolution recommending to Council the FY '20 budget and CIP. Just like in prior years.
- Chair Little: We will see that in April.
- Dr. Garcia: April meeting, yes.
- Chair Little: At that point it's going to be necessary that we act on it, so any questions need to come between now and then.
- Dr. Garcia: Yes. Direct your questions through Alma and not copy all, right. Send individually to Alma the questions that you are addressing or concerns or additional information. We will address those. We won't have a separate PowerPoint. We bring up the same PowerPoint but then we can elaborate on things you've asked for.
- Chair Little: Okay.
- Dr. Garcia: That concludes the work session.
- Meeting was adjourned at approximately 3:30 p.m.



William M. Little

William M. Little
Las Cruces Utilities Board Chair

11 April 2019

Date

