

Las Cruces Utilities
Minutes of the Work Session Meeting on
Thursday, March 12, 2020
1:30 pm
Utilities Board Room 225

Board Members Present

William Little, Chairman
Ed Archuleta, Vice-Chairman
Johana Bencomo, Commissioner
Jim Carmichael, Commissioner
Dr. Harry Johnson, Commissioner

Board Members Absent:

Steven Baumgarn, Commissioner
Gill Sorg, Commissioner

Ex-Officio Members Present:

Jorge A. Garcia, Utilities Director

Others:

Becky Baum, RC Creations, LLC
Cassie McClure, Public Outreach Consultant

City Staff Present:

Robert Cabello, Sr. Assistant City Attorney
Maria Cheng, Budget Analyst
Carl Clark, Deputy Director ENVT/TS
Rhonda Diaz, Water Conservation Program
Coordinator
Jeff Dillard, Business Systems Analyst
Lucio Garcia, Deputy Director Natural Gas
Robin Lawrence, Deputy Director Solid Waste
John Mrozek, Deputy Director Wastewater
Jose Provencio, Deputy Director Business
Services
Mario Puentes, Gas Business Analyst
Peggy Risner, Administrative Assistant
Domonique Rodriguez, Rate and Economic
Analysis Manager
Alma Ruiz, Senior Officer Manager
Matthew Saenz, Senior Budget Analyst
Victoria Strouse, Senior Office Assistant
Delilah Walsh, Utilities Assistant Director
Adrienne Widmer, Deputy Director Water

Chair Little called the work session meeting to order at approximately 1:32 p.m.

1. Proposed Utilities Fiscal Year 2020/2021 (FY21) Operating and Capital Improvements Program (CIP) Budgets:

Dr. Garcia: Thank you Mr. Chairman, Commissioners. Today we have the work session on the Fiscal Year 2021 budget. The format is very similar to what you've seen in the past. First we're going to go over the summary of the Operating Budget then we'll have the Capital Improvements. I've asked Assistant Director Delilah Walsh to do the presentation but all of us will be jumping in and adding to the discussion. You also got in your packet the funds summaries and again that's a summary. If you all want to get into the details of those summaries, Ms. Rodriguez has the computer and we can expand that information and get into discussion of different items. We didn't want to give you a thousand pages and we usually give you a summary. With that, now in terms of process after we get your input today or anytime between now and your April meeting, at the April meeting we'll bring you a resolution for the budget and the Capital



Improvement Plan. You will then approve a resolution that recommends the budget to the City Council, and then the City Council will incorporate our budget into the overall City budget. The process has not changed. You will see some changes in the potentially format of the final fund summaries but the revenues and the expenditures are going to be the same plus/minus whatever modifications you make today. With that, Delilah, do you want to start.

1a. Proposed FY21 Las Cruces Utilities Operating Budget:

Walsh:

All right. We'll start with our proposed budget themes. This is essentially the driving factors behind the development of our budget. Also in addition to our operational needs we will be continuing our Strategic Business Plan Objectives. You're very familiar with those. One of the themes and impacts of this year's budget is going to be the Performance Contracting. As you know we'll have the completion of the AMI (Automatic Metering Infrastructure) project installation probably ending by the end of FY20, this fiscal year prior to the start of FY21. In addition to that we will be pursuing the performance contract for the Wastewater Investment Grade Audit and Installation, and those are the items that Harry Romine presented to you from JCI (Johnson Controls International). That's going to be one of our pursuits in FY21.

We will also continue our long term well replacement program. We will be streamlining our personnel functions across all utilities to improve efficiency and quality of service. What I mean by this is these are the items that we've been discussing in the HR (Human Resources) report as far as narrowing down some of our job descriptions, consolidating jobs where we have duplicative duties, looking at our job structure as well as span of control. Those are going to be some of the improvements we'll see in FY21. Our big effort is also going to be aligning our Utility Master Plans for Gas, Water, and Wastewater with Elevate Las Cruces. As you may know the City Council has passed the Comprehensive Plan for the City of Las Cruces which is called Elevate Las Cruces. I'll give you an example, in our Water Master Planning we have extension of lines into certain areas where now the Elevate Las Cruces Plan says we're going to have open space and not development, so we will obviously have to bring our Master Plans into alignment with those.

Additionally we're going to be enhancing our utility training and educational opportunities. That means the expanded internship programs we're working on with Doña Ana Community College as well as our EDGE and NMSU partnerships for our MPA programs, EDGE programs, and even bachelor degree programs, the trade and journeyman apprenticeships that we're going to pursue in FY21 as well as our hosted LMS (Learning Management System) site, what that means, that's a Learning Management System. Our entire training



program, whether it be a live training within a line of business or a utility wide safety training or an online training or a federal training, all of those are going to be tracked in the LMS (Learning Management System) . Utilities purchased our own hosted site in addition to the City of Las Cruces hosted site so we get to customize our training and tracking within the system. We'll have a better control of whether people know and what they need to know.

We'll continue to refine our recycling partnership with South Central and of course we have the implementation of our updated Water and Wastewater Impact Fees which are currently in Council. I do want to note that the Impact Fees have not been through the full approval cycle so they are not included in the budget yet but we can modify that as we move forward.

We have a brief slide; I know Dr. Garcia briefs you pretty much every meeting on our litigation. Regarding the budget process, all I can say or all I really need to say is any liabilities we've incurred or understand in FY20 we have moved those over to FY21. As you know the Consent Decree's currently under the federal judge and has to go through that process but we are budgeting for any impact of those movements. Dr. Garcia I don't know if you have anything else to add.

Dr. Garcia: I'll be briefing you in the Administrative Report. We can discuss some more but the budget process cannot include a settlement that hasn't been signed yet so later on when we get the dollars of our settlement then we will be able to incorporate those in the revenue side and the expense side. I'll explain some more in the administrative report.

