



Agenda

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**PUBLIC UTILITIES COMMITTEE
MEETING
CITY COUNCIL CHAMBERS
WEDNESDAY, NOVEMBER 5, 2008
5:00 PM**

AMENDED

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT AGENDA
5. APPROVAL OF MINUTES FOR THE OCTOBER 1, 2008 PUBLIC UTILITIES COMMITTEE MEETING
6. MATTERS FROM THE COMMITTEE

Outstanding Matters:

- a. Request for Approval of Bill No. 2008-_____. An Ordinance Repealing Sections 14-8.13, 14-8.16 and 14-8.17 SFCC 1987 Regarding Annual Water Budget, Water Rights Transfer Requirements and Water Rights Banking; Creating a New Section 14-8.13 SFCC 1987 Regarding the City's Water Budget, Development Water Budget Requirements, the Water Rights Transfer Program, and the Retrofit Program; Making Such Other Related Changes as are Necessary. (Dale Lyons) (Councilor Wurzbarger and Councilor Ortiz) **To be presented at 12/3/08 Public Utilities Committee.**

INFORMATIONAL ITEMS

7. Update on Current Water Supply Status. (Victor Archuleta)
8. Status Report on the Buckman Direct Diversion Project. (Rick Carpenter)
9. Update on Solid Waste Division. (Bill De Grande)
10. Update on Frozen Water Services. (Shannon Jones)

CONSENT CALENDAR

11. Request for Approval of Amendment No. 3. to the Professional Services Agreement with Norman Gaume , P.E., for the Amount of \$99,000 Exclusive of NMGRT. (Rick Carpenter)
12. Request for Approval of the 2009 Public Utilities Committee Meetings Schedule. (Stephanie Lopez)
13. Request for Approval of Award of RFP '09/05/P, Engineering Services for Buckman Well Field Arsenic Removal Pilot Testing, to Narasimhan Consulting Services, Inc. (Bill Huey)
14. Request for Approval of Amendment No. 1 to the Professional Services Agreement between the City of Santa Fe and Malcolm Pirnie, Inc. for the Water Division Finance Plan for the Amount of \$10,000.00 Exclusive of NMGRT. (Gary Martinez & Maya Martinez)
15. Request for Approval of Amendment No. 5 to the Legal Services Agreement between the City of Santa Fe and Sheehan, Sheehan & Stelzner for the Amount of \$50,000 Exclusive of NMGRT and Extension of Contract Term. (Maureen Reed)
16. Request for Approval of Award of Bid No. 09/08/B to DPC Industries, Inc. for Liquid Aluminum Sulfate in the Amount of \$171,325.00 Exclusive of NMGRT. (Victor Archuleta)
17. Request for Approval of Award of Bid No. 09/09/B to DPC Industries, Inc. for Soda Ash in the Amount of \$142,062.50 Exclusive of NMGRT. (Victor Archuleta)
18. Request for Approval of Award of Bid No. 09/10/B to DPC Industries, Inc. for Liquid Sodium Permanganate in the Amount of \$41,160.00 Exclusive of NMGRT. (Victor Archuleta)
19. Request for Approval of Award of Bid No. 09/11/B to DPC Industries, Inc. for Salt in the Amount of \$ 42,000.00 Exclusive of NMGRT. (Victor Archuleta)
20. Request for Approval of Award of Bid No. 09/12/B to DPC Industries, Inc. for Sodium Hypochlorite in the Amount of \$ 64,800.00 Exclusive of NMGRT. (Victor Archuleta)
21. Request for Approval of Award of Bid No. 09/13/B to DPC Industries, Inc. for White Hydrated Lime in the Amount of \$ 38,425.00 Exclusive of NMGRT. (Victor Archuleta)

DISCUSSION ITEMS

22. Request for Approval of Water Rights Purchase Agreement for Susan Buckley Water Rights. (Dale Lyons)

23. WATER DIVISION :

- a. Request for Approval of a Resolution Endorsing and Adopting the Water Division 10 Year Financial Plan. **PUBLIC HEARING** (Gary Martinez and David Millican) (Councilor Wurzburger, Councilor Calvert and councilor Romero)
 - b. Request for Approval Bill No. 2008-_____. An Ordinance Amending Chapter 25 SFCC 1987 Exhibit B, Water Rate Schedule 1; Increasing the Monthly Volume Rate and Monthly Service Charge By 9.50% Per Year for Five Years for Residential, Multi-Family and Commercial Customers of the City's Water System. **PUBLIC HEARING** (Gary Martinez and David Millican) (Councilor Wurzburger, Councilor Chavez and Councilor Romero)
24. Request for Approval of Bill No. 2008-_____. An Ordinance Amending Exhibit A of Chapter 22 SFCC 1987 Regarding City of Santa Fe Sanitary Sewer Rate, Fee and Penalty Schedule to Increase the Monthly Service Fee and Monthly Usage Fee by \$0.50 for 2009 and Thereafter Increasing the Monthly Sewer Service and Usage Fees by 5.00 Percent Per Year For Four Years For Residential, Multi-Family and Commercial Customers of the City's Sewer System. (Coty Kassisieh) (Councilor Wurzburger)
25. Request for Approval of Resolution No. 2008-_____. A Resolution Recognizing and Celebrating the River Festival and Fishing Derby as an Annual Event to be Held on the First Saturday in June, Beginning in 2009 and Every Year Thereafter. (Rachel Friedman)

