



Agenda

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**PUBLIC UTILITIES COMMITTEE
MEETING
CITY COUNCIL CHAMBERS
WEDNESDAY, APRIL 2, 2014
REGULAR MEETING – 5:00 P.M.**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT AGENDA
5. APPROVAL OF MINUTES FROM THE FEBRUARY 5, 2014 PUC MEETING

INFORMATIONAL ITEMS

6. Update on the McClure/Nichols Reservoir Project. (Alex Puglisi and Robert Jorgensen)
7. Update on the new Utility Billing Software system implementation. (Nick Schiavo) **VERBAL**
8. Update on Public Utilities Department personnel staffing. (Nick Schiavo) **VERBAL**
9. Water Division, Wastewater Management Division and Environmental Services Division Financial Plan Updates. (Nick Schiavo and Fernando Aranda)
10. Water Conservation Office Programs, Education and Outreach: (Laurie Trevizo)
 - a. 2014 Mayor's Water Conservation Challenge and Spring Events.
 - b. Overview of Water Conservation Office Programs and 2013 Accomplishments.

CONSENT – INFORMATION ITEMS

11. Status Report on the Environmental Services Division. (Lawrence Garcia)
12. Update on Current Water Supply Status. (Victor Archuleta)
13. Drought, Monsoon and Water Resource Management Update. (Rick Carpenter)

CONSENT – ACTION CALENDAR

14. Request for approval of the following RFB's for Polyelectrolyte chemicals: (Luis Orozco)
 - a. Bid No. '12/23/B to Polydyne, Inc. for \$55,944.00 for the Wastewater Treatment Plant and Compost Facility.
 - b. Bid No. '12/24/B to Polydyne, Inc. for \$87,584.00 for the Wastewater Compost Facility.

Public Utilities Committee – 4/2/14

Finance Committee – 4/21/14

City Council – 4/26/14

15. Request for approval of Change Order No. 3 for RMCI, Inc. for the Santa Fe Reservoirs Infrastructure Improvements Project – CIP No. 3038 Under Alternate A – Owner's Contingency for the amount of \$41,838.00 exclusive of NMGR. (Robert Jorgensen)

Public Utilities Committee – 4/2/14

Finance Committee – 4/21/14

City Council – 4/26/14

DISCUSSION ITEMS AND ACTION ITEMS

None

MATTERS FROM THE PUBLIC

MATTERS FROM THE CITY ATTORNEY

ITEMS FROM STAFF

MATTERS FROM THE COMMITTEE

NEXT MEETING: Wednesday, May 7, 2014

ADJOURN

PERSONS WITH DISABILITIES IN NEED OF ACCOMMODATIONS, CONTACT THE CITY CLERK'S OFFICE AT 505-955-6520, FIVE (5) WORKING DAYS PRIOR TO THE MEETING DATE.

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Wednesday, April 2, 2014

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**MINUTES OF THE
CITY OF SANTA FE
PUBLIC UTILITIES COMMITTEE
Wednesday, April 2, 2014**

1. CALL TO ORDER

A meeting of the Public Utilities Committee was called to order by Councilor Christopher M. Rivera, Chair, at approximately 5:00 p.m., on Wednesday, April 2, 2014, in the Council Chambers, City Hall, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Councilor Christopher M. Rivera, Chair
Councilor Joseph M. Maestas
Councilor Patti J. Bushee
Councilor Bill Dimas

MEMBERS EXCUSED:

Councilor Peter N. Ives

OTHERS PRESENT:

Nick Schiavo, Acting Public Utilities Director
Stephanie Lopez, Public Utilities
Marcos 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

Mr. Schiavo said staff has asked to Move #10 to be heard before Item #6.

Councilor Dimas asked to move Items 14(A) and (B) and Item 15 to be heard before Informational Item #6.

MOTION: Councilor Dimas moved, seconded by Councilor Maestas, to approve the Agenda, as amended..

VOTE: The motion was approved on a voice vote, with Councilor Dimas, Councilor Maestas and Chair Rivera voting in favor of the motion, none voting against and Councilor Bushee absent for the vote.

4. APPROVAL OF CONSENT AGENDA

MOTION: Councilor Dimas moved, seconded by Councilor Maestas, to approve the following Consent Informational Calendar and Consent Action Calendar as amended.

VOTE: The motion was approved on a voice vote, with Councilor Dimas, Councilor Maestas and Chair Rivera voting in favor of the motion, none voting against and Councilor Bushee absent for the vote.

CONSENT – INFORMATIONAL CALENDAR

11. STATUS REPORT ON THE ENVIRONMENTAL SERVICES DIVISION. (LAWRENCE GARCIA)
12. UPDATE ON CURRENT WATER SUPPLY (VICTOR ARCHULETA)
13. DROUGHT, MONSOON AND WATER RESOURCE MANAGEMENT UPDATE. (RICK CARPENTER)

CONSENT – ACTION CALENDAR

14. *[Removed for discussion].*
15. *[Removed for discussion].*

5. APPROVAL OF MINUTES FROM THE FEBRUARY 5, 2014 PUC MEETING

MOTION: Councilor Dimas moved, seconded by Councilor Maestas, to approve the minutes of the meeting of February 5, 2014, as submitted.

VOTE: The motion was approved on a voice vote, with Councilor Dimas, Councilor Maestas and Chair Rivera voting in favor of the motion, none voting against and Councilor Bushee absent for the vote.

Councilor Bushee arrived at the meeting during Agenda Item #14

CONSENT DISCUSSION

14. REQUEST FOR APPROVAL OF THE FOLLOWING RFB'S FOR POLYELECTROLYTE CHEMICALS:

- A. BID NO. 12/23/B TO POLYDYNE, INC., FOR \$55,944 FOR THE WASTEWATER TREATMENT PLANT AND COMPOST FACILITY.**
- B. BID NO. 12/24/B TO POLYDYNE, INC., FOR \$87,584 FOR THE WASTEWATER COMPOST FACILITY.**

(LUIS OROZCO) Public Utilities Committee 04/02/14; Finance Committee 04/21/14; and City Council 04/26/14

Luis Orozco presented information from his Memorandum of March 18, 2014, with attachments, to the Public Utilities Committee/Finance Committee/City Council, which is in the Committee packet. Please see this document for specifics of this presentation.

MOTION: Councilor Dimas moved, seconded by Councilor Maestas to approve Item #14(A), Bid No. 12/23/B to Polydyne, Inc., for \$55,944 for the Wastewater Treatment Plant and Compost Facility.

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

Chair Rivera said on 14(A) the item purchased is for the Wastewater Treatment Plant and Compost Facility.

Mr. Orozco said, "It was written that way, but Bid 12/23/B is for the Wastewater Treatment Facility, not for the Compost Facility. And 12/24/B would be strictly for the Compost Facility."

MOTION: Councilor Dimas moved, seconded by Councilor Maestas, to approve Item #14(B), Bid No. 12/24/B to Polydyne, Inc., for \$87,584 for the Wastewater Compost Facility.

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

15. REQUEST FOR APPROVAL OF CHANGE ORDER NO. 3 FOR RMCi, INC., FOR THE SANTA FE RESERVOIRS INFRASTRUCTURE IMPROVEMENTS PROJECT – CIP NO. 3038 UNDER ALTERNATE A – OWNER'S CONTINGENCY FOR THE AMOUNT OF \$41,838, EXCLUSIVE OF NMGR. (ROBERT JORGENSEN)

Mr. Jorgensen said Change Order No. 3 is for some additional electric work at Nichols Reservoir, which is currently under construction. And the work covered under this is to prepare for future security and control improvements when we install fiber optic communication, and other electrical upgrades, because we didn't want to be punching through the 2 foot concrete walls, noting this will improve security.

MOTION: Councilor Dimas moved, seconded by Councilor Maestas to approve this request.

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

END OF CONSENT DISCUSSION

INFORMATIONAL ITEMS

10. WATER CONSERVATION OFFICE PROGRAMS, EDUCATION AND OUTREACH. (LAURIE TREVIZO)

A. 2014 MAYOR'S WATER CONSERVATION CHALLENGE AND SPRING EVENTS.

Laurie Trevizo presented information from her Memorandum of March 25, 2014, with attachments, about upcoming events. The Memorandum is in the Committee packet. Please see this document for specifics of this presentation.

Councilor Maestas said we deal with a lot of numbers and statistics, but believes the public deserves to know what we are doing, if we can boil it down to some fundamental metrics, like water use per capita per day, it would be wonderful, if we have a daily number. He understanding is that combines residential and commercial data, but he would like to see us separate that, and we can cater our campaigns to the residential water uses and commercial water use, come up with that number, and track it. It could be fun and informational for the public, and sensitizes us even more to water, its availability, the need to conserve. He said "It would be great if you could try and incorporate some kind of a dashboard for the public. I know you have these statistics and they're really informative, but the bottom line, I think, is the number of gallons per person per day. And so, when you look at your PR program, it would be great if we could somehow track that and turn it into a public relations spin."

Councilor Bushee asked Ms. Trevizo if we don't already have our residential water use per person per day.

Ms. Trevizo said yes, and next month, she will be presenting on the 2013 GPCD, which is why she didn't respond to that, noting we are going to go into a lot of detail for that calculation at that time, so it's a little premature to have that conversation now. But yes, we do actually track it by customer types – commercial, residential, multi-family, irrigation and other which includes fire and irrigation."

Councilor Bushee asked if Ms. Trevizo uses the State Engineer's calculations.

Ms. Trevizo said, yes, of course.

Chair Rivera said, "On the water pledge, I assume this year we're getting categorized with cities of the same size as Santa Fe.

Ms. Trevizo said yes, we had a conversation with them about that, to make sure we in the same population group, and they made sure to put us in the right category.

Chair Rivera complimented Ms. Trevizo on the quality of her work.

B. OVERVIEW OF WATER CONSERVATION OFFICE PROGRAMS AND 2013 ACCOMPLISHMENTS.

Laurie Trevizo presented information from her second Memorandum of March 25, 2014, with attachments, which is in the Committee packet.

The Committee commented and asked questions as follows:

- Councilor Bushee asked the reason there was such a jump in toilet retrofits from 2012-to 2013.

Ms. Trevizo said 3 hotels participated in our toilet rebate program, the La Fonda, the Comfort Inn and one other. She said the Comfort Inn put in 0.8 gallons per flush toilets, so she commends them on their efforts, and they were given a rebate as a result of this replacement.

- Councilor Bushee asked how many of the hotels do the automated water turn on and off in sinks.

Ms. Trevizo said she doesn't know, typically we don't deal with lavatories, but we make notes and let them know if we audit some of their facilities that the fixtures should be uniform and water sense approved.

- Councilor Bushee asked if there is a listing of the rebates on the website, such as rain barrels and clothes washers.

Ms. Trevizo said yes, along with the amounts credited.

- Councilor Bushee said it looks like you bumped up considerably on rain barrels.

Ms. Trevizo said there was an uptick. She said in September 2013, we got a 100 year rain storm event, and everyone realized they wanted to capture the rain. So, in late fall, September/October, it was a really busy time for rain barrels and cisterns for us.

- Councilor Bushee asked if we can put signs at some of these big box places saying a rebate is available.

Ms. Trevizo said we have stands at some big box stores, mainly home improvement. She said at Sam's Club, that is probably the item we would rebate. She said if you go on Sam's Club website you can get a good spec sheet of their rain barrels, so we encourage those rain barrels.

- Councilor Bushee asked the rebate on the rain barrels and clothes washers.

Ms. Trevizo said it varies, it is somewhat tiered on rain barrels: 50 to 99 gallons it is \$12, 100 to 199 gallons it is \$25, and 200 to 499 gallons it is \$50. She said when we move into cisterns, it's 25 cents per gallon. So there is a very big different between what is available for rain barrels versus what is available for cisterns. She said we get very intense, concentrated storm events, and we try to encourage cisterns more than rain barrels.

- Councilor Maestas said this is a great program, great statistics. He said he though he read that our total water use is an all time low, which is a testament to the success of our programs. He asked the amount of the rebate on hot water recirculators.

Ms. Trevizo said there is not a rebate. She said in 2002, some of our rebates included things like hot water recirculators and washing machines, but we currently don't offer a hot water recirculator rebate, and doesn't know the history behind that rebate because she wasn't in the program at that time, but believes it was about \$100. She said they have done cost estimates on whether to offer that rebate, and because in most cases a plumber is involved, and the amount of water saved, they would rather focus on toilets because they are used every day and we know for sure will get us really legitimate, hard, water saving numbers. She is open to looking at it again, noting they look at new technology and see how it is advancing, and determine whether we want to open things. She isn't prepared to talk in detail about this at this time, but they will be launching a new rebate program on May 1, 2014, for outdoor irrigation, and they are still working on the forms/procedures and working with the landscapers. She said it will be a pilot project to see how it works, with an end date of October 31, 2014, which coincides with our high demand season. She said we will then evaluate the program.

- Councilor Maestas would for her to look at including that rebate, noting he has installed one in one of his homes, with a timer and it really saves a lot of money, and perhaps we can exclude any labor associated with installing it, noting that can run \$200 to \$300 plus dollars. He said it saves a lot of water.

Ms. Trevizo said she will look at that, reiterating she has been trying to track down some of the history and will talk with her predecessor who is now at the City of Tucson to see if she can get more detail of the reasoning behind the program and the reason it ended.