Walsh: On Capital Projects Carl will be giving you a more comprehensive CIP (Capital Improvements Infrastructure Program) presentation later on after this budget presentation but this is just a brief overview of some of the larger expenditures we'll be making in FY21. As for equipment we've kept our request pretty flat in the sense that we're mostly replacing equipment. We do have a few new requests. I believe one in Water and one in Shared Services, but for the most part all our equipment requests in the FY21 budget are for replacements of aged equipment, something that's gone beyond its useful life. The budget you're seeing today excludes the \$1.2 million worth of bond refund that we're doing and that was the loan we originally were going to get from NMFA but we joined it to the bond refund instead. That money is going to be used to purchase the Water and Wastewater items that were deferred in FY20 because we did the phased-in rate increase and so we were behind on equipment purchases and then some of the limited equipment that we thought we would



need in FY21 but they're not in the budget yet because we haven't received the bond funds yet.

Our transfers are fairly limited this year. We're not seeing a lot of big transfers. Mostly what we'll be shoring up our equipment reserve funds and contingency funds in Gas, so you'll see their transfer to the equipment reserve fund is the most impactful; the \$1.1 million and that's within their own fund, it's just going to equipment reserves, the rest are for contingency and small transfers within Water and Water Rights.

On the financial end we are going to start Rate Reviews. As you know we have that commitment in our strategic business plan to review rates every four years. We're not completely phased-in of all our Water rate adjustments yet. We're still in tier two and we're moving in that process, but we are starting our Solid Waste. We've completed our Solid Waste Rate Review, but we don't have the new revenue projections because again we haven't implemented those rate changes. Once we go through the process and if the Board does implement them, we change our tariffs, we change our P-sheets, they'll take effect. We did not include those Solid Waste increases in the FY21 budget.

You'll see later on when we talk about the equipment balance, yes FY21 should we not raise Solid Waste rates it is sufficient for us to operate but the minute we buy all the equipment Solid Waste will be broke so that's essentially what the fee increase is going to take care of is equipment. In Gas we'll be starting that Rate Review in FY21. We're already working with our consultant and we'll be bringing you more documentation and work on the Gas side later on in the Fiscal Year.

Archuleta: I have a question.

Walsh: Yes sir.

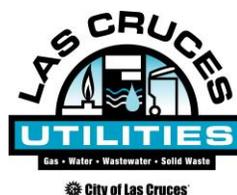
Archuleta: Why wouldn't you increase, include the revenues to be expected on the Solid Waste?

Walsh: Because they're not official yet.

Archuleta: Yes, but they will be.

Walsh: Correct.

Archuleta: Very soon.



Walsh: Correct.

Archuleta: By the time the budget's approved it'll be in place right.

Walsh: Mr. Chair, Commissioner Archuleta. We hope they will be but since we can't say with certainty we don't want to make our projections based on that. However, should they be approved and we come back to our Board prior to the start of the fiscal year we can always make a first period adjustment in our budget in order to recognize that revenue.

Archuleta: Okay. All right, thank you.

Dr. Garcia: Mr. Chairman, Commissioner Archuleta. We have a window of opportunity at the end of the Fiscal Year and early next Fiscal Year to reconcile the funds.

Archuleta: Right.

Dr. Garcia: That's when we would put in the projected new revenues in Solid Waste.

Archuleta: Okay.

Dr. Garcia: Yes, you'll see them next year, but right now through this whole draft process and by the time we ...

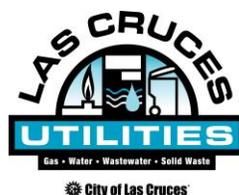
Archuleta: Right, it's not official.

Dr. Garcia: Yes. Council will, it's on the agenda for City Council on Monday so technically we will know after Monday, but then we need to come back to you. Then change Munis and the tariffs and all that, so it's safer to wait until you see it after July 1 with the first period adjustment.

Archuleta: Okay.

Chair Little: Question. All of these adjustments happen in what we sometimes call the fifth quarter?

Dr. Garcia: Mr. Chairman. I don't know that we call it that but that's what it is. Domonique can you explain when we do that and what funds you reconcile? Usually is it the Capital Funds and some other funds, so that's an opportunity to reconcile revenue. Explain the process a little bit for the Board.



Rodriguez: Chairman. Yes we look at all of our funds at the end of the year. When we do our budgeting process we're looking at projections so come July 1 what we do is we reconcile, especially those bond funds because we know it's a set amount that we received in bonds and then in the first period adjustment we work with OMB (Office of Management and Budget), the budget office at City Hall and we take them at the same time to say "okay now we know what our actual balances are" and we adjust those funds so that way we can move throughout the remainder of the new Fiscal Year with the correct balances.

Chair Little: Okay. Thank you.

Rodriguez: You're welcome.

Walsh: In addition to our regular financials we're seeing an increase in personnel expenses and that has to do with the City mandated recommendation that we do a 2% COLA increase. It's not approved by the Council. It's something that we use as a budgeting mechanism. In addition to that we were told to anticipate a 15% increase in health benefit costs for our employees so that's going to be a lot of our personnel benefit changes and the expense changes. We have not increased the number of staff in Utilities.

On the project side we'll be utilizing existing bond funds for our projects. The FY21 budget before you does not include the new bond funds for Capital Projects which is the \$10.5 million for Water and \$3.3 million in Wastewater. We haven't even brought those to you yet for recommendations in the CIP (Capital Improvements Infrastructure Program). It also does not include the new bond funds for the IGA (Investment Grade Audit) which is the \$9.4 million we're anticipating needed for the Wastewater IGA (Investment Grade Audit).