MATTERS FROM THE CITY ATTORNEY

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NEXT MEETING: WEDNESDAY, DECEMBER 3, 2008

ADJOURN

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November 5, 2008**

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REQUEST FOR APPROVAL OF
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CELEBRATING THE RIVER FESTIVAL AND
FISHING DERBY AS AN ANNUAL EVENT
TO BE HELD ON THE FIRST SATURDAY IN
JUNE, BEGINNING IN 2009 AND EVERY
YEAR THEREAFTER

Approved

14

MATTERS FROM THE CITY ATTORNEY

None

14

MATTERS FROM STAFF

None

14

MATTERS FROM THE COMMITTEE

Informational

15

NEXT MEETING: WEDNESDAY,
DECEMBER 3, 2008

15

ADJOURN

**MINUTES OF THE
CITY OF SANTA FE
PUBLIC UTILITIES COMMITTEE
Wednesday, November 5, 2008**

1. CALL TO ORDER

A meeting of the Public Utilities Committee was called to order by Councilor Rebecca Wurzburger, Chair, at approximately 5:00 p.m., on November 5, 2008, in the Council Chambers, City Hall, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Councilor Rebecca Wurzburger, Chair
Councilor Christopher Calvert
Councilor Matthew E. Ortiz
Councilor Rosemary Romero
Councilor Ronald S. Trujillo

OTHERS PRESENT:

Galen Buller, Public Utilities Director
Stephanie Lopez, Public Utilities
Marcus Martinez, Assistant City Attorney
Melessia Helberg, Stenographer

There was a quorum of the membership present for conducting official business.

NOTE: All items in the Committee packet for all agenda items are incorporated herewith to these minutes by reference. The original Committee packet is on file in the Public Utilities Department.

3. APPROVAL OF AGENDA

Chair Wurzburger said Items 23 (a) and (b) should be listed for public hearings, and Item 24 is postponed to December 3, 2008.

MOTION: Councilor Calvert, seconded by Councilor Romero, to approve the Agenda as amended.

VOTE: The motion was approved on a voice vote [Absent: Councilor Ortiz].

4. APPROVAL OF CONSENT AGENDA

MOTION: Councilor Trujillo moved, seconded by Councilor Romero, to approve the following consent agenda as amended.

VOTE: The motion was approved on a voice vote [Absent: Councilor Ortiz].

CONSENT CALENDAR

- 11. REQUEST FOR APPROVAL OF AMENDMENT NO. 3 TO THE PROFESSIONAL SERVICES AGREEMENT WITH NORMAN GAUME, P.E., FOR THE AMOUNT OF \$99,000 EXCLUSIVE OF NMGR. (RICK CARPENTER)**
- 12. REQUEST FOR APPROVAL OF THE 2009 PUBLIC UTILITIES COMMITTEE MEETINGS SCHEDULE. (STEPHANIE LOPEZ)**
- 13. REQUEST FOR APPROVAL OF AWARD OF RFP '09/05/P, ENGINEERING SERVICES FOR BUCKMAN WELL FIELD ARSENIC REMOVAL PILOT TESTING, TO NARASIMHAN CONSULTING SERVICES, INC. (BILL HUEY)**
- 14. REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO THE PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF SANTA FE AND MALCOLM PIRNIE, INC., FOR THE WATER DIVISION FINANCE PLAN FOR THE AMOUNT OF \$10,000.00 EXCLUSIVE OF NMGR. (GARY MARTINEZ & MAYA MARTINEZ)**
- 15. *[Removed for discussion by Councilor Calvert]***
- 16. REQUEST FOR APPROVAL OF AWARD OF BID NO. 09/08/B TO DPC INDUSTRIES, INC., FOR LIQUID ALUMINUM SULFATE IN THE AMOUNT OF \$171,325.00 EXCLUSIVE OF NMGR. (VICTOR ARCHULETA)**
- 17. REQUEST FOR APPROVAL OF AWARD OF BID NO. 09/09/B TO DPC INDUSTRIES, INC., FOR SODA ASH IN THE AMOUNT OF \$142,062.50 EXCLUSIVE OF NMGR. (VICTOR ARCHULETA)**
- 18. REQUEST FOR APPROVAL OF AWARD OF BID NO. 09/10/B TO DPC INDUSTRIES, INC., FOR LIQUID SODIUM PERMANGANATE IN THE AMOUNT OF \$41,160.00 EXCLUSIVE OF NMGR. (VICTOR ARCHULETA)**
- 19. REQUEST FOR APPROVAL OF AWARD OF BID NO. 09/11/B TO DPC INDUSTRIES, INC., FOR SALT IN THE AMOUNT OF \$42,000.00 EXCLUSIVE OF NMGR. (VICTOR ARCHULETA)**