- Councilor Bushee said there are quite a few things, and it is hard to quantify, noting she has had a recirculation pump for several years and it's a relative thing in terms of savings. She said it is the same thing as buying a smart controller for irrigation – sometimes they're good and sometimes they are not – it's a real variable system.

Ms. Trevizo said in Councilor Maestas's situation, it may be the timer that saves the most water by having it turn off and on.

6. UPDATE ON THE McCLURE/NICHOLS RESERVOIR PROJECT. (ALEX PUGLISI AND ROBERT JORGENSEN)

A copy of *Nichols and McClure Reservoirs Restoration Project, Frequently Asked Questions*, is incorporated herewith to these minutes as Exhibit "1."

Alex Puglisi presented information from his Memo dated March 26, 2014, with attachments, to the Public Utilities Committee, which is in the Committee packet. Please see this document for specifics of this presentation.

The Committee commented and asked questions as follows:

- Councilor Bushee asked if any of the Living River pulses will cross over with the McClure Reservoir Dumps – can they be one and the same.
- Councilor Bushee asked if they worked on Nichols last season.

Mr. Puglisi said, "Yes. Nichols is entirely drained right now. The water that flows down to McClure flows straight through Nichols Reservoir to the Canyon Road Water Treatment Plant or to the River. We can split the flow either way. And most of it during the winter of 2013-2014 was going to treatment at the Canyon Road Water Treatment Plant with little or no release to the River. And that was about 1.2 to 3 million gallons per day."

- Councilor Bushee said people just "freak-out," because they know we're in the one of the worst droughts ever. She asked him to break it down in "bite size" pieces and somebody could write an editorial to that effect. She said people wonder why we're still doing the river pulses if we have water in the river already.

Mr. Puglisi said it is something they can do, and there is a perception that we're doing all of this so the operators don't have to go out to the towers and open some valves. He said right now, out of 3 valves, we have 2 functional valves to open and release water to the river and the Canyon Road Treatment Plant, and this hampers in many ways in controlling the reservoir, because the bottom two valves are shut. That actually controls the level to which we can bring McClure as well as the water quality we can take water from the reservoir. He said during certain seasons of the year, you may want to pull from different levels of the reservoir and we don't have the ability to do that right now. He said with the new towers we will have the ability to do that. He said it also is a safety concern, a seismic concern – there are many factors involved in the tower replacement project.

- Councilor Bushee said she trusts staff and that they are doing what they need to do. "But I guess the perception about water in the river now, and the drought.... the main reason people are such good conservers in this part of the world is that they're conscientious, but we also charge a lot for water. That incentive is pretty much built into the rates. But so we understand, is there any way to use the water from McClure, rather than sending it down the River. Are there other options. Could you have some replacement for the pulses for the Living River. Could some more of it go into Nichols. Are there any other ways so the public perception would not be that, gee it's the beginning of the season, you dumped all our reservoir down the drain, so to speak. We may get the rains, I'm hopeful, but if we don't.... we're never going to back to those days where we don't water our public spaces, but it's just those public perceptions that we have to prepare for."

Alan Hook said, "Just to address one thing on the Living River, we are utilizing the water for the Living River, but as the administrative procedures state, we can't bypass water from the reservoirs more than what is coming in."

- Councilor Bushee said, "All I meant was, instead of, because you have to have the releases, instead of having the pulses, if we qualify for the pulses this summer, could some of the water come from McClure, because you've got to rid of it before August, I assume."

Mr. Hook said we will be utilizing those releases from McClure for Living River purposes. He said, "But, we sort of have a curse and a blessing in disguise. In the fall, with those rain events late in the year, we increase McClure storage without Nichols from 30% all the way up to 80% in carry-over storage. In relationship to that, we normally only carry-over about 40%, so we were double our carry-over storage in space and capacity. And if that didn't happen... last year was a drought year, our river inflows were about 1/3 of what they normally would be, and that relates to the Living River part, because we could only do 320 afy instead of 1,000 afy. So even this year, we're looking at 32% of our average snowpack, so there our yield for Living River purposes is only 430 afy, so we're utilizing the releases out of McClure, but we have quite a bit of storage in McClure, more than we expected to on carry-over."

- Councilor Bushee asked the reason we have only a 40% carry-over.

Mr. Hook said, "In the spring, that 40% means we have enough space for inflows from the snowpack in the spring, especially March through June. So when we have both Nichols and McClure, we get about 3,000 afy and those reservoirs store up to approximately 4,000 afy, so we're getting most of our service water supply out of the Santa Fe River Canyon in the watershed, primarily in the spring and early summer months. So we're trying to meet the peak demand of summer with that stream inflow, and therefore treatment during that period."

- Councilor Bushee asked about the numbers on the snow melt.

Mr. Hook said, "We are looking at about 1,200 afy, so 32% of average. It's not a robust year. We're still in that sort of drought, dry conditions. However, we had an exceptional rain in the fall, September through October, so it's been a strange kind of condition in the fact that we've had drought, but in the fall months we had a big pulse of extreme weather in that rainstorm."

- Councilor Bushee said she would like staff to break it down, Living River, these are the conditions, this is what we do so the public understandings we are not wasting potable water during drought time, and we're doing what we have to do keep all the systems in the right place, and put that on the City's website.

Mr. Hook said this is part of the message we're trying to get out, and he said we can put further information on the website.

- Councilor Bushee said they could talk about many people buying rain barrels last fall because of the rain surges, and our reservoirs were just as full as our rain barrels were. Something very simple.

Mr. Puglisi said the fact sheet does mention that about 223 million gallons will be moved down to Nichols Reservoir, so we'll fill Nichols to about 80%. He said Nichols is expected to be substantially complete by May 15th, at which time we can start filling the dam, and a lot of late season flows that come from the watershed, we can move some of that water down to Nichols and store it there. He said they will be constantly drawing down at projected treatment capacity of 7 millions gallons per day from Nichols directly.

Responding to Councilor Bushee, Mr. Hook said we would like to have McClure drained by August 1st because when we drew down Nichols, it took a good period of time for the lake bottom to dry out enough for construction to occur. There were numerous springs that arose from the bottom of the lake. He said once we had the water out, it took another two weeks just to get the saturated soil to drain. He said the springs came from many many years of storage in the lake itself.

Councilor Bushee asked when the repairs to McClure will be completed.

Mr. Hook said the projected substantial completion date for McClure is May 15, 2015, so we can capture some of the late season run-off from the watershed.

Mr. Jorgensen said we are at the shortest possible time plan for 9 months per reservoir, and it is a sequential construction schedule, so we are under contract and ready to go. He said there is no good time to take one of our prime surface water sources off-line. He said there are some interesting photographs in the packet which shows where we are right now.

Mr. Jorgensen continued, "Basically, the outlet structure is over 70 years old at Nichols and older at the base of McClure, part of the tower was originally constructed in 1926. We looked at alternatives. Our first choice was to build catwalks to the towers and replace/rehab the valve.

When got into detail design, however, it was basically like trying to put a new engine in a Model-T, if you will. So, it was determined that the inclined intake structures were the best way to accomplish the overall improvement."

- Councilor Bushee asked if there is any way for the public to see what you're doing up there, kind of like a living water museum.

Mr. Hook said this week were middle-school students from SF Prep came up. A was a climate masters program group that came up last Saturday, and in April and May they will have 4th and 5th graders 2-3 times a week. And then the Santa Fe Watershed Association leads adult hikes in July and August. They will have van tour for those who can't hike to Nichols on April 26, 2014.

- Councilor Bushee thinks people who take advantage of these opportunities would better understand what we have up there.

Mr. Hook agreed, saying we are trying to move forward with other opportunities. There was a Community College ecology course which comes up in the Fall and the Spring. He said they are trying to incorporate more outreach to the public, so people can see, first hand what it looks like.

Mr. Puglisi said there have been requests from TV stations to come up and film what is happening. There was a filming, and Mr. Hook is star of that, and it was supposed to show Sunday and Monday, but was usurped by all the violence in Albuquerque and the protesting.

- Councilor Bushee suggested he get Joe Abeyta to come up and do a City video with Laurie and others.

Mr. Puglisi said there have been requests from others to come up and some newspapers. He said they will be getting the questions out and put them on the website, and make contact with the newspapers so we can get any questions answered and information in the newspapers.

Mr. Puglisi said they do believe they can host the Fishing Derby this year during the month of June, sometime between the end of the first week of June and the end of June, because we should have consistent flows that will sustain the Fishing Derby for a few weeks as required by Game & Fish.

- Councilor Rivera asked if there anything that would trigger a stoppage at McClure.

Mr. Puglisi said one of the things that would stop the work at McClure is a rainfall such as the one we had in September last year where McClure increased in volume by 21%. If we get 21% storage out of one storm, after construction is initiated, they will have to pull their crews and we'll have to go through an emptying process again.

- Councilor Rivera said last year or the year before, the BDD shut down because of the ash flowing down from the forest fires, and asked if there is any idea that could happen again.

Mr. Puglisi said he can't speak for the BDD, but the ash flows off Pajarito Mesa have decreased over the last two years, but the huge storms have increased the turbidity of the River to a point where BDD had to shut down in August last year. He said we deal with a similar situation with the dams being worked on, because if we don't get Nichols back up in time to start filling, the water coming down from McClure will go straight to the Treatment Plan. And one of our concerns is the amount of turbidity and organic material that will come down that watershed, without the opportunity for sedimentation in Nichols. Nichols provides us with a great sedimentation basin and what comes off Nichols is much clearer than what we've seen in this current year when the flow is coming straight down from McClure. He said they are concerned about the precipitation events and the reasons they want to get Nichols back on line as soon as possible.

Chair Rivera thanked Allen Hook, Alex Puglisi and Robert Jorgensen for their presentations.

7. UPDATE ON THE NEW UTILITY BILLING SOFTWARE SYSTEM IMPLEMENTATION. (NICK SCHIAVO)

Mr. Schiavo said we had discussed having the June PUC meeting at Randall Davy Audubon Society, and then a tour. He hopes to be able to get that settled this evening. He said Stephanie has already set that up.

Mr. Schiavo said the City is in the process of getting new utility billing software from Advance Utility, and we started the training and customization of the software in February, and that software will be on line by February 2015. He talked about the new software which is more robust and will be a lot more helpful for the City. It also gives us the ability to search and do queries a lot easier. He said we aren't allowed to do any of the billing process until all data is entered. The new system will allow us to run the billing cycles during the day.

Mr. Schiavo said there are challenges with prorating between seasons, when we change rates, and the new software can handle that for us.

Councilor Maestas asked if we did any coordinating with the County and if the County will be using the same one for its customers. He asked the time frame for switching the citizens in the newly annexed area into our system.

Mr. Schiavo said the County may have been involved, or at least heard about the selection process. He said the City has 35,000 customers and the County has a lot less, and they have their own utility billing software. He said we are in the process of converting the newly annexed area on this system, and within 3-6 months all of those customers will be on board. During the switch the vast majority actually went to the County, Las Campanas, those west of 599 went to the County. The city picked up only a handful of customers.

Councilor Maestas asked if the City calculates the unaccounted for water on a regular basis.

Mr. Schiavo said we do track it and it's less than 10%.

Councilor Maestas asked if we have an asset management set aside for unanticipated breaks or if we have a number of leaks in a certain section, that's an indicator that we need to replace the whole line, and asked, "So is that what we kind of do."

Mr. Schiavo said, "Absolutely Councilor. When we get reports of a leak, or a repair of a leak, the transmission distribution staff has software it enters, and the software provides the ability show trends. They're also a great resources, and they get the data to engineering and get the point across that's a section of line which should be replaced."

8. UPDATE ON PUBLIC UTILITIES DEPARTMENT PERSONNEL STAFFING. (NICK SCHIAVO)

Mr. Schiavo said Peter Ortega retired in January, and his position has been posted and closed, and HR said he should have a list of eligible applicants for that position, and we will start interviewing by the end of the month and get someone selected. He said the Wastewater Division Director position has been posted, and the Acting Director of the Environmental Services Division is Lawrence Garcia.

Mr. Schiavo said one of the customer service reps moved to billing recently.

Responding to the Chair, Mr. Schiavo said Brian Romero is the acting Director of the Wastewater Management Division and that position has been posted, noting Brian Romero is retiring in a year and a half, and we want a smooth transition.

Bryan Romero said there will be no double-filling, he is the Engineering Supervisor, and he will go back to that position, and the new Director will be acting on his own, but he will be assisting him as needed.

Mr. Schiavo said the Division Director is an "exempt or at will position."

9. **WATER DIVISION, WASTEWATER MANAGEMENT DIVISION AND ENVIRONMENTAL SERVICES DIVISION FINANCIAL PLAN UPDATES. (NICK SCHIAVO AND FERNANDO ARANDA)**

A Memorandum with attachments, including a power point presentation, dated March 24, 2014, to Nick Schiavo, City of Santa Fe from Jason Mumm, MWH Business Solutions, regarding *City of Santa Fe's 2014 Water, Wastewater and Environmental Services Financial Plan Findings*, is incorporated herewith to these minutes as Exhibit "2."

Fernando Aranda, MWH Business Solutions, presented information via power point. Please see Exhibit "2" for specifics of this presentation.

Councilor Dimas departed the meeting.

The Committee commented and asked questions as follows:

- Councilor Bushee asked how we lost 1,400 customers when we should have gained some from the annexation.

Mr. Schiavo said the vast majority of the trade was in favor of the County, so they got most of our customers. We are going to get a handful of customers which are near the outlet mall.