Onto our lines of business. In Gas we're anticipating a 5.86% revenue growth in Gas. This is growth in gas sales, no new rate impact. We haven't done our Rate Review yet for Gas so this is just anticipated sales based on current operations. Also in the operating budget of Gas you'll see that their operating budget jumps quite a bit. This is due to the transfer to the Shared Services account and to the other Gas funds. This is what I was talking about when I talked about moving Gas money into the Capital Reserve Fund and the Contingency Fund. For the Shared Services increases you're going to see that throughout the Utility the reason being we're moving more money to Shared Services in order to meet that two twelfths fund balance requirement for Shared Services just like we do for Gas, Water, Wastewater, Solid Waste.

Chair Little: Question.



Walsh: Yes sir.

Chair Little: Remind us, the cost of gas pass through doesn't appear in this.

Walsh: Correct. Mr. Chairman. That's correct. The cost of gas will not appear in our revenues because it is a pass through. We don't make any money off of it.

Chair Little: Right. Okay, thank you.

Walsh: You'll also see a slight change even with the personnel expense increases that we anticipate; we did remove two positions from Gas and reclassified those over to Shared Services, and that's been part of the process that we've been discussing over the past few months of hard to fill positions have been re-classed in order to fill positions that are needed throughout the Utility.

On the Water side we are anticipating our revenues to increase by 5.3%. What I want to emphasize is this doesn't include the full implementation of the second tier. As you know our Wastewater rates change in December. We go from that December to January change and it's only half the Fiscal Year that it's impacted so we don't use those to show too heavily in the budget because we want to be conservative on that side. Whatever on the expense side of their operating expenses it did increase again to that transferred Shared Services. Once again we're trying to bump up the fund balance for Shared Services. On the personnel side it's not an increase of personnel that's being demonstrated in this 14.87%. That's the assumption that we are going to fill every single position and that's our goal. We have had personnel savings over the past year but as you know and even information that you've requested that does impact over time in other portions of the Utility.

In the Wastewater side, again we only have a portion of the new Rate Revenues that will come into effect with the tier two implementation therefore we're only anticipating a small revenue increase. As Dr. Garcia and Domonique mentioned earlier when we do get to year end and we see actuals we can make budget adjustments to recognize that additional revenue. However, Domonique will explain to you later on in the presentation we're actually hitting a lot of our revenue targets as anticipated through the Rate Review. Wastewater also experienced loss of two positions that were re-classed somewhere else in the Utility and both positions in Wastewater and both positions in Gas, those are reclassified to Shared Services. You'll see that impact for personnel expenses a little higher in shared expenses.



For Solid Waste we have some slight operating reductions, very slight. She's got a lot of growth in sales because we have no new rates implemented within this budget. Again as we've sort of talked about over and over we do have the rates in consideration now but they're not official so we've not included them with the budget side. Again on the personnel expense we anticipate some increased expense simply because we're looking at all vacant positions being filled completely. On that note, when you see our Capital balances, I'll point it out a little bit more, really the need for why that rate increase has to come into play in order to keep us operating. The one thing I do want to emphasize here is that we have not included the anticipated increase in tipping fees that Patrick shared with you at the last meeting when he gave his presentation. When he explained the impact of recycling and the methane gas issues that they have at the landfill we understand that he may have to do a rate increase but we have not included that with our budget but it is something that may come down the road.

Chair Little: Question.

Walsh: Yes sir.

Chair Little: Is that not also a pass through?

Walsh: The?

Chair Little: Solid Waste. South Central.

Walsh: Mr. Chair. Actually the recycling portion's a pass through but the tipping fees is an actual expense. Again it does go to the customer, but it does impact the cost of our service.

Chair Little: Sorry. I didn't realize you were talking about tip fee. Go ahead.

Walsh: Correct. Thank you.

Bencomo: Mr. Chair. I have a question as well.

Chair Little: Go ahead.

Bencomo: Delilah. I'm sorry, can you just repeat for me which of these line items there's anticipated rate increases?



Walsh: Mr. Chairman, Commissioner. We're looking at rate increases in Solid Waste because we did the \$2.00 per customer increase. However that won't come in until later in the FY and we won't recognize it until everything's official.

Bencomo: That's it then?

Walsh: Yes.

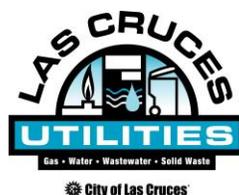
Bencomo: Okay. I thought you said something about Wastewater.

Walsh: No, Wastewater and Water, I'm sorry Commissioner. Wastewater and Water, we have a tiered implementation of rates and so we're seeing, we'll be in tier two next Fiscal Year.

Bencomo: Okay. Thank you for clarifying.

Walsh: On to Shared Services. Again we have increased transfers so you'll see the revenues in Shared Services coming in because from all the different Utilities, all the different lines of businesses we're transferring funds into Shared Services in order to increase that fund balance to the required at least one twelfth at this point. Additionally on operating you see a decrease on the operating expenses. That is because the engineering allocation is now going to come out of our personnel expenses and what I mean by that is typically Shared Services will pay a, not a fee but an engineering payment to Public Works because of what they do for us. They do our inspection, our engineering planning, as we do rehabs throughout their easements. This is part of their engineering services. For example the Gas inspectors at Public Works, they don't work for any other department of the City. We're the only department that needs Gas inspectors or needs the services of Gas inspectors. On the offset, because we're decreasing that payment to Public Works from the operating side it's going up in the personnel side, in addition to the four positions that we've added that we took away from other lines of business.

The fund balances are very, very healthy. It's somewhat exciting to actually see them start to grow and again that has to do with the Rate Reviews and being cognizant of what the needs are of the Utility as well as for operations. You will see a big change between FY20 and FY21 in Gas. Again those are the transfers out to the Gas Capital and Gas Contingency Funds. They're operating fund is going down but the money still stays in Gas just in a different fund. Solid Waste is another good one on their operating balance, they did come down but that's because we bought a truck or two. The same with Capital Fund Balances you'll see in FY20 we've got a smaller balance in Gas but once we do



the cash transfer from the Operating Gas Fund to the Capital Gas Fund that's what that big jump is for in Gas. We do need to look at the Gas infrastructure and equipment needs. It's a highly dangerous and highly specialized department or section and unfortunately it's expensive. That's the cost of doing business.