20. **REQUEST FOR APPROVAL OF AWARD OF BID NO. 09/12/B TO DPC INDUSTRIES, INC., FOR SODIUM HYPOCHLORITE IN THE AMOUNT OF \$64,800.00 EXCLUSIVE OF NMGR. (VICTOR ARCHULETA)**
21. **REQUEST FOR APPROVAL OF AWARD OF BID NO. 09/13/B TO DPC INDUSTRIES, INC., FOR WHITE HYDRATED LIME IN THE AMOUNT OF \$38,425.00 EXCLUSIVE OF NMGR. (VICTOR ARCHULETA)**
5. **APPROVAL OF MINUTES FOR THE OCTOBER 6, 2008, PUBLIC UTILITIES COMMITTEE MEETING.**

MOTION: Councilor Calvert moved, seconded by Councilor Romero, to approve the minutes of the meeting of October 6, 2008, as submitted.

VOTE: The motion was approved on a voice vote [Absent: Councilor Ortiz].

6. MATTERS FROM THE COMMITTEE

OUTSTANDING MATTERS:

- a. **REQUEST FOR APPROVAL OF BILL NO. 2008- _____. AN ORDINANCE REPEALING SECTIONS 14-8.13, 14-8.16 AND 14-8.17 SFCC 1987, REGARDING ANNUAL WATER BUDGET, WATER RIGHTS TRANSFER REQUIREMENTS AND WATER RIGHTS BANKING; CREATING A NEW SECTION 14-8.13 SFCC 1987, REGARDING THE CITY'S WATER BUDGET, DEVELOPMENT WATER BUDGET REQUIREMENTS, THE WATER RIGHTS TRANSFER PROGRAM, AND THE RETROFIT PROGRAM; MAKING SUCH OTHER RELATED CHANGES AS ARE NECESSARY (COUNCILOR WURZBURGER AND COUNCILOR ORTIZ). (DALE LYONS) To be presented at 12/3/08 Public Utilities Committee.**

INFORMATIONAL ITEMS

Councilor Ortiz arrived at the meeting

7. UPDATE ON CURRENT WATER SUPPLY STATUS. (VICTOR ARCHULETA)

A copy of the Weekly Water Report for the week ending June 1, 2008, is incorporated herewith to these minutes as Exhibit "1."

Victor Archuleta presented the information contained in Exhibit "1." Please see Exhibit "1" for specifics of this presentation.

8. STATUS REPORT ON THE BUCKMAN DIRECT DIVERSION PROJECT. (RICK CARPENTER)

Mr. Carpenter presented information from his Memorandum of October 28, 2008, which is in the Committee packets, noting that the Board has received its NPDS permit from the EPA.

9. UPDATE ON SOLID WASTE DIVISION. (BILL DeGRANDE)

Mr. DeGrande presented information from his Memorandum of November 5, 2008, which is in the Committee packet, noting that currently there are two vacant positions, but not the ones listed in the Memorandum, both of which have been filled.

Councilor Romero said Mr. DeGrande noted we aren't going to pursue the PAYT because there has been no final decision on accepting solid waste from LANL and North Central. She said PAYT seems to be a good way to reduce solid waste, and her preference would be to keep moving forward, commenting she understands the dilemma.

Mr. DeGrande said they can be separated and he can go forward with PAYT. However, he probably will need to come back for a rate increase when we find out what happens with SWMA.

Chair Wurzburger said we will hold this for one more meeting, and if there isn't a decision, then the Committee will give direction with regard to moving forward.

Chair Wurzburger said if there are going to be press conferences on programs which are the responsibility of PUC, she asked that Mr. DeGrande let the Chair and the other Committee members know.

Mr. DeGrande said he didn't arrange that, and he found out only at the last minute that it was going to happen.