- Councilor Bushee asked where we gave up the customers.

Mr. Schiavo said most were west off #599 – Las Campanas, Aldea.

- Councilor Bushee said that was anticipated and she thought we took on a lot of customers with all the people we just annexed.

Mr. Schiavo said most of the people already were being served, noting a lot of the annexed areas do not have water and sewer.

- Councilor Bushee asked if staff can tell her about the reserves in the Water Company, and how much money is left and needs to be paid back to the General Fund. She said, "It's my understanding we're setting on a pile of cash somewhere over there in water and wastewater."

Mr. Aranda said he will cover that is just a little while in his presentation.

- Councilor Bushee asked, "What is a required debt service coverage if we're double what we're required, is that too much. How do you determine that."

Mr. Aranda said the required is 1.25 and your target is 1.5. It's slightly higher, and means you are doing a good job, your costs are not as high.

- Councilor Bushee asked if that means you can promise the customer that you won't be raising the rates again anytime soon.

Mr. Aranda said, "Exactly. Yes."

- Councilor Bushee asked, "Can you give some of that money back. I feel like we... what does that mean in actual dollars."

Mr. Aranda said he would have to look at it.

- Councilor Bushee asked if this means we raised the rates too much the last go around, because people are still recovering from that.

Mr. Aranda said not necessarily. He said, "Let me hold that for a second and you'll see what the CIP is spending and maybe that will show you."

- Councilor Maestas said there are some designated GRTs that are used to back some debt instruments, and even though it is allowed to be used for water, it just adds to the aggregate or the cumulative gross receipts tax, almost 8.2% here in the City. He asked if it would be better since the enterprise is realizing better financial health, for us to avoid any future debt with GRTs and use revenues instead from the enterprise. That would give us an option to reduce the GRTs and retire the GRTs we've exercised, so we dedicate it for water. He said, "I'm looking for strategies to reduce our total gross receipts and instead use revenues from the enterprise."

Mr. Schiavo said you're saying the whole model and success is built upon the contribution from the GRT revenues that are dedicated to water and used to back some of the debt.

- Councilor Maestas said his fear is if you pull that out, then we have to charge a higher rate.

Mr. Aranda said if you remove the GRTs, the debt service coverage goes close or even below the target, if you remove all of it. So that debt service coverage is helped by the GRTs that the City is receiving. He said you don't want to be close to the management target, because if at any time you want to go to the bond market and you want to keep the Triple A rate you have, you need to show a very strong debt coverage and this helps. If you start showing a debt service coverage very close to the 1.5 line, you might have some rating issue. It is very important to keep it.

- Councilor Bushee asked what the additional .58 percentage equates to in terms of dollars.

Mr. Aranda said he will have to get back to her on that one.

- Councilor Bushee said, "Ballpark it. I won't hold you to it."
- Mr. Aranda said he has to look at the numbers and it depends on the net revenues which are about \$37 million, but he needs to check the O&M to do that.
- Councilor Bushee asked how much the Water Company still owe the General Fund.
- Mr. Aranda said it is two point something million dollars, and in the financial plan the payment is included there to pay next year. The total is \$2.1 if I'm not mistaken.
- Mr. Schiavo said, for some reason it is sticking out as \$2.5 million for 2 years, so \$5 million, but let's check it, because it is in this plan.
- Councilor Bushee said, "The one Councilor Maestas is talking about, maybe not killing the gross receipts, but using or borrowing from the cash reserves or the money that's just sitting around there to back up some things. We've got the hold harmless thing to account for. We've got a lot of things.
 - Chair Rivera said, "I think we'll see, as the presentation goes on, that there's not really that much cash there. Will you continue Fernando."
 - Chair Rivera asked how many CIP projects are there.
- Mr. Schiavo asked if there is a list of the projects in the handout.
- Mr. Aranda said he has a highlight of some of the projects.
- Mr. Schiavo said we are working on a dozen, the Nichols and McClure Reservoir Intake Structures is a big one, and he has some of the others highlighted.
- Councilor Bushee said the NMFA loans are dirt cheap.
- Mr. Schiavo said "I think the \$3 million is about a half dozen, 8, 9 different loans that torture Helene just keeping up with them, so paying them off, this one shot will save about \$100,000 in interest and also cleans up all those small loans for us. There's a lot of value there getting rid of those.
- Councilor Bushee said if the money is sitting there in cash and the City is borrowing in other ways in other divisions and departments, and NMFA loans are usually a pretty decent rate.

Mr. Schiavo said what we were contemplating is actually loaning \$3 million to the Environmental Services Division, at a zero interest loan, for a 15 year term, and it makes a very big difference in the potential rate increase for environmental services if they have to go borrow or bond it for a percent.

- Councilor asked if we can do that in any other cases, and I think it's \$3.5 million.

Mr. Aranda said they discussed doing a loan to Wastewater, but the problem was that debt cannot be repaid right now. You have to pay almost everything, so it wasn't feasible to do, but we also included that in our analysis.

Mr. Aranda said we will be making the \$3.5 million loan to Environmental Services. He said they also evaluated a loan to Wastewater to pay one of its debts.

Mr. Schiavo said that was an existing bond, and the way the bond is written, is you can pay it early, but you still have to pay 100% of the interest so we abandoned that idea very quickly.

- Councilor Bushee said, "And then in Wastewater, do we still have that cash sitting around for that project that Costy... that we borrowed from to balance the budget last year or the year before.

Mr. Aranda said there isn't much any more, and it is the same with Environmental Services.

- Councilor Bushee asked, "If you can get cheap money from the Finance Authority wouldn't you rather fund it from those kinds of loans and do something else with the cash.

Mr. Schiavo said, "Most of the cash we have set aside is actually set up for CIP projects. It makes the most sense for us to pay cash for each of these CIP projects, and Fernando can go through the details, but the largest chunk of money we have is sitting there just for CIP projects."

- Councilor Bushee asked why we bond every two years for capital improvement moneys, if there are cash balances sitting anywhere in particular. She said, "I'm wondering if we fund them there, a loan and then pay back to the fund. Am I missing something here."

Mr. Schiavo said no, and that is the reason for the small loan from Water Division to help out Environmental Services Division, but I'm not allowed to send any funds to the General Fund.

- Councilor Bushee asked about the Capital Improvement Bonds that we do every two years.

Mr. Schiavo said, "For capital improvement projects on water projects, wastewater projects, yes. On other capital improvements, no."

- Councilor Bushee said, "That doesn't make any sense because we sent money from the General Fund to the Water Company when you needed it."

Mr. Schiavo said, "That was before my time Councilor and we are paying you back."

- Councilor Maestas asked if there have been any updates to cover the annexed area, because he is really concerned about the loss of the customer base, and those people in the County that are going to be on the County water system. He said, "I'm not sure why we lost potential customers that were annexed, why there wasn't a mandate for them to switch-over to the City. I thought you said that they had pre-existing service and we couldn't capture those water customers."

Mr. Schiavo said, "Councilor Maestas, as Marcos pointed out, a lot of those customers were already being served by the City, but one they were annexed, nothing changed for us. There are some pockets that don't have water and sewer. Staff has been looking for any kind of grant money to help those individuals so we can build water and sewer lines."

- Councilor Maestas asked if there is rationale for aggregating demand before we extend lines, water lines or even wastewater lines in the annexed areas. He said when he attended the annexation public hearings there were no utility plans displayed anywhere, and the focus obviously was on public safety services and solid waste collection.

Mr. Schiavo said new line extensions are almost always driven by development. In this case, we've annexed areas of the County that don't have water sewer and again, the reason we're searching for grant money. Because that would be a tough burden to throw on all the existing customers to pay for new lines.

- Chair when you think of areas that have been annexed, you think of land out near La Cienega, but some of these places are right off Airport Road which is important to remember.
- Chair Rivera asked how many people are on their own private wells, and what the plan is for those

Marcos Martinez said, "I don't think we have a handle on the number of people on domestic wells right now. The policy of the City, since it's all those persons within the City limits will have to follow the regulations on drilling new domestic wells. So when their wells run out, depending on the type of replacement or the number of supplemental wells they want, the City will have to evaluate either giving them a permit or encouraging them to sign up to connect to the City's water system. If they do that, then we'll obviously want to connect them to the City's sewer as well to recapture the effluent."

- Councilor Bushee asked, "The City is in the process or a step in the process of allowing a permit for a new well."

Mr. Martinez said, "Not for a new well, but if they have an existing well....."

- Councilor Bushee said, "Right, and it goes dry and they've got to drill another one, we're somehow in the line of that chain of things. No."

Mr. Martinez said, "That's one of the questions that the Water Conservation Committee is looking at. What the City can, in any way, step into supplemental wells, not replacement wells. It's an issue that has been bothering that Committee for some time."

- Councilor Bushee said it's not in the State law as I understand it.

Mr. Martinez said, "No, it's not. The City obviously enacted its own domestic well ordinance without any State law initially, and there is some question about whether we could somehow amplify that. I think we should tread cautiously in that direction. But anyone who wanted a new domestic well, we would hold to our regulations on drilling new domestic wells. The problem is whether it will be within 300 feet of a main line and whether it will cost less than a main line extension."

- Councilor Bushee said, "Can you clarify that for me and the new Councilor, because I thought we got sued and we backed off a little bit from the 100 foot rule, or it was always 300 feet."

Mr. Martinez said, "Well I think our original domestic well ordinance before the State law was passed was for 200 feet. After the Legislature enacted a law that allowed municipalities to regulate domestic wells, they made they limit be 300 feet. The City subsequently amended its ordinance to go to the distance allowed by State law of 300 feet. So, in general, within the City of Santa Fe, if someone wants a new domestic well and you are within 300 feet of a main line, the City can deny a domestic well permit, unless it would cost more money to extend that main line to your property than it would be to drill a domestic well."

- Councilor Bushee said, "When we did our policy back in the early 90's, right, before the State had theirs, what year did the State come up with theirs."

Mr. Martinez said, "In 2003, so the City passed its Ordinance in 1999."

- Councilor Bushee said when you raised rates for Environmental Services in the past, it was for the new building and more for staffing purpose. "My lament for a while now has been that we have yet to increase services. Whether that means diverting waste or recycling or a single stream program or some kind of benefit to the customer, we continue to offer them increases but not rate or service increase. Where does this get build in. Because you've built these rates in and I guess it's just to catch up financially, but I'm trying to catch up in the delivery of services."

Mr. Schiavo said he and Mr. Garcia will be coming soon with the cost for single stream, and we have your Resolution and we have staff working on it, so we'll give you the details there. There are some pay as you throw guidelines in there, and what has to be looked at is, if there are other options, are there other ways to get smaller containers. Many people will opt for the smaller containers and that may cause an increase. He thinks we'll get a lot of valuable information from the study done, and we'll make sure that presentation is made at PUC so you can hear all the details. He said, "To answer your question for this, none of that has been contemplated in here,

and again the big bump is associated with the new facility, and a lot of that has to do with being able to maintain the Compressed Natural Gas vehicles."

Mr. Schiavo said one of the things they discussed was to show a pie chart of how things have been doing. He said Mr. Garcia has done a great job holding the line on cost with staffing, equipment, but one thing we really don't have good control over are tipping fees, and those continue to go up. And it's becoming an increasingly large piece of the pie for us.

- Councilor Bushee asked if those increase because of the cost of the operations, the cells or where it has been built and managed. She said, "We're the main customers so I still have a problem with that."

Mr. Schiavo said, "That's a SWMA discussion, but to answer your questions, the decisions made on the height of the landfill, opening new cells, how BuRRT is being subsidized, that all comes back to what we're paying in our tipping fees. And since we are paying for 80% and the County is about 20%, we're bearing the brunt of that.

- Councilor Bushee asked if the MuRF is paid for and is it as useful as we expected.

Lawrence Garcia said he thinks it is paid, but that's a SWMA question also. But one of the other drivers for rate increases at the landfill are the tonnages coming through the gate. So your overhead cost of the landfill itself, breaks down into the ratepayers that bring the tonnage of garbage into the landfill. Since our economy hasn't been strong, the tonnage reduction has been quite large at the landfill, but the overhead cost has stayed the same. So that is the driver for the increase per ton at the landfill.

Mr. Garcia said something was brought forward for accepting out-of-County waste, which would definitely help maintain the cost at the landfill. He said, "I hate to speak for SWMA, but operation costs can be reduced, but only to a certain point. At some point you cannot reduce your total O & M costs, and then if your revenues aren't coming in, if your tonnages aren't coming in, the rate actually goes up.

- Responding to Councilor Bushee, Mr. Garcia said the tonnages are going down, based on the economy, and the construction and demolition was the driver on that.
- Councilor Bushee said about every 5 years a discussion is held, and the initial cost of building "that thing," do not get passed on to the out-of-county customers. And then we always have that debate of whether Los Alamos is allowed to be one of our out-of-county customers. And then we get into who actually pays for the initial costs. Does that get built into your rates, because it never did, and it fills the cells up faster which then requires that we're going to be paying those costs. I don't know how much of a help it is in the long run from my perspective."

Mr. Garcia said the vertical expansion they're going at the landfill definitely will help the timeline of the life of the landfill. It is a major help to bring out-of-county wastes in. The infrastructure actually was paid by the City and the County and I believe the City assisted the County in paying for that, but for us to be able to maintain a rate at the landfill, the necessity is to get to tonnage through the gate.