On the Equipment Fund Balances this is the one I wanted you to take a look at Solid Waste. We're showing a small change from equipment fund in Solid Waste from \$1.8 million to \$1.6 million but if Robin gets no new revenue we operate business as usual, she needs to buy maybe four trucks and then that balance is gone. By the time you do the trucks, the equipment, replacement, anything else that's associated to it she'll have a tiny balance at the very end. We are gradually building the fund balances though during our rate process. Of course there is a lag in Water. You see that fund balance is only going from \$48,000.00 to \$54,000.00. A lot of that again has to do with the fact that we phased-in the needed increases to meet those fund balances. Rather than recognizing all that revenue at once and having the 10-point-something increase in bills for our citizens it's a three year phase. You'll see that fund balance grow a little bit slower.

Chair Little: Go ahead. Okay, thank you. Go ahead.

Walsh: Pretty much in summary any increases in personnel have to do with that PW (Public Works) change or just the anticipated salary and benefit increases directed by the administration. Essentially there's no new staff. Our budget as a whole is pretty much status quo and all the operating funds for the most part are the same or even reduced. However, we still have to do the Rate Review and determine if we're properly funded. Gas for example has the Debt Service capacity but we still only have the two twelfths fund balance so we still need to work, or we don't have the two twelfths fund balance, I'm sorry, so we still need to work toward those goals.

The Water and Wastewater rate adjustments, again those are phased, we're not recognizing the full implementation of those rate adjustments. From Gas we don't have any new anticipated revenue from rates until we go through the rate adjustment process. For Solid Waste again we didn't include it until everything's official. The fund rehab and development projects in the ICIP (Infrastructure Capital Improvement Plan) are going to be done, again with existing bond funds. We're not including any new debt yet, and then we have moderate fleet and equipment upgrades across all utilities. Essentially we have a really conservative budget. That's really the bottom line. We started out with 309.2 FTE's (Full Time Employees) for this fiscal year; FY21 309.2 FTE's (Full



Time Employees). Same with equipment. We have very little new equipment, most of it is replacement and needed replacement. As far as projects go we're only funding with our current availability of bond funds. Any questions?

Archuleta: I have a question.

Chair Little: Go ahead.

Walsh: Yes sir.

Archuleta: Yes, in the proposed budget themes one of the themes that's not included is the basically the suggested modifications to the Water Conservation Ordinance Program. As you know I serve on that committee. We started late last fall and we've had a couple meetings but right now we're waiting on the consultant to finish their work. We have not met since December or January, excuse me, January. No we met in December, that's right. We're waiting on the consultant to respond to the comments from the committee. If the comments are approved by the committee and then subsequently by this Commission there's going to be some fiscal impacts based on what's going on currently. I guess the question is, will there be time later on to make a budget adjustments if in fact that program were to be approved?

Walsh: Mr. Chairman, Commissioner Archuleta. Absolutely. We could either do that our first period budget adjustments that the City does, but we have at least four opportunities throughout the entire fiscal year to make those adjustments. Our budget office does go to City Council every quarter for adjustments and if those recommendations come through and our Board approves it we can recognize those within.

Archuleta: Even though this Board hasn't seen the work of the committee but I think it should be a major budget theme in my opinion because it's ongoing, it's authorized, and like I said the committee once it finishes its work and then we'll come with the recommendations to the full Commission.

Chair Little: That's a good idea. We need to see the flag on the back of the bicycle.

Archuleta: I think if it was a budget theme that's fine and then just wait for the results from the committee and the timing, etc., etc.

Walsh: Absolutely. Mr. Chair, Commissioner Archuleta. That's a really good point because we do the same when we talk about Rate Reviews and possible future impacts and operating cost impact so that's a good continuation for us to look at.



Archuleta: Okay, thank you.

Chair Little: Another comment, one of the ongoing items that may in fact, should in fact end up with a substantial fiscal impact is the recommendations of Shomaker and Associates on implementation of the portion of the 40 Year Water Plan, and we expect to hear a draft of the bulk of that report soon. That should be a fair amount of money somebody ends up talking about.

Dr. Garcia: Correct. Mr. Chairman. Next month you will see a portion of that project. We gave them the whole year to do the project so we're not there yet, but towards the end of the calendar year you will see and we'll be able to determine what direction do we go and we're going to acquire water rights in another basin and things like that. Both the water rights acquisition, the funding for litigation, and the Water Conservation Program are funded by what we call the Acquisition Fund or the former Water Rights Acquisition Fund which is fund 5320. The revenue stream could be number one the current rates and you transfer from the operating fund or there's a current revenue stream of about \$0.11 per 1,000 gallons.

Unfortunately that predates the Board and the process and that \$0.11 is an ordinance so whether the Board recommends a Water Conservation Funding change or an implementation of water rights acquisition outside after the Board recommends we need to go to Council and change the ordinance. I want to clarify that because that predates the, actually the Water Acquisition Fund dates back I believe to 1985 when they established that fund, the City Council did. That never was transferred or eliminated and brought everything under the Board preview. Even at the time you had authority to approve the rates and the Council was the appellate body. The \$0.11 is hard coated in law and that will require a change, so once we determine what that change is we can recommend to Council and go to Council. That's an extra step that we may want to do, we have to do before the budget adjustment but it is, that is the fund 5320 in your book here is the fund that funds water conservation, water acquisition, and some of the litigation expenses.

Chair Little: It sounds as though given the timing that any implementation of any approved recommendations will be at the end of or beyond FY21.