Chair Wurzburger said, "We will cover it at the other side." However, since he reports to the Committee, she requested that if he is going to a press conference in which this Committee might be interested, perhaps he can let them know.

10. UPDATE ON FROZEN WATER SERVICES. (SHANNON JONES)

Steve Gelger, URS Corporation, presented information from the Executive Summary and Recommendations which is in the packet.

Shannon Jones said based on the recommendations from URS, the Water Division:

- a) Implementing changes to services listed high risk services which have been entered into the data base to receive an insulation package, and the data base is configured also to

- allow for additional services as needed;
- b) The data base will generate annual work orders for inspection of the high risk services;
- c) The Water Division released new standards, incorporating some of the recommendations from URS;
- d) Training for staff has been identified and written procedures have been put in place to address any frozen services in the future;
- e) Proper positioning of the Automatic Meter Reading Cable so it won't interfere with the inner frost lid:
 - 1) public notification and preventative measures are being finalized through various ports of outreach to the public.
 - 2) In many situations it was impossible to obtain the two inches of separation, so staff is installing foam sleeve insulation on the riser pipes.

Chair Wurzbarger asked if he is checking all Firefly systems, or does he expect people to check their own meters.

Mr. Jones said we don't want them to. He said the public notification is for tips and recommendations from the Water Division for customers to prevent water from freezing on the customers side if they go away on vacation.

Responding to Councilor Calvert, Mr. Jones said the installation of the foam sleeve has been done on 867 services, with less than 300 left to be done, with a completion date by next week.

Councilor Calvert understood a lot of the frost lids were taken out in the process of the installation of the Fireflies. He asked if those have been reinstalled.

Mr. Jones said at this point, no. The 1,150 high risk services have and will receive inner lids by the end of next week which is part of the insulating package. Additionally, they have installed more than 1,000 inner lids in various locations which will be an ongoing process to complete that.

Responding to Councilor Calvert, Mr. Jones said staff is looking at the issue of the low or no water users, and one recommendation is the stopping waste valve which is required to be installed by the Uniform Building Code which would drain the line and give the customer control of their service line. He said for public outreach, they are looking to put a list of frequently asked questions on the website which would also look at extended vacations or second homes and such.

Peter Ortega said the Firefly has no way to notify the City if there is no usage or if it is freezing. He said there are many homes which are vacant and constantly show no consumption. He said they do run a report and if the meter, for example, shows consumption, we will check the meter to see if there is something wrong. He said staff concentrates on the high consumption which comes out on the high report which is an indication of a leak. However, it is very difficult to check low consumption, because there are several hundred of those every time the meters are read.

Responding to Councilor Calvert, Mr. Ortega said the meter readers read meters daily, and 10% are either low or no consumption because of the number of vacant homes – about 150 per day with low or no consumption.

Councilor Calvert asked if there is a way to use that information for this specific problem.

Mr. Ortega said that would be difficult to do, because many of the homes are vacant and no one answers the phone.

Chair Wurzbarger said as part of the public education and outreach, we can tell people that they may have a problem at the meter and it is their responsibility.

Councilor Romero asked about the coordination between the Water Division and constituency services.

Sevastian Gurule said he met with Mr. Ortega and the Water Division has developed a very realistic plan and identifying the different types of emergencies. He believes they have addressed the issues. If there is a need for additional assistance, his office is also available to provide assistance once Mr. Ortega contacts him.

Mr. Ortega said Mr. Jones' Plan goes more in depth of what we're doing to educate the public. He said the Firefly can't help us to identify the low or no flow meters because of the high number daily. He said he will be looking at this and do his best to "be ahead of the game before it really becomes a problem."

CONSENT DISCUSSION

15. REQUEST FOR APPROVAL OF AMENDMENT NO. 5 TO THE LEGAL SERVICES AGREEMENT BETWEEN THE CITY OF SANTA FE AND SHEEHAN, SHEEHAN & STELZNER FOR THE AMOUNT OF \$50,000 EXCLUSIVE OF NMGR AND EXTENSION OF CONTRACT TERM. (MAUREEN REED)

Mr. Cassel, Senior Water Attorney, said there are two matters currently pending which are being handled by the Sheehan Firm. One is an appeal from the denial of a Motion by the City to obtain access to a bond which Lone Mountain had posted which was for the performance of its work in relining the Hospital tank. Lone Mountain relined it, and it now leaks more than it did before it was relined, so we are seeking money from the bond. The bonding company successfully moved the Court to deny our Motion, and we have a pending appeal. If successful, we can go back to the Court and revisit getting the \$600,000 from the bond company.