- Councilor Bushee said, "You need to build some of the cost of the landfill into those rates, because if we start filling up the landfill faster, it's just going to be put on the City and County of Santa Fe."

Mr. Schiavo said perhaps there should be two rates, one for those who paid to build the landfill and another for people tipping from the outside.

Mr. Garcia if you have a market and you sell less at one market than another, a lot of people go to the lower cost market. And that's what happens with out-of-county waste. You definitely need that out-of-county waste, so if we put it on a transfer trailer and get it on the highway, we're going to calculate the freight rate to get it from here to Santa Fe to our landfill. And then, you're going to look at the gate rate, and if it makes sense to keep it on the highway and go to Albuquerque, because you can get a cheaper gate rate there and save money, that's where it's going to go. So you lose out on maintaining that level of cost for the landfill itself. Catch 22."

- Councilor Bushee said, "I want to see what we can improve, whether than means commercial intake of waste and charge appropriately for that. Rather than always turning to raising the rates without a delivery of services. That's my big concern. And you're going to continue to hear me say that refrain."

Mr. Garcia said, "Right now, we're about 6% lower than Albuquerque and if we did a study throughout New Mexico, our rate for solid waste is very affordable. It's lower than a lot of cities in New Mexico."

- Councilor Bushee asked if you have compared the services they offer.

Mr. Garcia said Albuquerque offers a lot more services, but they also have some additional funding that isn't tied into their rates. They have taxes which are paying for their graffiti program. They have some taxes that are paying for some of their other programs, so you're not seeing them in the base rate of solid waste and they are providing those programs, but they are in a hidden cost.

- Councilor Bushee wants a compare and contrast – what services they offer and where their revenue streams are, because graffiti isn't included in this. Mr. Garcia said it is now included effective January 1, 2014.

- Councilor Bushee asked if we transferred the funds as well, and Mr. Garcia said yes, noting there are some personnel costs we're picking up through that program, but the majority of the program is going to be paid through the general fund. "Although we are going for a request this year for the budget on that, so it stands to be seen what we're going to have to subsidize."
- Councilor Bushee said each year we need to make sure we are offering something every time we raise these rates.

Mr. Garcia said they need her assistance to drive that, and staff is bringing forward a Resolution for single-stream recycling. SWMA is a secondary processor for us. So the only way we can increase the type of materials that we can collect for recyclables is to have SWMA increase its processing capacity. If we start delivering to Friedman, we could increase the type of recycling we can accept at curb from the commercial customers and show some positives for them also.

Mr. Schiavo said we also fund Sustainable Santa Fe.

Chair Rivera thanked Mr. Aranda for his presentation.

DISCUSSION AND ACTION ITEMS

There were no discussion and action items.

MATTERS FROM THE PUBLIC

There were no matters from the public.

MATTERS FROM THE CITY ATTORNEY

There were no matters from the City Attorney.

ITEMS FROM STAFF

Bryan Romero said, "I wanted to just point out on the financial plan the CIP, because it's always talked about we have \$19 million just sitting there. If you look at it, we have the \$7 million we need to have in reserve that Fernando explained in his presentation, so you're down to \$11 million. This next year, we're going to be spending \$2.5 million to redo the Rufina line. That thing could fall any time, not that it's in that bad a shape. But we had a problem on West Alameda we didn't take care of in time and it cost us 10 times the amount than it would if we had been proactive about it. So those projects need to take place. We're doing replacement on Agua Fria next month. We have digester covers that need to be replaced.

We have an NPDS permit that's coming up in, I think, 2016, and depending on the limits on the rivers and things EPA looks at, that might drive our program a little bit differently, because we're going to need to create projects to address capacity issues but water quality issues as well."

Mr. Romero continued, "I'm thinking we have two bonds out there and debt service on those two bonds. We utilized the GRT to pay for most of that. In fact, the way I see it, is pretty much GRT pays for the debt coverage on those bonds, about \$1.8 million. It's really close. So those kinds of revenues we need to keep in place to pay off that debt. I think by utilizing the cash funds we do have available to supplement those CIP's that we're doing, I think is very important."

Mr. Romero continued, "So, it does seem like we have a large cash balance, but I'd like to just indicate that they're very much needed in these projects and are being expended, and Fernando had a chart that shows in 2016-2017, that we may have to go back to borrow more money to complete anything that's outstanding. And that'll be the same time period when we get the new NPDS permit. So I just wanted to make it clear that I think all of the CIP items will get done. We have staff to do them, we're doing them internally where possible, and so we save a lot of that money on engineering costs, so it goes directly related to the project itself, so I'd like to point that out too. So, we get a bigger bang for the buck because we do that work, and we're comfortable in doing it, because sometimes we do need that expertise on digesters and some things that you need a whole bunch of different specialties to complete those projects."

Mr. Romero continued, "But I wanted to go over that to make sure it is understood why these CIPs are there and the reason we have them. One thing that Fernando touched on was average winter consumption. The other thing that was changed was, in the old days when someone had zero use, we would put 6,100 gallons as what they would be using. Now, it's a zero on those 3 months that we average, December through February. We are now not averaging the zeros, we drop the zeros, and average the two months that maybe someone was there, and that would be their average profile for the year. So, not only did we change the amount based on the consumption we were seeing, but we also did make it fair and the fact if you're not there during Christmas you aren't being penalized for not being home. So, those have an effect on the economy."

Mr. Romero continued, "The audit that Fernando talked about, my concern there is that if we have water reads, all of our wastewater is based on water rates. So we're basing all our stuff on water reads, so I'm hopeful when we get the new billing system, and we're only as good as our water reads are, because we're basing on water reads. So, it's hard for me to tell where that reduction is. The other thing, too, is conservation. I was pleased to hear the conservation, but that doesn't have any effect on us because still have to treat the solids over there. We still need the same equipment, plus more, because as you can tell, I was talking digesters. People are still flushing their toilets, just with less water. And again, you're not seeing dividends in saying, well water is reducing why isn't the cost at the Wastewater Treatment Plant going down. It doesn't. It's not directly related. I just want to point out those three things. Fernando captured my ideas on what needed to be said on that to supplement his. But, I think they need to be said, because I don't think there's extra money out there, I think it's just a matter of utilizing the cash we do have on hand. The increases are driven by the bond rating and the debt to service ratios. And I think, as you

saw in the O&M, we haven't been increasing our costs on O&M. There's not much more we can do out there to reduce costs any more. We have an electric bill to pay, and we have no control over what the electric company is going to do in terms of increasing rates. We have to pay those costs. We have to have staff. We are in the position where we've gained all the efficiencies, but there's not much more. O & M is going to stay very close to the same, maybe go up inflationary as Fernando predicted. I just wanted to tell you the \$4.9 million, I don't like to say we're going to have to increase rates, but I don't see where we shouldn't increase those rates, due to the experience I have out there. And I understand, if you don't do it now, you're just going to have a bigger rate increase later."

Councilor Bushee said, "I thank you for your passion, Bryan, and all your years of dedication and knowledge."

Chair Rivera complimented him as well, commenting that the staff respects him, and the fact that you give them leeway to be creative with how they do their jobs, which was impressive to him, and this speaks highly for you.

MATTERS FROM THE COMMITTEE

Councilor Maestas said the Wastewater enterprise doesn't look good, and then you add rate increases for the next several years. His issue is return flow, noting we are getting no benefit from our return flow, which has been an issue in the past. He said, "Are we at a crossroads. Should we really start looking conceptually at either wastewater reuse, or some kind of infrastructure to pipe our return flow to the Rio Grande and get credit for it, which will really help boost our surface water diversion. I realize I'm kind of new, but I'm trying to catch upon the whole return flow, but we need to try and leverage benefit from that return flow, and I know it goes into the Santa Fe Rivera and the State Engineer, from my understanding won't recognize that for return flow, so we get zero credit return flow. What can we do strategy wise to leverage our return flow."

Mr. Martinez said, "Right now, the City is actually trying to get some discharge credit from the State Engineer's Office for the effects that the City's pumping has on the La Cienega and La Bajada area. And so that is a conversation we're having with the State Engineer right now. We have had some positive feedback from them, but it's an ongoing dialogue. So, that doesn't account for the full flow that the City puts into the River, the Lower Santa Fe River, I should say. But it will require, at some point, probably some monitoring, and we'll have to say that some quantity of that water that is being returned is going to make up for our La Cienega offsets, and that has been a big issue with the State Engineer's Office and saying that we haven't complied with our permit. So there is going to be some good coming out of the return flows we make."

Mr. Martinez continued, "For the remainder of the return flows, those same communities down there, La Cienega and La Bajada, they have been complaining to the Legislature, to their County Commissioners, to the City Council to a lesser extent, that they basically have the right to all that water. So there is going to be a delicate balancing that will need to take place. But I agree that we should be able

to put some of that water in the lower Santa Fe River and get some credit out of it, so we will be thinking about ways to do more than just the return flow discharge credit we're working on right now. But that right now is our present concern."

Councilor Maestas said perhaps we should have some standing agenda items, like a Buckman update, a SWMA update. There may be nothing we need to know about, but he thinks there are noteworthy things happening from both of those bodies. He said, "I sit on both those committees, but think staff could give a more comprehensive update to this Committee from those regional bodies or City/County bodies. I would suggest that as standing agenda items, Mr. Chair."

Chair Rivera asked Mr. Schiavo to make a note on that and said we'll take a look at that when we meet pre-agenda and see if there is anything from BDD or SWMA on which we may want to update the Committee.

Councilor Bushee said she appreciates the updates from staff and said she is not opposed to a rate increase in Wastewater, but she does want to boost those services. She said, "I understand that you have been stringing along for a long time without... making do, let's just say. I'm still grateful that we're picking up the trash, but I want to progress from there. I really want to see us make strides. For me, the other area of interest I have is energy, and I don't know if that is something that we would need to change or add to. I know there's going to be an Energy Task Force created, but I also wondered how we would interface here at this Committee. Because not are electricity costs an issue for almost every department in the City it is an interest overall of how the City is going to move forward in terms of being more sustainable and green. I would like to make sure there is a way to boost this committee around the area of energy."

Chair Rivera said some of those discussions have already started with the Mayor. He said, "He and I have spoken, I believe he and Nick have spoken."

Councilor Bushee said, "I've spoken to him as well."

Chair Rivera said, "I think that's probably the direction it's going to take, so I'm looking forward to that as being part of this Committee."

Councilor Bushee said, "Back in the day, we were part of Public Works, and that was before the Water Company really took a lot of the focus. But I think energy is the next wave that we're going to have to deal with and what forms that takes. And so I would some standing agenda items around that, whether it comes through Sustainable Santa Fe or whatever shape and form it comes, I would like to participate and make sure this Committee is involved in that."

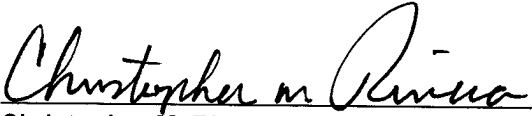
Chair Rivera thanked the Committee for their participation and said he looks forward to working with them over the next two years.

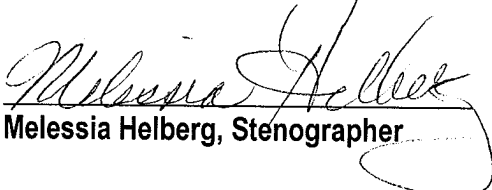
Chair Rivera said we are planning some summer meetings, one at the Reservoir so we can take a tour of that facility, and then toward September, having a short meeting at the BDD and touring that facility as well.

NEXT MEETING: WEDNESDAY, MAY 7, 2014.

ADJOURN

There was no further business to come before the Committee, and the meeting was adjourned at approximately 7:30 p.m.


Christopher M. Rivera, Chair


Melessia Helberg, Stenographer

Nichols and McClure Reservoirs Restoration Project

Frequently Asked Questions

Why are improvements at the reservoirs needed?

Replacement of the intake towers at both Nichols and McClure Dams are needed to improve dam safety, operating personnel safety, and improve flow control of reservoir releases.

- Existing intake towers are 70 – 80 years old and do not meet current seismic stability requirements.
- Intake valves leak and only one valve at each tower is in operating condition.
- Intake structure is located several hundred feet from the shore and can only be accessed by boat or walking on ice when the reservoir is frozen.
- Intake towers are 80 - 100 feet high and only 4 – 5 feet in diameter and valves and valve actuators are located inside the tower where there is inadequate room for repair, replacement, or maintenance.

How long will construction take?

Construction takes 9 months per dam and will be done one dam per year. Work at Nichols Dam began September 3, 2013 and will be completed in mid-May 2014, when filling of the reservoir will begin. Taking a reservoir out of service beginning in September allows reservoir water to be used to meet peak summer demand. Construction at McClure Dam will begin September 1, 2014 and be substantially completed in late spring 2015 when subsequent filling of the reservoir will begin. Reservoir refilling in late spring allows the capture of late spring runoff from the Santa Fe River watershed.

Why do the reservoirs have to be drained?

Water in the reservoirs must be drained for the removal of the existing intake towers. New concrete intake structures will be constructed from the bottom of the dams to the crest of the dams on the upstream face of the dam embankments.

What will happen to the water being drained from McClure Reservoir?

A reservoir management plan has been developed to maximize the treatment and delivery of water to Santa Fe customers, meet target flows under Santa Fe's 'living river' program, supply acequias, and fill Nichols Reservoir. The reservoir management plan will be adjusted based on watershed runoff projections, weather conditions, precipitation, and availability of other water supply sources such as the Buckman Direct Diversion Project, Buckman Well Field, and customer's water demand.