Dr. Garcia: Mr. Chairman. It is possible that we may have some guidance and start the process after the end of the calendar year so we will be in mid-year depending on what recommendation Shomaker brings. If we can have some recommendations and have an idea as to what funding changes we would need we could start the process after, like in January or February.



- Chair Little: Okay, thank you. Anything else? Commissioner Carmichael.
- Carmichael: Dr. Garcia. Could you remind me of what the, there was an item there; The Office of State Engineer/Legislative Conservation. I've forgotten what that even is.
- Walsh: Mr. Chairman, Commissioner Carmichael. Dr. Garcia can I answer that? That is the pilot project. We actually just received notice today that, that was approved and that's the pilot project proposed by the Office of State Engineer and for conservation efforts that can range from fallowing programs to pilot programs on what we're going to do in order to satisfy some of the conditions of the litigations. That was a legislative appropriation coming through. I believe it was, was it \$19 million?
- Dr. Garcia: \$17 million.
- Walsh: \$17 million that was finally approved.
- Carmichael: Was that statewide?
- Walsh: For the OSE (Office of State Engineer).
- Dr. Garcia: Mr. Chairman. That is not, I don't believe that's statewide. I believe that's strictly for the Texas v. New Mexico attempt to settlement.
- Carmichael: Okay.
- Dr. Garcia: That's my understanding from the original legislation or the request and the Governor did not veto that so we understand that the request was \$20 million for one purpose and \$10 million for litigation I think. They got a total of \$17 million, a little more than half.
- Carmichael: Okay. The other question I had, I don't know where I read this or saw it or dreamed it or what but that some of the state income attributable to the old gas industry was potentially being set aside for distribution for projects dealing with sustainable, renewable energy projects. Are we doing anything about that? Am I dreaming?
- Dr. Garcia: No, you are correct. Mr. Chairman, Commissioner Carmichael. I believe there was some request to make some changes in the law to allow for community



solar systems and things like that. I don't believe that passed and they were going to fund that with **OM** Gas revenue.

Walsh: Dr. Garcia. If I may. There is actually a portion in one of the outlay bills, capital outlay bills for projects towards sustainability and I think it was HB-17. That one I haven't heard yet if it's been vetoed or not but there was a set aside for it. I just got the information yesterday.

Carmichael: It just sounds like with we're, with where our thinking is as a City and as a Utility that we should really keep our eye on this.

Dr. Garcia: Correct but let me clarify. The fact that there is that funding doesn't mean that we will get it.

Walsh: Correct.

Carmichael: I understand.

Dr. Garcia: That train left the station. We go through City Council to allocate projects, the projects get requested to the legislature and then like the septic system, so if there is funding in the legislature it's not for the City Utility or the City. I don't believe any of the City of Las Cruces projects for solar were funded. Was there any requested? They were not.

Walsh: No.

Dr. Garcia: We had a, there are Capital Funds from oil and gas to the City and one of those we're getting half a million for additional septic system. We did get that, ourselves with Utility.

Carmichael: Right.

Dr. Garcia: We did not, as far as I know we do not get anything else on the request that went through the City Council.

Walsh: Mr. Chairman, Commissioner Carmichael. When I sit back down I'll check for it to see where it is in my legislative tracker but you're not, you didn't imagine it. There was a proposal there. I'm just not sure if it was passed or not.

Carmichael: Great. Thank you.

Chair Little: Anything else?



Dr. Garcia: One clarification Mr. Chairman.

Chair Little: Go ahead.

Dr. Garcia: I know some of you will do the math, one of you asked the question on the cost of gas. Slide 10, Ms. Walsh is right, it doesn't include Cost of Gas, we're showing you the net Cost of Service revenues and expenses. However, if any of you that go to page nine out of 46 on the Fund Summaries you'll see a revenue of \$20 million versus \$11 million, you're going to wonder what it is. Well, we're adding the Cost of Gas at the top and at the bottom. In case you compare revenues or expenditures in the Fund Summary versus the slide that shows you the net expenses and the net revenues from Cost of Service. I want to clarify that because they are different numbers. We used to have a different Cost of Gas Fund but many years back we went back to have everything added on the revenues side and the expense side because of the pass through. It's not a separate fund. It's all embedded in 5200, so in case you do that math and look at additional revenues and expenses on page nine.

Chair Little: Okay, anything else? Okay.

Walsh: Thank you. I will turn over all our Capital Improvement Projects to Carl.

1b. Proposed FY21 Capital Improvements Infrastructure Program:

Dr. Garcia: While Carl, if I may Mr. Chairman, go ahead Carl. While he sets up, Ms. Walsh made the comment that we do not include some revenues or expenditures; for example the bond funds and she's correct. When we issue bonds and the bonds close then the budget office amends the budget. Today Carl is going to show however the projects that are going to be built with those bonds. If you look for the dollars of those projects in here, the dollars are not there yet. Okay, so I want to clarify that. He's going to refer to bonds. When he refers to bonds are the new bonds that Ms. Walsh was talking about but those cannot be officially incorporated in the budget until the ordinance is approved, it closes the loan closes or the bonds close and then we bring, the City Council approves that amendment to include those monies. That's the normal City process.

Clark: Okay, thank you Chairman, Commissioners. Carl Clark, Deputy Director Environmental Technical Support. I'm here to give you the FY20-2021 Capital Improvements Infrastructure Program. As Dr. Garcia pointed out a majority of these projects are all bonds. I do have some Impact Fee projects that you'll see. With that I'll just begin moving forward.



The first project that I want to show you is the Talavera Low Pressure Distribution Network. We're carrying that, those monies into FY21. As you are aware we're working on the high-pressure side of this project. That's under testing, should be completed shortly and I'll be talking about that at the regular meeting. The next phase is the remaining low pressure side of the project, everything that's highlighted in yellow. As you're aware of also we went in and installed a 4-inch low pressure line in Soledad Canyon, so that's already in place. Then some of the yellow that you see off of Dripping Springs, that's in place. What we haven't done is gone into the subdivisions themselves and the streets and taken the 2-inch lines in there so we can tie service lines and supply actually to the residents at that point. This project we have a \$2.1 million slated for this low pressure side. This is the remaining, what's left of the 35 miles of low pressure line that we have to build still so there's still a lot of work out there that needs to be done and we'll be moving forward with that. Then we'll have the second phase of that low pressure side coming to you after that.