Mr. Cassel said the other pending matter is the lawsuit the City has filed against Lone Mountain as well as JPS Elastomerics, Inc., and Watersaver, Inc. He said discovery is pending and the Sheehan firm is

handling that. He said Tim Sheehan, a principal in the Firm is a well respected attorney and a recognized expert in construction litigation. He said it is important to use their services to maximize the likelihood of a successful result.

Councilor Calvert asked if we aren't successful, what course of action is available.

Mr. Cassel said this is the reason the lawsuit was filed, and spoke about the statute of limitations on a contraction action. If the appeal is unsuccessful, and we choose not to pursue another appellate review, the matter ends and it is over.

Responding to a question from Councilor Calvert, Mr. Cassel said this is a matter which would best be discussed in an executive session when the Committee would like to do so.

MOTION: Councilor Calvert moved, seconded by Councilor Romero, to approve this request.

VOTE: The motion was approved unanimously on a voice vote.

DISCUSSION ITEMS

22. REQUEST FOR APPROVAL OF WATER RIGHTS PURCHASE AGREEMENT FOR SUSAN BUCKLEY WATER RIGHTS. (DALE LYONS)

Marcos Martinez presented information regarding this matter from Dale Lyons' Memorandum of September 25, 2008, which is in the Committee packets.

MOTION: Councilor Ortiz moved, seconded by Councilor Romero, to approve this request.

VOTE: The motion was approved unanimously on a voice vote.

23. WATER DIVISION:

- a) REQUEST FOR APPROVAL OF A RESOLUTION ENDORSING AND ADOPTING THE WATER DIVISION 10 YEAR FINANCIAL PLAN (COUNCILOR WURZBURGER, COUNCILOR CALVERT AND COUNCILOR ROMERO). (GARY MARTINEZ AND DAVID MILLICAN) PUBLIC HEARING**

There were no questions from the Committee.

Public Hearing

There was no one speaking for or against this request.

The Public Hearing was closed

MOTION: Councilor Calvert moved, seconded by Councilor Romero, to approve this request.

VOTE: The motion was approved on a voice vote, with Councilors Calvert and Romero voting in favor of the motion, Councilor Trujillo voting against the motion, and Councilor Ortiz abstaining.

- b) REQUEST FOR APPROVAL OF BILL NO. 2008- ____ . AN ORDINANCE AMENDING CHAPTER 25 SFCC 1987, EXHIBIT B, WATER RATE SCHEDULE 1; INCREASING THE MONTHLY VOLUME RATE AND MONTHLY SERVICE CHARGE BY 9.50% PER YEAR FOR FIVE YEARS FOR RESIDENTIAL, MULTI-FAMILY AND COMMERCIAL CUSTOMERS OF THE CITY'S WATER SYSTEM (COUNCILOR WURZBURGER, COUNCILOR CHAVEZ AND COUNCILOR ROMERO). (GARY MARTINEZ AND DAVID MILLICAN)**

Councilor Ortiz said this is an increase from the previous information he received, and asked the necessity for this change.

Mr. Martinez said after the previous recommendation for 6.99% for seven years, staff met with the Finance Director to look at the Finance Plan and evaluated the current situation. He said the debt service actually requires the City to have some of the funding up front. He said, based on that evaluation and the recommendations from both the Finance Director and the consultant, the 9.50 is what is needed to get those revenues in five years. He said the seven years was a little less than the five years to the ratepayers, which is another consideration for this decision.

Councilor Ortiz said he had heard that part of the reason for the increase in the rates as recommended is that the City, as a participant in the Buckman Direct Diversion Program [BDD] somehow gave a break to Santa Fe County in terms of its particular project, and asked if this is true.

Mr. Martinez said he doesn't believe there is any truth in that, noting the agreements are set in place "prior to," and the City has always known what its share would cost, and that has not changed.

Councilor Ortiz said then none of these increases can be attributed to any kind of deal between the City and County on the BDD Board, etc.

Mr. Martinez said he is not aware of anything like that, and it is for infrastructure needs, capital improvement needs and it is all part of the City's Finance Plan.

Councilor Ortiz said there is a continuing item regarding issuance of bonds on the Council agenda because there has been a complete "melt down" of the municipal bond market and asked if that was moved forward last Wednesday, and the Chair indicated it was postponed again.

Chair Ortiz said one of the ways we proposed to fund the BDD project is by selling bonds to pay for the balance of construction. He asked, In light of the severe uncertainty in the bond market, if it is timely to move forward with a rate increase to fund bonds that, for now, we can't sell.

Mr. Martinez said he believes it is more essential now, that at any time, to have the revenues "up to par," and the debt ratios also need to be up to par prior to going to the bond market. He said Mr. Millican advised them to raise the index "just a hair" so we can be comfortable when we go to the bond market to sell these bonds.