How quickly will McClure Reservoir be drained?

Currently, McClure Reservoir is 70% of total storage capacity. It is anticipated it will take until late summer to drain McClure Reservoir. The Office of State Engineer recommends the City Water Division draw down only 1 foot in elevation of water storage capacity per day to avoid damage in the earthen dam embankment such as sloughing. As the surface water area shrinks, the releases from McClure Reservoir will slow down.

What will happen to the fish in the reservoir?

Fish will be salvaged to the extent possible and transferred to Nichols reservoir to replace the fish which were moved from Nichols Reservoir to McClure Reservoir last year.

Will customers experience water shortages?

No. McClure Reservoir water will continue to be used throughout the summer, with the majority used as drinking water. The City has additional water sources including the Buckman Direct Diversion Facility, the Buckman Production Wells and the wells within the City limits. Even without the reservoirs and continuous drought, the City can still meet customer water demand during the peak demand of the summer months.

How much water do we get from the Santa Fe River Watershed and reservoirs?

The Santa Fe River watershed provides up to 40% of Santa Fe's drinking water. The reservoir storage allows water to be used as needed to meet water demand.

- McClure Reservoir holds 3,257 acre feet of water or 1,061 million gallons when completely full.
- Nichols Reservoir holds 684 acre feet of water or 223 million gallons when completely full.

What happens if there is a wildfire in the watershed, the Buckman Direct Diversion isn't operational due to low flows on the Rio Grande, or another heavy rain storm similar to the rain events last fall?

The City Water Division has planned for worst-case scenarios and has the flexibility to use a combination of different water sources and water saved from the community's response to water conservation efforts, particularly during peak demand.

Can work at McClure Dam be postponed?

Postponing the intake structure replacement offers no benefit. The longer it takes to replace the intake structure, the higher probability that costly repairs to outdated facilities will be required. The degradation of the functionality of the intake structure will also result if replacement is postponed putting the water supply and dam safety at greater risk.

Where can I find more information?

The City provides daily information on water production, reservoir capacity, and total system storage at http://www.santafenm.gov/daily_water_production_reports.

For drought management information and water conservation, please visit www.savewatersantafe.com.

**MEMORANDUM**

TO: Nick Schiavo, City of Santa Fe **DATE:** March 24, 2014

FROM: Jason Mumm **CC:** Fernando Aranda

SUBJECT: **City of Santa Fe's 2014 Water, Wastewater, and Environmental Services
Financial Plan Findings**

This memorandum summarizes our findings with respect to our update of the current and projected financial condition of the City of Santa Fe's water, wastewater, and environmental service utilities divisions.

MWH Global last updated the City's Utilities Divisions financial plans a year ago for fiscal year 2013-2014. Few things changed in this latest update and the Utilities Divisions stayed in good financial health. The continuous monitoring and update of the long-term financial plans and assumptions have been important in maintaining the financial health for each utility, especially in light of flat revenues and low growth.

Table 1 below summarizes the proposed rate adjustment for the next five years for each utility division.

Table 1: Proposed Rate Adjustments

Year	Water Division	Wastewater Division	Environmental Services Division
2013-14	0.0%	0.0%	3.2%
2014-15	0.0%	4.9%	3.2%
2015-16	0.0%	4.9%	3.2%
2016-17	0.0%	4.9%	4.6%
2017-18	0.0%	4.9%	4.6%
2018-19	0.0%	4.9%	4.6%

The fiscal year 2012-13 was the last year of the City's approved five years annual 8.2% rate increases for the water division. The water division currently has strong cash balance and debt service coverage that will allow the implementation of its planned capital improvement program. We estimate no additional increases will be necessary through fiscal year 2018-19.

For the wastewater division, we are projecting a rate adjustment of 4.9% for five years from FY2014-15 through FY2018-19 mainly to meet debt service coverage requirements. The wastewater division faced lower-than-projected retail revenues; caused in part by the loss of wholesale revenues, transfer of customers to Santa Fe County, and decrease in bill usage. These decreases in revenues along with increases in operating expenses negatively affected the debt service coverage requirement.

For the Environmental Services Division, the City approved four years of 3.2% rate increases starting in FY2012-13. We are projecting additional rate adjustment of 4.6% for three years starting in FY2016-17. The additional projected increases were caused by a reduction in the new customers expected by annexation of 28%. A lower expected number of customers negatively affect the retail revenues of the Division. Environmental Services expects the construction of the Siler Road facility in 2016-17 which will be funded in part with a loan from the water division of \$3.5M in FY2016-17.

Water Division

Our update shows that the water division has maintained good financial performance, with key ratios remaining strong helped by lower than projected capital costs in FY2012-13. MWH is projecting lower retail revenues in the future due to the loss of 1,400 customers to the county. The financial impact of losing those customers will result in a net loss of about \$500,000 a year starting in FY2013-14. Table 2 compares the projected rate revenue requirements from last year's update to this year's update.

Table 2: Water Division Rate Revenue Comparison (Millions)

Year	Last Year's Update	This Year's Update
2011-12	\$33.3	\$33.3
2012-13	\$35.7	\$37.5
2013-14	\$37.3	\$37.0
2014-15	\$37.5	\$37.1
2015-16	\$37.7	\$37.1
2016-17	\$37.9	\$37.1
2017-18	\$38.1	\$37.2

Fiscal year 2012-13 was the last year of the five years of approved annual 8.2% increases. We do not project the need for additional rate adjustments or the need for debt financing through fiscal year 2017-18.

Figure 1 shows the comparison of debt service coverage between last year's update and this year's update. Last year's plan showed lower debt coverage in fiscal year 2012-13, the actual coverage was higher due to the higher than estimated water sales and lower than estimated operating expenses. We are projecting the debt service coverage will remain over 2 times net revenues for the rest of the study period. Compared to last year's update the projected debt service coverage will be lower due to the reduction in retail revenues due to the loss of the 1,400 retail customers to Santa Fe County.

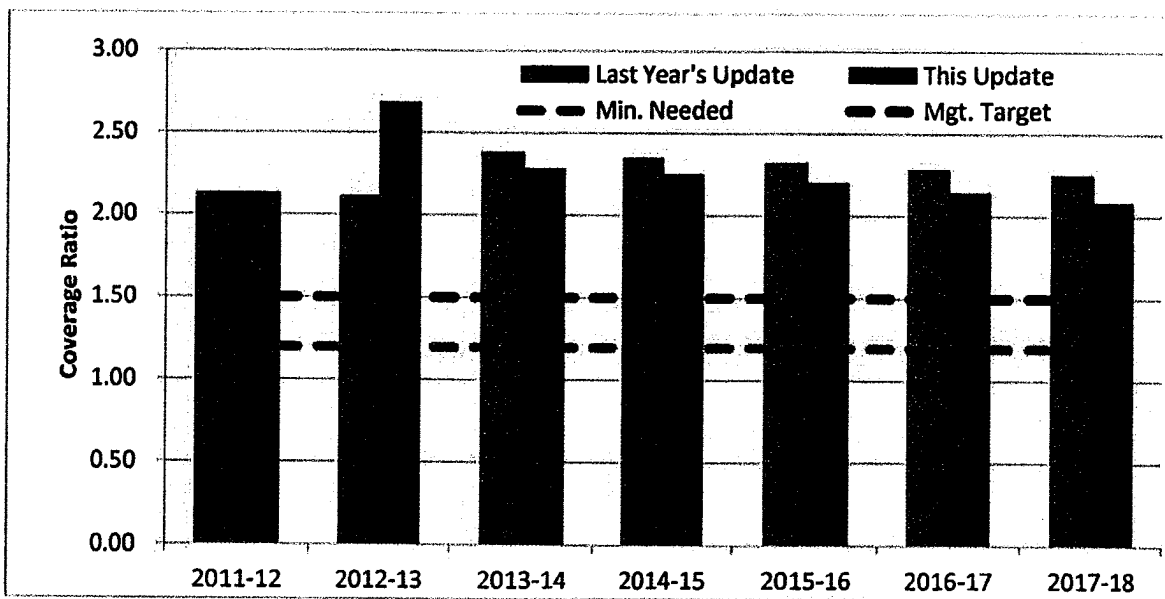


Figure 1: Water Division Debt Service Coverage Comparison

Figure 2 shows the comparison of cash balance reserves between last year's update and this year's update. Reserve targets include: 90 days of O&M cash on hand (\$ varies), required debt reserves (\$ varies), capital reserve (\$3m), rate stabilization (\$2m). Projected cash balance reflects higher than expected revenues for FY2012-13 and a lower than projected CIP spending for that same year. Cash balances are still projected to be above management targets throughout the study period.

Figure 3 shows the comparison of the capital improvement plan between last year's update and this year's update. Capital improvements are the main cause of the increase in cash balance in FY2012-13. As shown in Figure 3 in FY2012-13, only \$3.5 million of the projected \$37.2 million was spent. The Water division will schedule some of the capital improvements not completed in FY2012-13 to later years. The total projected CIP is \$32 million higher than what it was projected last year. These are some of the most important upcoming capital improvements to begin construction in the next 2 years:

- Reservoir Improvement Project - \$8,900,000
- Hospital Tank Rehabilitation \$3,000,000
- Pumping projects \$3,340,000
- Buckman Parallel Trunk \$6,000,000
- Priority Main line replacements \$3,600,000
- Master plan line extensions \$3,600,000

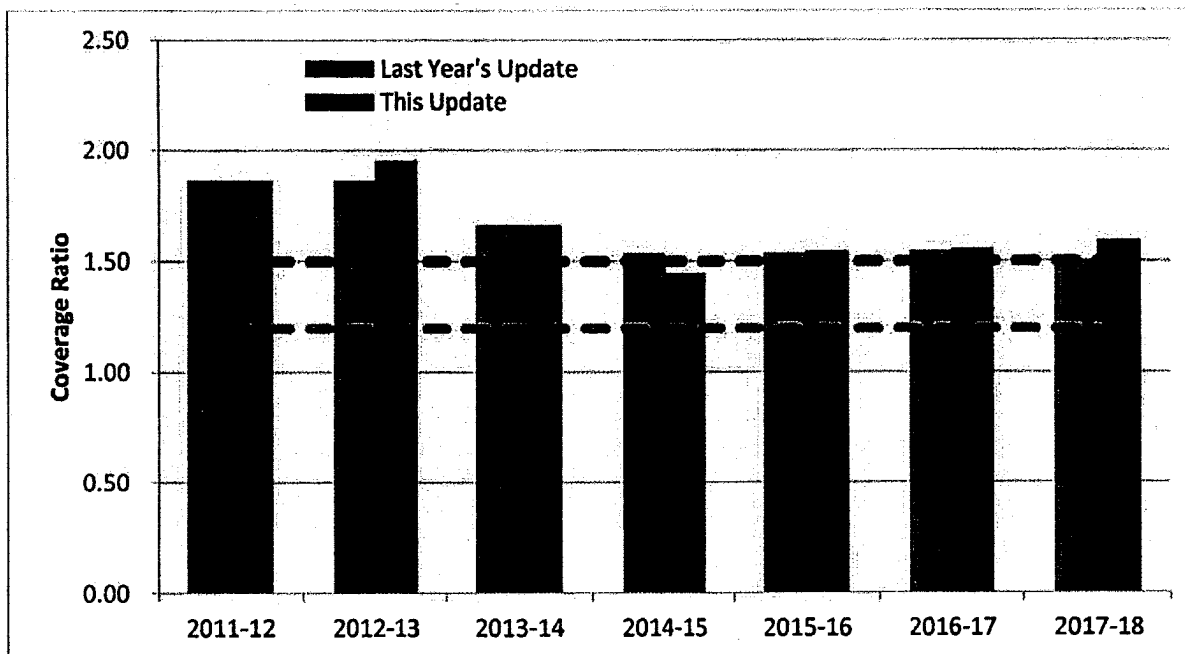


Figure 4: Wastewater Division Debt Service Coverage Comparison

As shown in Figure 4, debt service coverage for 2013-14 remains very close to what was previously projected in the last update. We project that the debt service coverage ratio will dip below the management target in FY2014-15 but above the minimum required. We project the debt service coverage to return above the management target in FY2015-16 and to remain above the target throughout the rest of the study period. The debt service coverage was allowed to dip below the management target in FY2014-15 to avoid a larger revenue adjustment of about 7.5% instead of the proposed 4.9%.

Figure 5 shows the comparison of cash balance reserves between last year's update and this year's update. Reserve targets include: 90 days O&M cash on hand (\$varies); capital reserve (\$3m); and rate stabilization (\$2m). The difference in cash balance is mainly due to lower than projected capital costs.

The wastewater division cash balance is projected to be higher than last year's update for FY2013-14 the main reason is a lower than expected CIP spending for that year. Starting in FY2014-15 the projected cash balances are expected to be lower than last year's projections due to higher O&M and CIP expenditures in that period and lower revenues.

Figure 6 shows the comparison of the CIP projects between last year's update and this year's update. The total CIP for the study period increased by \$2M in this year's update mainly due to the inclusion of a digester replacement in FY2016-17. It is important to note, that the wastewater division expects to initiate a treatment and collection master plan in FY2013-14 and have completed in FY2014-15. These master plans will determine if new capital projects are necessary. The wastewater division also is aware of federal changes in nutrient criteria that could impact the City's discharge permit, resulting in required capital improvements projects and requiring higher rate adjustments.