The next project that I have in here is the Pump Station Rehabilitation. We have some additional work that we need to do out in the field. We have a Spruce Tank Booster Station. You'll see that right photo, that's the tank, that's the site where we'll be putting the Booster Station. That will help push water further up to the east where it's needed. We have a lot of capacity and so instead of building more ground wells we want to push what capacity we do have and move them up the hill. In the center photo there that's one of the project areas. We want to replace this air pressure system that we have out there on the Jornada site to a VFD (Variable Frequency Drives). We feel that it will be a better use or a better pressure sustain system with VFD's (Variable Frequency Drives) and handle our highs and lows really well. Then we also have other areas where we need to do improvements and equipment on pump houses and stuff. Chairman?

Chair Little: Would you spell out the initials for us?

Archuleta: Variable Frequency Drives

Clark: Yes, the variable frequency, sorry, Variable Frequency Drives.

Chair Little: Okay, thank you.

Clark: Those are needed throughout, well in this location. That's specifically what we want to do in this location. As I stated there's other well building and equipment upgrades that need to take place at various locations in our system



and that's where we'll be utilizing that \$695,000.00 for, which like Dr. Garcia mentioned are from the bonds that we are going to be requesting.

The next project that I have here is the Water Tank Rehab Projects. I believe we had updated you on some inspections that the operations had completed in regards to their ground tanks. The consultant, Tank Industry consultants gave us back reports with these and they identified the high priority tanks. The Missouri tank here is one of those high priority areas. We need to do a complete rehab on the interior and exterior of that tank so we have slated about \$2 million to go to that tank. Then we have the elevated airport tank which we plan on using the rest of the funds for. As you're aware we have the Airport Booster Station that's coming to a close. I'll be talking about that this afternoon or later on, and once that project's completed then we can get into this airport elevated tank and do some inspections. We think we're going to need some improvements because it's been a long time since we've been in that tank and so we're preparing for that.

The next project is the Water Well Improvements. I have three wells that I've identified in this for \$2.1 million. Well 72, that's on the right side of the screen. We have an existing well that was drilled and we have power out to that well site. Now we need to get equipment and the pipeline to that well site so we can bring water into the system. The other well that we need to work on is Well number 40. It's currently down right now. There was a casing failure or a screen failure, I'm sorry, so that well's not being utilized. We want to re-drill that well just like we did at 29, 31, 32 so we'll do a similar activity to that. Then we have Well 64 which is another well that's drilled out on the West Mesa, standalone, we have to build a pipeline to it, we have to equip it in order to get that water moved into our system up on the West Mesa. That's what the \$2.1 million is slated for.

The next one is the Zone 1 Interconnect Phase B Project. There's \$742,000.00 of Water Impact Fees that we will be utilizing so this one doesn't have bonds. This is the next phase; we're going to have several phases on this project. As you recall in order for us to move water up to the north near Highway 70 it was approximately at that time around \$5 million. We couldn't afford it all so we start phasing it through and this is the next phase; what's highlighted in red there. As you can see the development to the west is encroaching on that line and they have plans right now to go all the way up to that line so we're going to be looping back around into their subdivision with that line. That's why we need to move forward with this line at this point in time. This project is also a little different because we're actually building, we're getting to grade on Mesa Grande which is not there right now so there's a lot of dirt work,



there's about 34,000 cubic yards of dirt that's a part of the total project, not just this phase, and once we can get enough money to do all that work then we can complete this entire Zone 1, actually it's south of Zone 1 to north Zone 1 connection point.

The next project is the Water Street Utility Rehab Transite Pipe Project. There was a study done by Jacob's Engineering where they looked at all our transite pipe and identified critical areas of needing improvement. We were given more or less tables of the critical and I guess high need areas and these yellow highlighted lines are those high need areas. Madrid Avenue. Kind of the fortunate thing is that Public Works is looking for a project, they're looking to complete a project off of Solano on Madrid all the way up to Triviz I believe, so the money's going to come in at the right time, that \$2 million in bonds, to replace that AC pipe that we have in East Madrid, that transite pipe. The other streets are Fir Avenue, North Mountain, West Hadley, and there's some on Picacho, a small portion on Picacho that needs to be replaced. These are the high priority, high risk areas that were identified in that report that we got from Jacob's. Also included which is not in here but it's probably going to be on my next slide, which is a mistake, it should've been in this one, but is University Avenue. That was in the report as well as high risk. We all knew that, right. These bonds here will help get those projects done and that project there is Turrentine. I'm not sure if you all are familiar where Turrentine Avenue is; University at Turrentine which is the street right in front of IHOP and then you can carry it on east all the way up to Solano on the portion that we had not already completed. We've got question over here, yes.

Carmichael: What size generally are these, most of these lines?

Clark: They vary. Anywhere from six on up to the large line's 12.

Carmichael: They are?

Clark: Yes, they're all different sizes. I believe the one on East Madrid is an eight.

Carmichael: The University line is what?

Clark: It's a larger line, 10 or 12. Yes something like that.

Carmichael: Okay. Thank you.

Clark: It's a larger line that we need to repair or replace. Another one of the projects that we have in here is the Waste ... question Chairman?



Chair Little: Before we go away from Water, at some appropriate time you were going to share with us what you learned when you saw a dry section of a failed pipe along University.

Clark: Chairman, Commissioners. You're correct. I just didn't want to give my opinion. I wanted to have the consultant give his opinion as well. He holds a little bit more weight than I do and so I wanted his addition to that. We haven't got him on board yet so that's why I delayed it.