Councilor Ortiz asked if raising the index means increasing the payout on the bonds to make them more attractive for the bond market which will result in a higher cost to the City.

Mr. Martinez said no, he was speaking about the debt ratio in the financial plan. He would like the consultant to answer any specific questions.

Angela Montoya Bricmont, Red Oak Consulting, said this plan doesn't have the City going to the bond market until FY 2010. She said the timing of the revenue adjustments now is important because it will give added time to bring the cash balances where they should be before going to the bond market. She said Mr. Millican hopes that by having higher cash on hand, we can get a better rating and better interest rates so the financing costs will be less.

Councilor Ortiz asked why we need to increase the cash balances.

Ms. Bricmont said the bonds have certain requirements about ending cash balances over and above the minimum debt service requirements, and one of the targets which is written into the bond covenants for the city to meet. She said the higher the balance is above the minimum debt service requirements, the better the bond can be rated, with a lower cost and interest. All of this folds into the kind of rating we get on those bonds.

Councilor Ortiz said, essentially, we're been provided with one option. The first option was 6.99 for seven years and this one at 9.50 for five years. We were never given any kind of tiered rate structure nor option to impose a different rate on some water users and not others. He asked why we weren't given options other than an across the board rate increase on all users without any kind of differentiation.

Ms. Bricmont said this study was to do a review of the financial plan, which just looks at revenues and expenditures, to ensure service revenues are covering the operating expenses, including debt service. She said there was a study to look at the rate structure in the last few years, where some of the work was done to look at how the costs were recovered from the customers. She said, however, this study looked only at whether the City was recovering its costs. She said, in terms of scenarios, staff asked them to calculate several different reviews of how to recover these costs over a variety of years. She can provide those to this Committee.

Councilor Ortiz said then staff vetted the options and felt like they didn't want those options presented to us.

Mr. Buller said we are a little bit mixing apples and oranges. He said previously during the many years we were looking at rate structures, Mr. Mumm was careful to say in dealing with rate structuring, equity factors and such are meant to be revenue neutral. Once a rate structure is in place, you then do step two which is to look at the finance plan and apply a rate increase to that structure that has been approved. He said we will go through rate restructuring in the future. However, we need to keep in mind that you divorce the rate increase or a tax increase from the rate restructuring. He said two models were run by the consultant which were run through the Water Division and Finance Department, noting for the most part the 2-3 model runs were rejected by both the consultant and Finance because they didn't work for a variety of reasons and were not good choices. He said he wasn't directly involved in that process.

Ms. Bricmont said one would take the increase only when you needed it, rather than smoothing it out over several years. We could have waited until FY10, however, at that time, a 49% increase would be needed. She reiterated that it has to do with when the funds are needed to pay for the Buckman as well as other things in the financial plan. She said when the rate increase is smoothed out, you take it earlier, and you can start bringing that money in, rather than waiting until the last minute.

Councilor Ortiz said the item before us isn't about smoothing out a rate increase, but condensing a rate increase – from 7 years at 7% to 5 years at 9.50%. He said you are proposing something different and asked the reason. He said the 7% at 7 years was tough to swallow, and we are now being asked to swallow 9.50% over 5 years, so you're not smoothing it out, you're condensing it, and making the rate increases sharper over a smaller period of time.

Ms. Bricmont said the reason they are recommending five-years at 9.50% was based on when you need the money. She said by taking the increase early, there are fewer years of an increase.

Councilor Ortiz said then if we wanted, we could go back to the seven years at 7% and the City would be in same position from a revenue position.

Ms. Bricmont said, "You would not be in the exact same position."

Councilor Ortiz said he understands, but he is speaking over the length of this project, noting we don't need to issue bonds for 1½ years, and Ms. Bricmont said this is correct.

Councilor Ortiz asked what is the disadvantage of going for a smaller percentage over a longer period.

Ms. Bricmont said, "The disadvantage is with... bringing in the 9.50% as opposed to 7%, you are able to put your financial plan in a better position earlier on, so that by the time you go to the bond market, the revenues being generated, the ending cash balance, is better able to meet the needs that you have. So, it's a timing issue as well as getting a time value of money benefit."

Councilor Ortiz said, by "time value of money," you are saying we will have more money in a shorter period of time, with a steeper rate increase over a shorter period. We'll collect more money at 9.50% than at 7%. He asked if we would be at the same place from a revenue standpoint whichever way we go.

Ms. Bricmont said you won't be at the exact same point for two reasons. One, is that you are actually generating the money when you need it. And under the 9.50%, they didn't just look at revenues and expenses, they looked at cash balances as well as the timing of the CIP.

Councilor Ortiz asked what made them change their recommendation from 7% over seven years to 9.50% over five years.