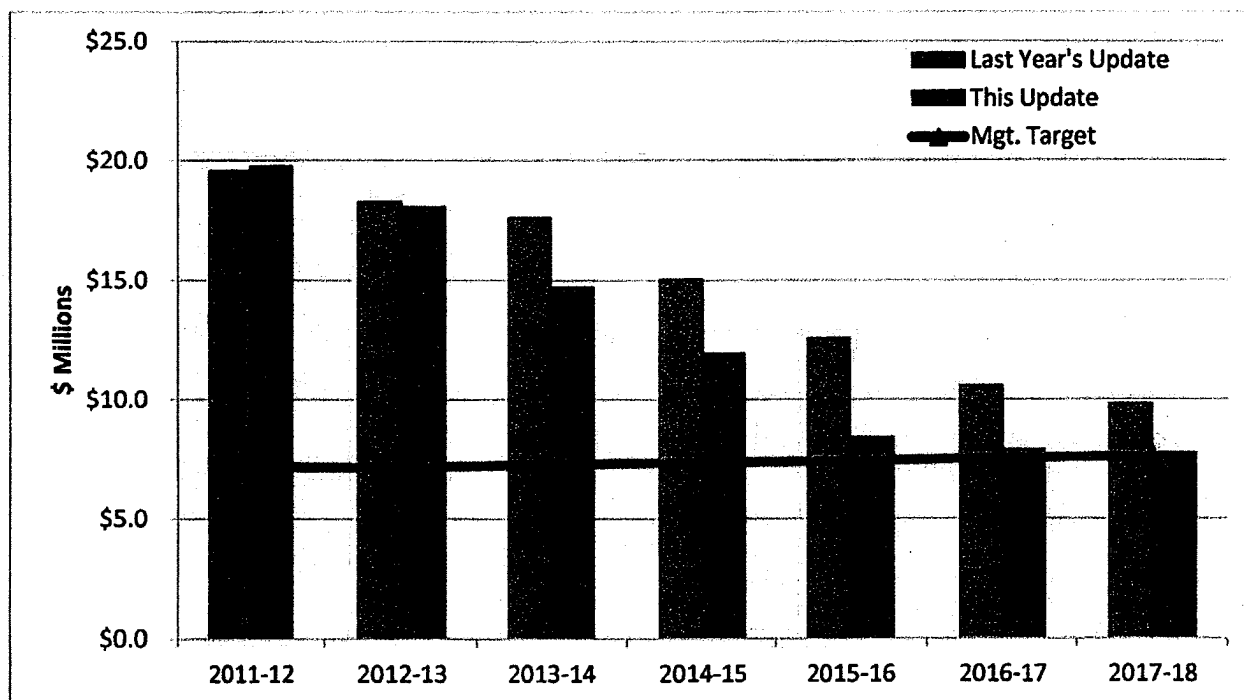


Figure 5: Wastewater Division Cash Balance Reserves Comparison

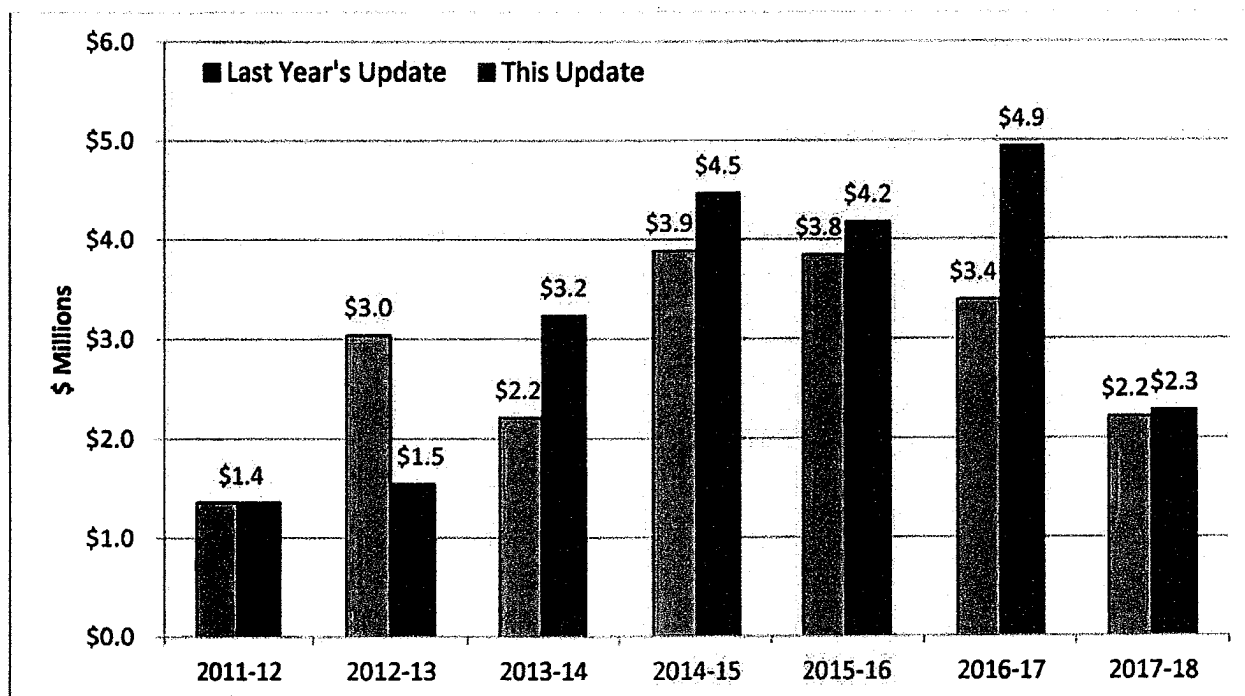


Figure 6: Wastewater Division CIP Comparison

The five years of 4.9% rate increases (only four shown) presented in this update are required to cover increased capital costs and to meet debt service coverage.

The 4.9% increase is required in FY2014-15 but higher increases might be necessary once the collection and treatment master plans are completed.

Environmental Services Division

Our Financial plan update of the environmental services division found that the previously recommended increases of 3.2% will maintain the utility in good financial health until FY2015-16 but an additional increase of 4.6% will be necessary in FY2016-17 through FY2018-19. The continuous monitoring and update of the long-term financial plans and assumptions have been important in maintaining the Division financial health, especially in light of flat revenues and low growth.

Since last year's update a few important items changed for the Environmental Services Division. The expected annexation of the County's customers started in FY2012-13 but is expected to be about 30% lower than previously expected this represents a loss of about 2,200 customers. This new annexation assumption has a negative impact on revenues and causes the need for higher increases after FY2016-17

Table 6 shows the rate revenue comparison between last year's update and this year's update. The projected revenues for this year's update are lower than last year's update mainly because of the new lower annexation assumption. Although the lower annexation affects the projected revenues it also reduces capital and operating costs which helps the Environmental Services Division maintain the fund balance and debt Service coverage targets.

Table 6: Environmental Services Division Rate Revenue Comparison (Millions)

Year	Last Year's Update	This Year's Update
2011-12	\$9.2	\$9.2
2012-13	\$9.6	\$9.6
2013-14	\$10.1	\$10.2
2014-15	\$11.7	\$10.9
2015-16	\$12.3	\$11.4
2016-17	\$12.8	\$12.1
2017-18	\$13.1	\$12.5

Table 7 presents rate adjustment comparisons between last year's update and this year's update. The City implemented the proposed rate increases from last year's update which will maintain the Environmental Services Division target balance and debt service coverage until FY2015-16. This year's update requires a 4.6% rate increase in FY2016-17 through FY2018-19. The reasons for the increases are the lower expected revenues due to the new annexation assumptions, the Siler Road facility, and to meet balance targets.

Table 7: Environmental Services Division Rate Adjustments Comparison

Year	Last Year's Update	This Year's Update
2011-12	0.0%	0.0%
2012-13	3.2%	3.2%
2013-14	3.2%	3.2%
2014-15	3.2%	3.2%
2015-16	3.2%	3.2%
2016-17	2.6%	4.6%
2017-18	2.6%	4.6%

The Environmental Services Division has delayed the construction of the Siler Road facility until FY2016-17. The Siler Road facility will merge all the operations for Division in one place, as well as, it will provide sufficient space for the maintenance of the Division's fleet which the current facility can't. The new facility will be certified to service compacted natural gas (CNG) to the Division's new natural Gas Vehicles. This facility is expected to cost \$2.7M and is one of the drivers requiring rate increases of 4.6% starting in 2016-17.

Figure 8 shows the debt service comparison between last year's and this year's update. The debt service coverage is projected to be higher than last year because in this year's update we are not projecting the issue of debt to pay for the Siler Road Facility instead the funding is expected to be from a loan from the water Division.

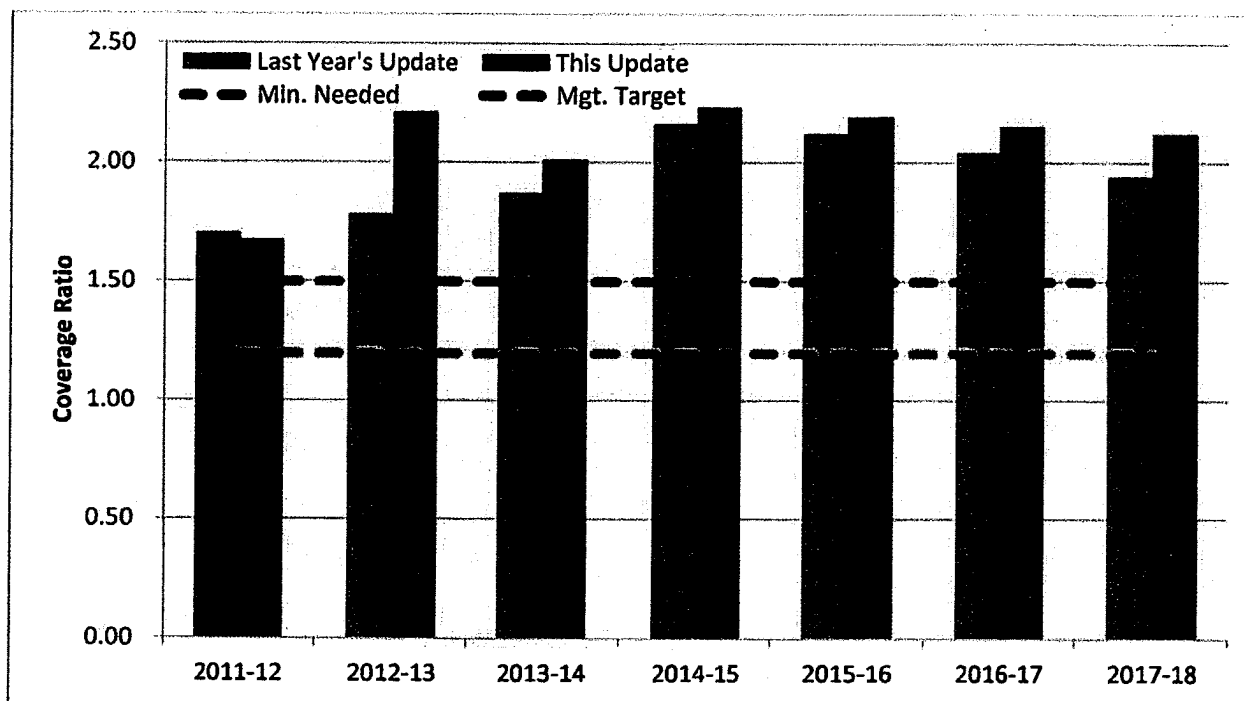


Figure 8: Environmental Service Division Debt Service Coverage Comparison

Figure 9 shows the fund balance reserve targets between last year's and this year's update. In FY2013-14 the fund balance is higher than what was projected in last year's update. This is because of the lower annexation assumptions which caused a re-scheduling of the capital expenses necessary to serve the new customers. The fund balance reserve targets are based on 90 days of O&M; capital reserve set at \$800,000 in 2013-14 growing to \$900k by 2014-15.