Chair Little: Okay.

Chair Little: I have my own answers to it. I think they're correct, but I think I'm correct in a lot of things.

Carmichael: We trust yours.

Chair Little: At some appropriate time, we'll learn.

Clark: Yes sir. I will be bringing that back to you.

Chair Little: Thank you.

Clark: Good question. The Wastewater Treatment Plant Rehab, we've been talking about these projects. We have \$2.7 million in bonds that we're going to be getting to do these projects. The Jacob Hands Wastewater Treatment Facility East Primary Clarifier, I know I talked to you about that, we approved for the consultants to start the design on it. This money here is for the construction of that. Then we also have the parking lot rehab at the Jacob Hands Treatment Facility. The right photo shows you the roadway that we want to do some improvements on. That road is used for the dump trucks to go in and out of to get the solids and then they take them up to the West Mesa. It needs some upgrading and some care so we can continue to use that road. Just like anything else it has to be maintained. There's a small amount for that; around \$100,000.00 that we're anticipating spending on the parking lot rehab. Then we have the UV (UltraViolet) light disinfection upgrades that we want to do. Trying to bring a more modern system to that treatment plant. Trying to remove some of the chlorine gas that we have out there. We have another question Chairman.

Johnson: Yes. This is the, in the regular session we're voting on a design for that and this is, what will result in that design I assume.



- Clark: Chairman, Commissioner. Yes, that's the construction's money that we need.
- Johnson: Okay. The wording wasn't quite the same. I wasn't quite sure. Okay, good.
- Clark: Yes, that center photo is the chlorine tanks that we have out there, but yes, (you'll be seeing that coming to you for the design efforts from Molzen Corbin so we can get it designed and then ready for bidding.
- Johnson: Okay, but we don't know what the design cost is going to be?
- Clark: We don't have a final cost. Based off a thorough design we have estimates from our project scoping reports to try and determine that.
- Johnson: Right and that's what the \$2.7 million.
- Clark: Correct.
- Johnson: \$2.8 million is based on those preliminary estimates not confirmed dollar values.
- Clark: Yes. Chairman, Commissioner. That is correct. It's based on our preliminary estimates that we put together.
- Johnson: Okay.
- Archuleta: I have a question.
- Chair Little: Go ahead.
- Archuleta: Question, in your longer-term plans do you have plans for landscaping the plant?
- Clark: Chairman, Commissioner. Yes I believe we have discussed that and part of the parking lot improvements that we're doing as well out there was gravel that we were going to placing out there in the drainage ponds that we're constructing. That's some of the improvements. Then I know that we had talked to Rhonda at one time, she left, about doing some trees and some landscaping over there as well.
- Archuleta: It's in the plans, in the works for the future?



Clark: That's what we plan to, and I think it's going to be more down at the, in John's budget on some of those instances so you won't see it in the CIP (Capital Improvements Infrastructure Program).

Archuleta: Okay.

Clark: Next project is the Sandhill Wastewater Interceptor. As you're aware in and which I will be talking about in the regular session is we're in construction of Phase 1, that's almost complete. The next portion is Phase 2. Wastewater Impact Fees will pay for that. We estimate about \$1.6 million for that portion. We are still carrying forward; I know we have the construction plans ready to go and we're just anticipating waiting to bid that. We wanted to get to a certain point on Phase 1 because we needed a manhole to tie to. The manholes are getting completed now and we'll have something to tie to for Phase 2.

Chair Little: Question. I was looking at this map and I can't figure out where this is.
Clark: As you see down in the green section there's Interstate 25. I know the line drawing's a little tough but there's Interstate 25, let's see if I can get this mouse to wake up. There you go. If you can see that's Interstate 25 that comes here, right, and then you have Pecan, and so this is, not sure how to explain this arroyo hill, but the Sandhill arroyo is, I only know it because I drive it all the time. Yes, off of Del Rey it's the big crossing, the majority of that's, I believe that's Settler's Pass, Eddie Binns owns this subdivision up in here.

Chair Little: Okay, now I understand. Thank you.
Clark: Yes, basically the Phase 1 was just getting us across I-25 which we've done. They've already completed the bore, the pikes in place, and then Phase 2 is east of I-25 all the way up past Jade Avenue in the Las Colinas area.

I always have to mention the grant money that we have that you all know about that. We're carrying that over for next year. There's \$550,000.00 slated for Hacienda Acres. This was part of I'll just call it \$1 million, it was \$1,006,000.00 that we received from the state for septic replacements. Homestead Acres, Hacienda Acres Phase 2, we plan on having \$550,000.00 for the two streets in there: Calle del Ranchero, Avenida del Sol. You all may have heard that there was some legislative funds pushed this way as well. We anticipate getting another \$500,000.00 and we anticipate utilizing it over here in this same area. Probably the next street, Wilt Avenue, and if I can try and pick up Inspiration Lane I will try and include that in there with the limited budget that I have. We hope to be, we'll be seeing that next year and then there'll be a budget adjustment to accept all that in.



Another portion of that \$1 million would be Estados Serenos and Brittany Estates. The remainder of that \$1 million, the \$450,000.00 will go towards that. You can see highlighted in orange the proposed project in that area so basically it's trying to connect to the existing sewer and then get it into that subdivision so then we can start building more sewer line within that subdivision which is highlighted in purple. All we can take care of with this money is what we believe is in orange there for proposed project number one.

Carmichael: Mr. Chairman.

Chair Little: Go ahead.

Carmichael: Can I ask a question? Is the Council still looking at options for connection ordinances dealing with the new sewer availability?

Clark: I'm not sure if Adrienne can help us with this if she's been a part of that effort to try and get people to connect to the sewer.

Dr. Garcia: Mr. Chairman, Commissioner Carmichael. We haven't gone to the Council to change the ordinance yet.