Ms. Bricmont said the cash balances actually were lower in the first financial plan we looked at. At the time they did the first financial plan, they didn't have the "end of the last fiscal year," and only had preliminary numbers. It was done in May, with the assistance of the Finance Director. They also looked at the timing of the Capital Improvements Plan which looked at the timing of when the money would be sent. She said the coverage requirements have changed and the cost of the debt has increased.

Chair Wurzbarger said she thought the cash balances were higher, and Ms. Bricmont said this is correct. She said this was a problem because the cash balances were overstated, and one of the primary reasons we have to do this.

[Councilor Ortiz's remarks here were inaudible]

Ms. Bricmont said three things changed. In addition to overstated cash balances, they redid the revenues and expenses which were in the Financial Plan as well as the Capital Improvements Plan. She said they have been more conservative in terms of higher interest rates.

Councilor Trujillo said he is hearing this is a timing issue, and asked when we will be spending this money.

Ms. Bricmont said the largest needs are coming up in 2009 and 2010. She said the cash balances are being drawn for the expenses of the BDD as well as other capital improvement projects which have been planned and approved. She said in 2009, 2010 and 2011, the cash balance generated from the revenues would be drawn down to the minimum level needed to cover the debt. She said under the plan they have proposed, by 2011 the cash balances would be drawn down to the lowest level in the plan.

Councilor Trujillo asked how long we have known Buckman was going to be built.

Mr. Martinez said it has been planned for many, many years. He said it always was a "touch and go" situation, because it involved permitting, working with other agencies, with the County and Las Campanas. There was a tremendous amount of preplanning. He said the 2006 Finance Plan called for an annual rate increase of 4% per year to be implemented 2006-2007 FY, but it didn't happen because we

had no commitment on the BDD, and the BDD was "touch and go." He said the City has committed on the BDD which is a design build and fast paced project, which is two years out. We might or might not have anticipated things better.

Mr. Martinez said between the 6.99 and 9.50, there was an element we missed which was the interfund loan of \$19 million which the Water Company borrowed from the City to keep the water company functional and has to be repaid. He said this is now part of the Finance Plan to be repaid, and some of these funds will be used for this.

Councilor Trujillo said we knew this was coming and we should have started this 8-9 years ago. He said he questioned the 6.99% increase and now it is a request for the 9.50%. He said Councilor Bushee had said we've conserved all of this water over all these years, and yet, we're still imposing increases on the ratepayers. He asked when all of this is going to stop.

Mr. Martinez said he understands, and it will be tough for you to sell this to your constituents and our customers. He said the rate structure was imposed on January 1, 2007, and spoke about the issues, saying we didn't know what the revenue response would be to the new structure. He said retrospectively, he believes things were done, although it didn't satisfy all of the expenses to be incurred. He said part of the Resolution calls for a three-year annual review of this Finance Plan. He said even if you change the rate structure, somebody has to pay for these things. He said we have to be careful to do the proper analysis prior to saying "let's do it." He said that could take 12-18 months, if everything falls in place. He said we need to be careful not to make some major errors if we "jump the gun too quickly."

Councilor Ortiz said we had a plan and we worked through it, and did the computer modeling. And such. He said prior to March 2006, there was a plan to do incremental rate increases to pay for the BDD which was 3½ to 4½ % per year. He said those were in place. However, the BDD wasn't happening for many reasons and the increases weren't implemented. This Committee then changed membership and things evolved. He said we are now in this place with this potential rate increase. He recalled the fight for the \$19 million loan, which had to be done because we were in default on the water bonds. At the time, we were told the reason was because of County oversight and problems. He said instead of looking at the Finance Department and at what should be done, the Council pressured the City Manager and we fired the Public Utility Director. He said this particular rate increase for this particular time is a troubling matter to him. He believes there are other options to be considered, but those aren't being explored and presented to us. He said the staff are doing their job and trying to pay for the projects we've assigned them. This is the biggest project we have before us, and because of all of the delays and the snafues, this is the situation in which staff finds themselves.

Councilor Ortiz said the only option we've ever been given is a rate increase. He said he has voted on many rate increases, and we've always done those from a sense of necessity and emergency with no other options. He said we haven't been told, for example, if we could forgive the CIP loan which would help to ease this problem, nor that we could send it for a special review and let the public decide on the BCC with a property tax increase – all of these options are out there waiting for us to utilize. He

doesn't know that we have the time to look at the other options, given the upcoming special election on yet another tax increase.

Councilor Ortiz said without response from staff or the Finance Director, he is not prepared to support this increase. He suggested letting the Mayor vote on this increase because it's his administration.