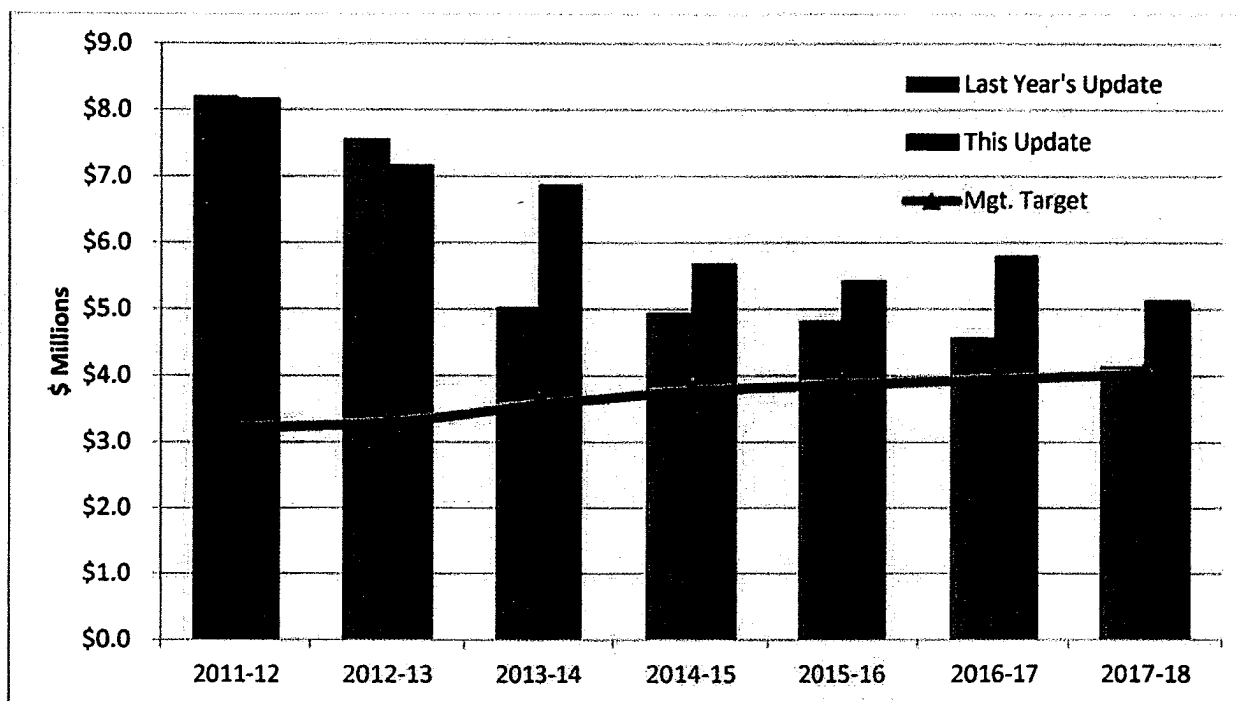


Figure 9: Environmental Service Division Fund Balance Reserves Comparison

Table 8 shows the comparison between last year's and this year's capital improvement plans. The difference in planned improvements was caused by the lower annexation assumptions which changed the capital improvements necessary to serve the new customers. Also the Siler Road facility was delayed to FY2016-17. The total CIP was \$730,000 lower than last year's update.

Table 8: Environmental Services Division Capital Improvements Comparison (Millions)

Year	Last Year's Update	This Year's Update
2011-12	\$0.0	\$0.0
2012-13	\$1.2	\$1.2
2013-14	\$3.2	\$1.4
2014-15	\$4.0	\$2.3
2015-16	\$1.3	\$1.3
2016-17	\$1.3	\$3.9
2017-18	\$1.3	\$1.4

April 2, 2014

City of Santa Fe 2013-14 Financial Water, Wastewater, and Environmental Services Divisions Public Utilities Committee



MWH

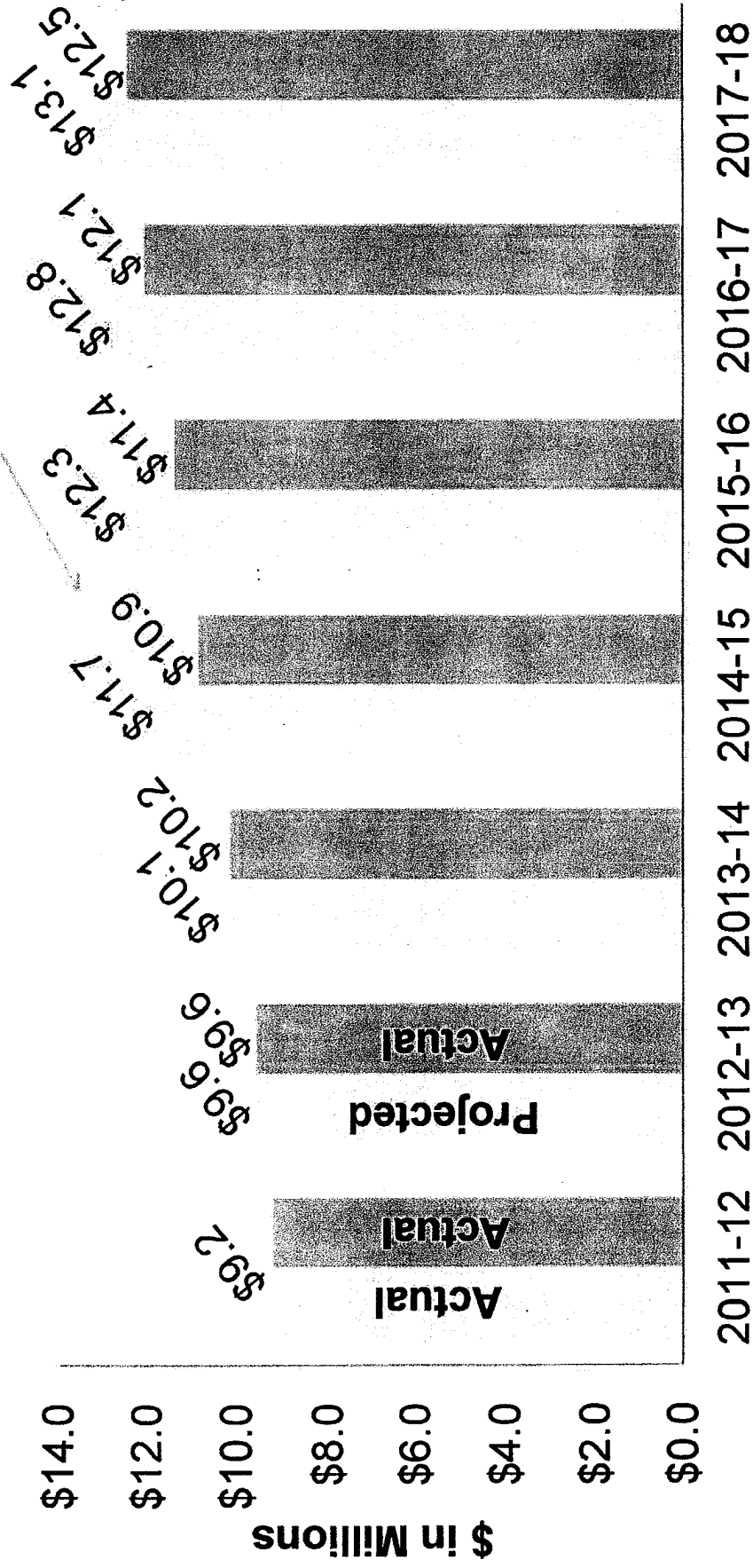
BUILDING A BETTER WORLD

Environmental Services Division

- The 2013-14 financial update shows that the adopted rate increases of 3.2% will maintain the Division's key ratios until FY2015-16.
- Lower annexation assumptions caused decrease in revenues.
- A rate increase of 4.6% is necessary starting in FY2016-17 in order to continue to meet key ratios.