Carmichael: Okay.

Dr. Garcia: I anticipate, since we have two new Councilors, we will probably request a short item on a work session to bring them up to speed on what the former PRC, the Policy Review Committee recommended. There's been a restructuring of some of the Council's Policy Review Committees, and that has been a little bit of a delay in some of us taking some of those initiatives back to Council. That's required as you recall, changing the law to bring a narrower window for people to connect to the sewer.

Carmichael: Right, very important. Thank you.

Clark: The next one is the Street Utility Rehab Rehabilitation. I put Utilities and Public Works because some of that money and there's some of that bond money will be used for some of the projects we need to do. and then it also will be used for Public Works for rehab that they do out there on the streets where they replace all the asphalt, curb and gutter, sidewalks. We participate in all those projects by improving our utilities, so that way we don't ever go back into that street, in that, for the life of that street again, at least that's what we hope for.



We also have monies in there for the Los Venados sewer separation. Basically that's, we have an agreement with Doña Ana Mutual Domestic where we were kind of separating the customers in there and so there's some effort that needs to be done design-wise to do that. That will give me about \$300,000.00 to work with a consultant and some possible easements that I need in order to separate that system. I still need to come back to the Board or program it in future CIP's (Capital Improvements Infrastructure Program). to do the actual construction work.

Some other projects I have told you I had it in the wrong slide was the University water line rehab. That's more of a transite pipe effort but we need some of the same bond monies from Water over as well in that same project. Then we have other projects, Carreon Place. I'm not sure if you all recall there was a large water line break that happened in that area and it flooded more of they're like duplex's over there and so this project is to replace that main and change the arrangements a bit and get some, a new pipe in there. That is another, I believe it's AC water line in there again so it's met its lifespan so we need to get in there and replace that.

Then the variety of projects with Public Works, Virginia Street, Tashiro is a big one. We're participating with Public Works; they're going to be widening Tashiro Drive and so we're extending our water line and some of our sewer and gas in that area. Same thing with Van Patten's another full rehab for Public Works. That's why I have it listed as Utilities and Public Works participation.

Then the final slide here is NMDOT I-25, and University Avenue project. We're still on hold waiting for that project and the DOT when they give us the go ahead then we'll have our contractors go in there and do the gas and water work. The water line is an AC water line. We want to replace that under that new asphalt that they're going to be putting in there and then upgrading our gas. As you can see the small yellow line it's not much gas work but we need to do that as well because I believe maybe grade cuts that have to take place up there. We're holding on with them but they're kind of on a delay right now because they can't get their special forms they need. They're delayed on that part so I can't really give you an answer as to when we're go on, I'm thinking it's going to be the first of the new calendar year is when you'll see us actually go to construction with that.

Basically, in summary this CIP (Capital Improvements Infrastructure Program). provides for the necessary Utility infrastructure to meet growing demands. It provides for the necessary level of funding for continued reinvestment at the treatment plant, at Jacob Hands. The water line extensions



that we need completed, as I showed you up on the East Mesa, the Mesa Grande is water line Zone 1. The rehabilitation of water wells and water reservoirs which is high priority for us. These reservoirs are important to us and hold a lot of capacity for us. The rehabilitation of utility infrastructure and City streets where we participate with Public Works. Then not only that our transite pipe projects that we're going to be completing. Then the rehabilitation of utility infrastructure with NMDOT right-of-way so we have a few of those. I showed you the I-25/University. As you can see its extensive use of existing and new bonds. I don't think I mentioned very much like maybe the Sandhill had the Impact Fees. That was really about it. The bonds are important to us and we need, so we can keep on improving our infrastructure where we need it. That's all I have. Of you have any questions.

Chair Little: Questions?

Carmichael: Thank you.

Clark: Thank you gentlemen.

Archuleta: Thank you.

Bencomo: Thank you.

Archuleta: Thank you Carl.

Chair Little: Okay. Any questions on the whole work session? Now my understanding is that upon sober reflection we can forward any questions on the presentation to Alma who will flip them to everyone.

Dr. Garcia: Correct.

Chair Little: They will get resolved between now and the April Board meeting.

Dr. Garcia: That's correct Mr. Chairman. Any questions, concerns, or further if you want us to elaborate on any section of both the presentation or the CIP (Capital Improvements Infrastructure Program). you can request through Alma and then she routes through either operations or to Carl's group or to Delilah to answer and we will expand on that before you vote on the recommendation to the Council.

Chair Little: Okay. Any other general comments on that?

Dr. Garcia: One more Mr. Chairman. If I may.



Chair Little: Okay.

Dr. Garcia: I want to clarify that we've talked about bonds and we need an additional \$13 million; \$10 million in Water and about \$3 million in Wastewater, in addition to the Performance Contract. That analysis, since we had the numbers working on this, was included in the presentation that the financial advisor did for you. We will bring you that presentation again and that back up when you had questions on the Debt Service coverage and all that. Everything we've talked about today is included financially in that analysis that the financial advisor did for you and made a presentation. We can provide you that presentation again so you can see the numbers.

Carmichael: That'd be a good idea.

Dr. Garcia: We haven't added any additional funding request beyond what you saw when we had the Investment Grade Audit presentation and then he said there's additional funding. We already had this general numbers, the additional \$13 million, so that is included. That's important because we know we can make it with the, meet coverage requirements by issuing those bonds.

Chair Little: Okay. If there's nothing else we can close the work session. Our regular meeting is scheduled to begin immediately following the work session. It's 2:35, more or less. How much time does the Board need to prepare themselves for the regular session?

Archuleta: Five minutes.

Johnson: Five to 10 minutes is all.

Chair Little: Okay, let's say 10 minutes from now which will be at 2:45 we will convene the regular session. Thank you all.

Meeting was adjourned at approximately 2:35 p.m.

William M. Little
Las Cruces Utilities Board Chair

Date