Chair Wurzburger said the argument she is hearing is that the increase isn't just and we have to pay back \$20 million, which is now included. We also had smaller reserves than we thought.

Responding to the Chair, Mr. Martinez said we're looking at \$83 million, but when we come down to it, it is about \$56 million, so there is a shortfall of about \$25 million in cash reserves.

Chair Wurzburger said if the \$19 million the City owes itself could be removed, we would only be about \$25 million short.

Mr. Martinez said yes, this is one way to look at it.

Councilor Wurzburger said we can't do anything about the increased cost of issuing debt. She said this is a different level of discussion from what we've had previously. She said she wants to reinforce Councilor Ortiz's remarks. She said we could have made decisions earlier and moved forward, but there were problems with the environmental assessments and the time it took to get that, over which we had no control. She said, for the record, she has sat on the BDD since its inception, and she knows of no deal with the County and wants to make it absolutely clear that is not an issue with respect to this.

Councilor Romero said as hard as increases are, they are a reality in all areas of our life. She doesn't want to postpone this which we keep doing, and this really can't be postponed. She said we will be reviewing our financial options every three years and making needed adjustments at that point. She said we can't keep blaming and looking backward. She said we need to do what is necessary to move forward, noting that given our financial circumstances and the financial reality, we're in a really tough place. She doesn't see that we can spread out the increase. She said this is the reality of what it costs to live in this community, which isn't "a cheap date." She said we took on a water company which cost us more than it should, and the infrastructure cost more than anticipated. She said we are looking to providing a sustainable water source for the future. She is supportive of this effort know that we will be doing a three year review.

Public Hearing

Stan Cooper, Casa Solana, residential water user. Mr. Cooper said he is alarmed at the proposed increase. He commended the City for its hard work and for looking out for the future of Santa Fe. He said Mr. Martinez gave him some good information yesterday. However, he said the 9.5% increase is a little too steep for five years in a row. He said PNM recently received approval from the PRC for a fuel adjustment of 18% and they now want a 24% increase in electricity. He asked the Committee to consider modifying the rate increase.

The Public Hearing was Closed.

MOTION: Councilor Romero moved, seconded by Councilor Calvert, to approve this request.

VOTE: The motion was approved on a voice vote, with Councilor Romero and Councilor Calvert voting in favor of the motion, Councilor Ortiz and Councilor Trujillo voting against the motion, and Chair Wurzbarger voting in favor of the motion to break the tie vote.

EXPLAINING HER VOTE: Chair Wurzbarger said, in breaking the tie, "I'll vote aye for moving it forward to the Council."

24. **REQUEST FOR APPROVAL OF BILL NO. 2008- _____. AN ORDINANCE AMENDING EXHIBIT A OF CHAPTER 22 SFCC 1987, REGARDING CITY OF SANTA FE SANITARY SEWER RATE, FEE AND PENALTY SCHEDULE TO INCREASE THE MONTHLY SERVICE FEE AND MONTHLY USAGE FEE BY \$0.50 FOR 2009 AND THEREAFTER, INCREASING THE MONTHLY SEWER SERVICE AND USABLE FEES BY 5.00 PERCENT PER YEAR FOR FOUR YEARS FOR RESIDENTIAL, MULTI-FAMILY AND COMMERCIAL CUSTOMERS OF THE CITY'S SEWER SYSTEM (COUNCILOR WURZBURGER). (COSTY KASSISIEH)**

This item was postponed to December 3, 2008.

25. **REQUEST FOR APPROVAL OF RESOLUTION NO. 2008- _____. A RESOLUTION RECOGNIZING AND CELEBRATING THE RIVER FESTIVAL AND FISHING DERBY AS AN ANNUAL EVENT TO BE HELD ON THE FIRST SATURDAY IN JUNE, BEGINNING IN 2009 AND EVERY YEAR THEREAFTER. (RACHEL FRIEDMAN)**

MOTION: Councilor Trujillo moved, seconded by Councilor Ortiz, to approve this request.

VOTE: The motion was approved unanimously on a voice vote.

MATTERS FROM THE CITY ATTORNEY

There were no matters from the City Attorney.

MATTERS FROM STAFF

There were no matters from staff.

MATTERS FROM THE COMMITTEE

Councilor Romero noted that there is a public meeting tonight on the Rio Grande Recreation Restoration Plan at 6:00 p.m., at the Santa Fe Community Convention Center in the Nambe Room.

NEXT MEETING: WEDNESDAY, DECEMBER 3, 2008

ADJOURN

There was no further business to come before the Committee, and the Committee having completed its agenda, adjourned the meeting at 6:20 p.m.

Rebecca Wurzbarger, Chair



Melessia Helberg, Stenographer