Environmental Services: Rate Requirements

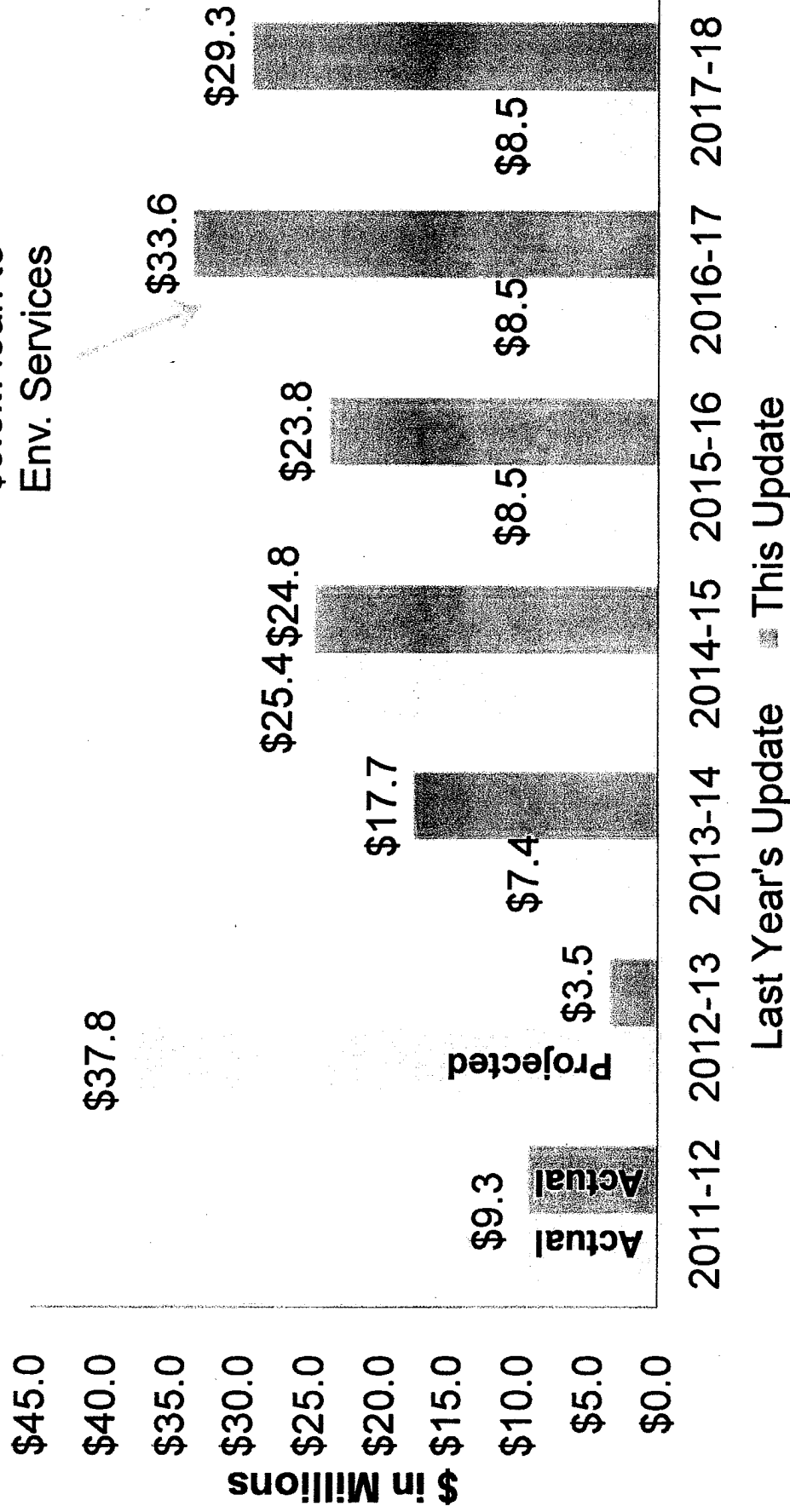
Annexation
30% less than
expected



Last Year's Update This Update

Water Division: CIP

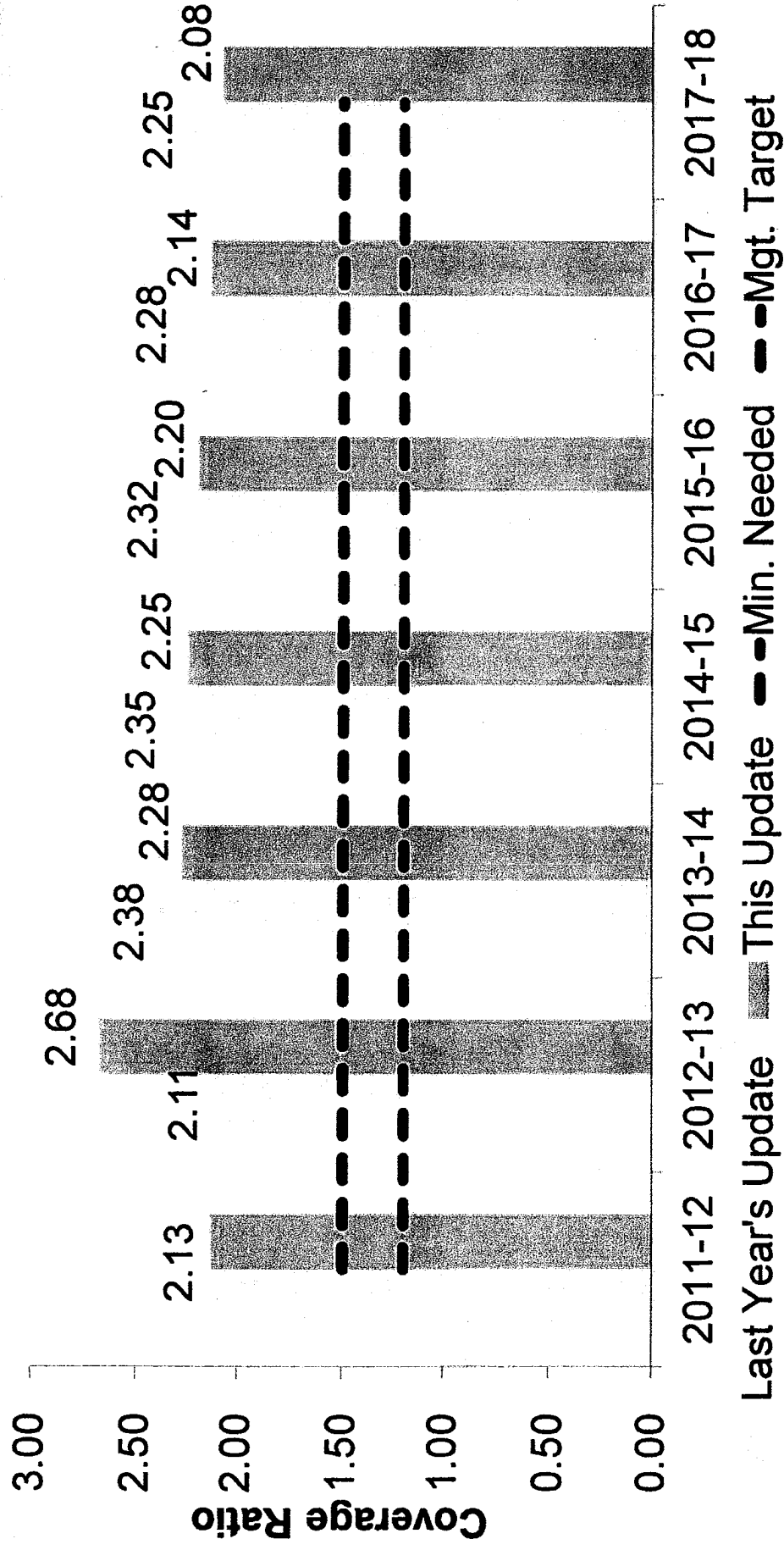
Includes
\$3.5M loan to
Env. Services



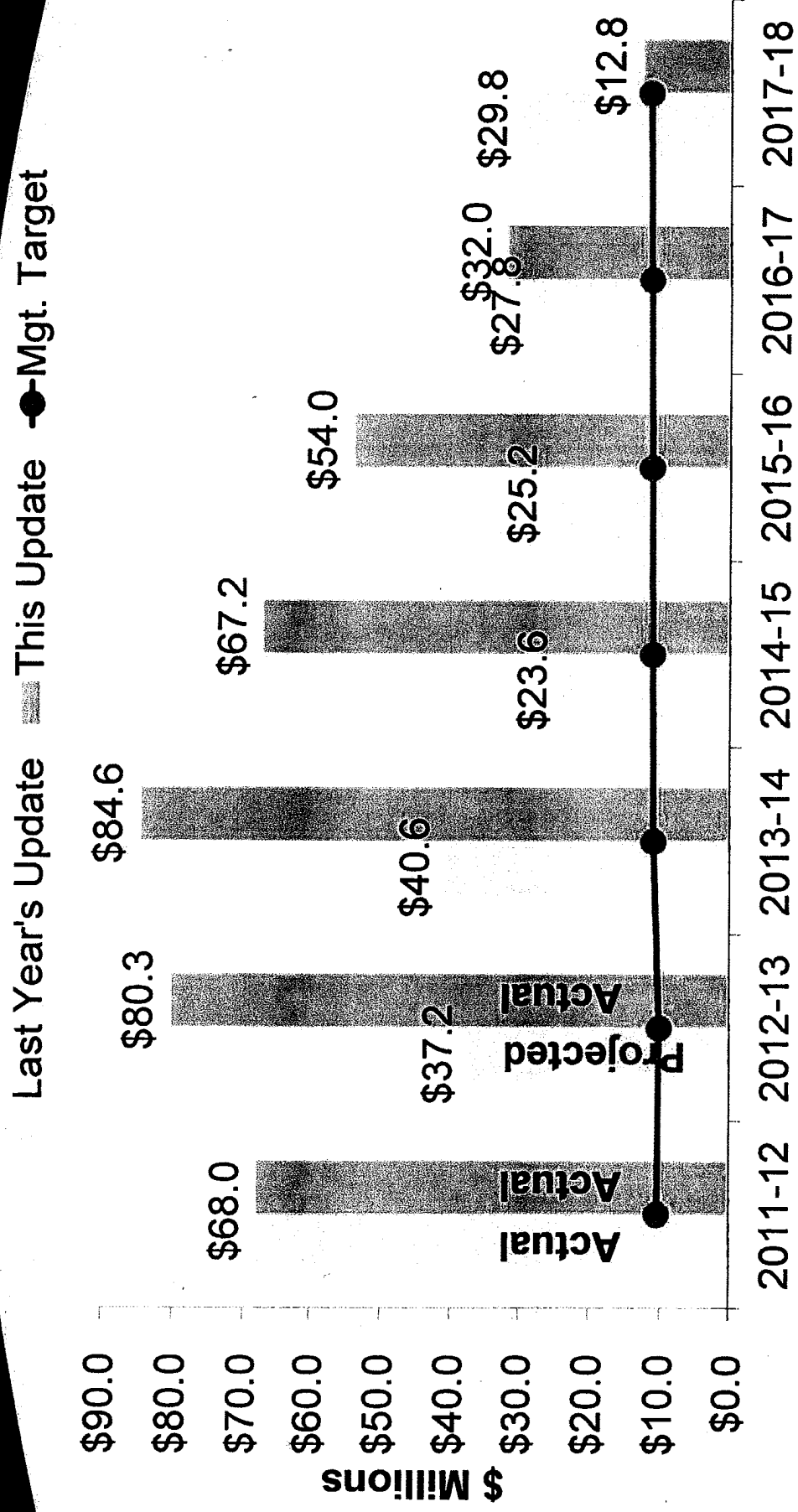
Water Division Upcoming Improvements

- Reservoir Improvement Project - \$8,900,000
- Hospital Tank Rehabilitation \$3,000,000
- Pumping Projects \$3,340,000
- Buckman Parallel Trunk \$6,000,000
- Master plan line extensions \$3,600,000

Water Division: Debt Coverage



Water Division: Fund Balance



Targets: 90-days O&M (\$6M), Capital Reserve (\$3M) Rate Stabilization (\$2M)

Agenda

- Water Division
- Environmental Services Division
- Wastewater Division
- Wastewater COS Rates

Last Update:
Feb. 2013

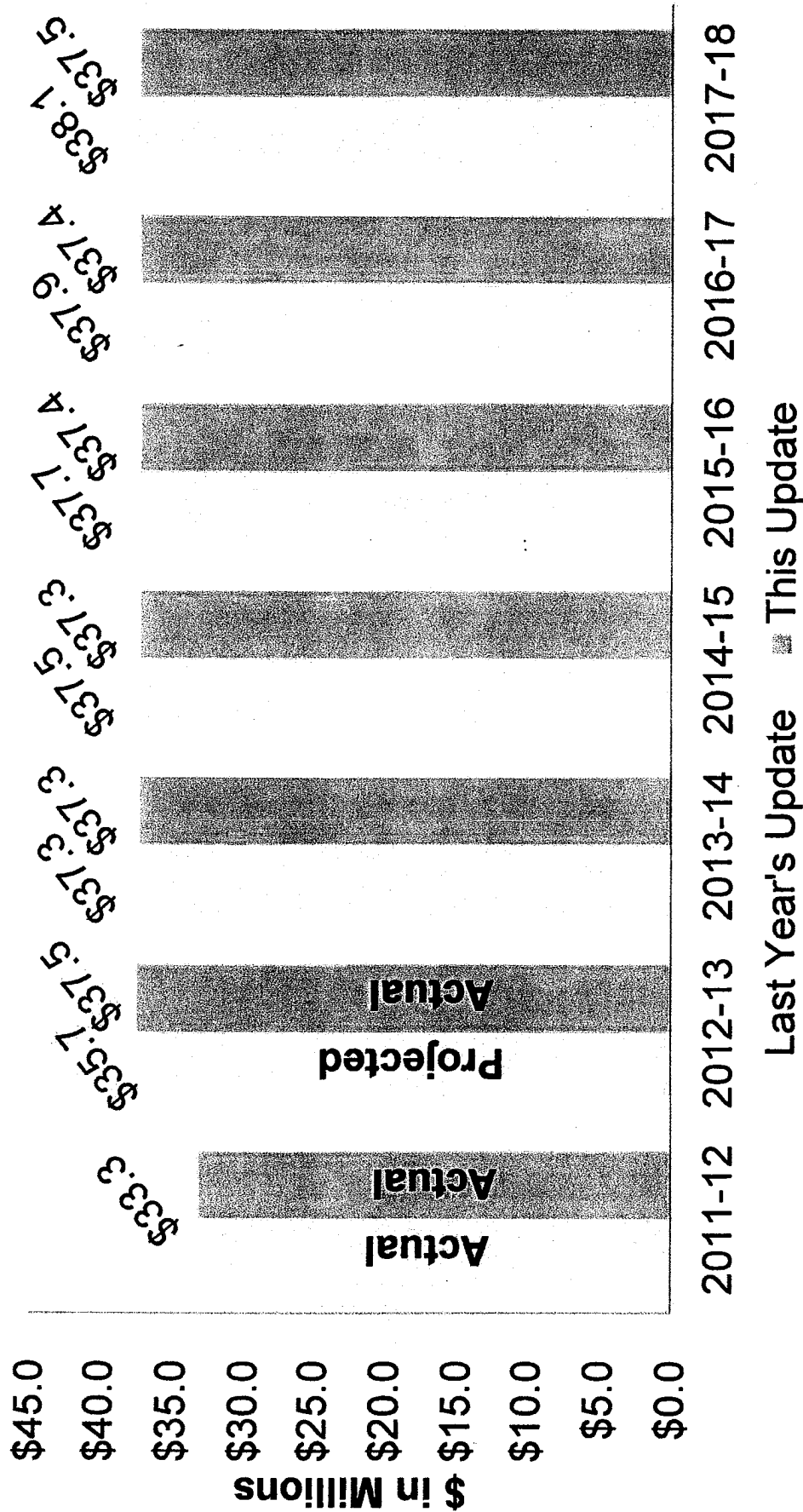
Start This
Update:
Oct. 2013

Start Next
Update:
Aug. 2014

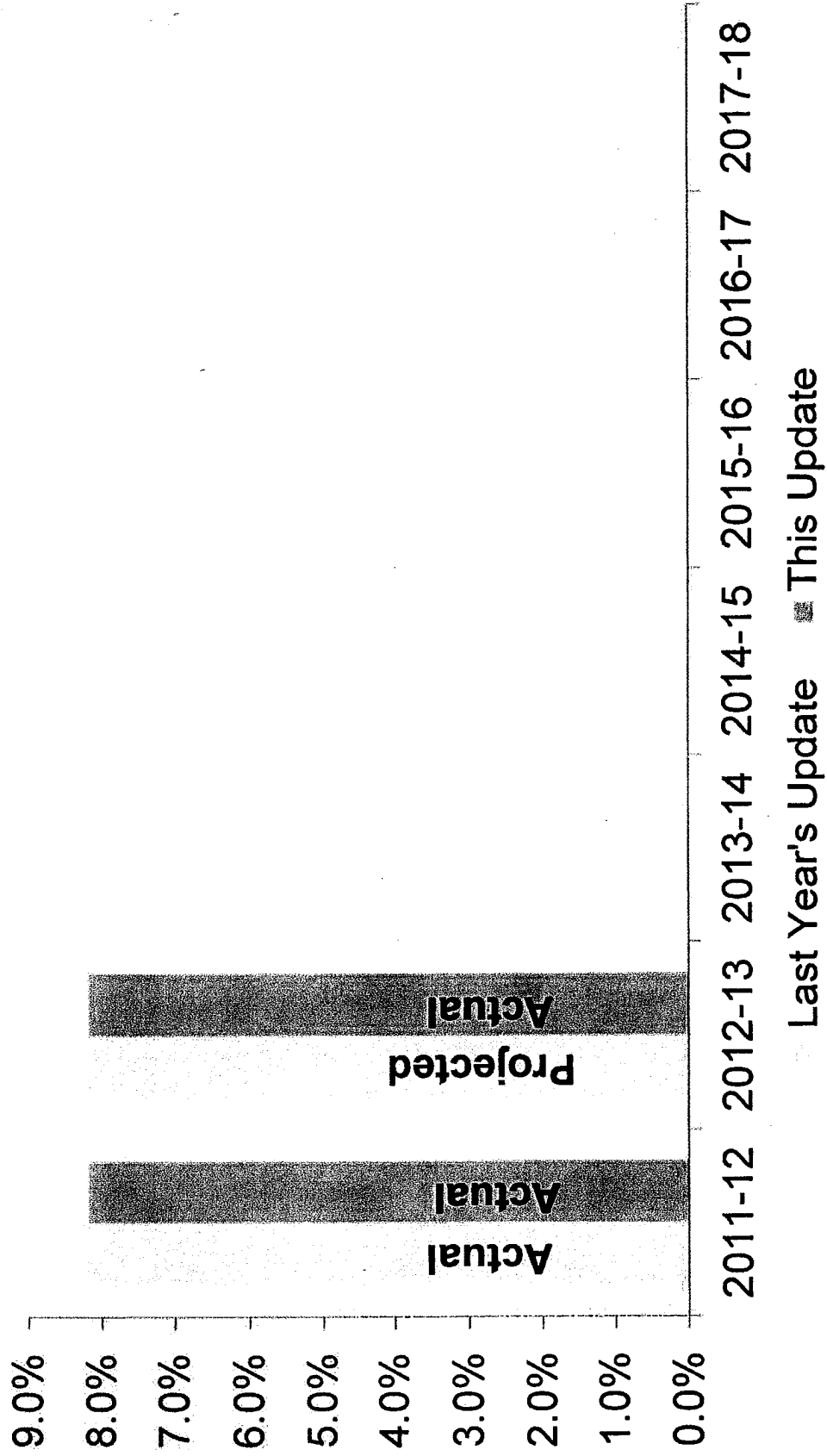
Water Division

- The 2013-14 financial update shows strong overall projected performance with key ratios declining slightly due to decrease in sales produced by the loss of 1,400 customers to the County.

Water Division: Rate Requirements

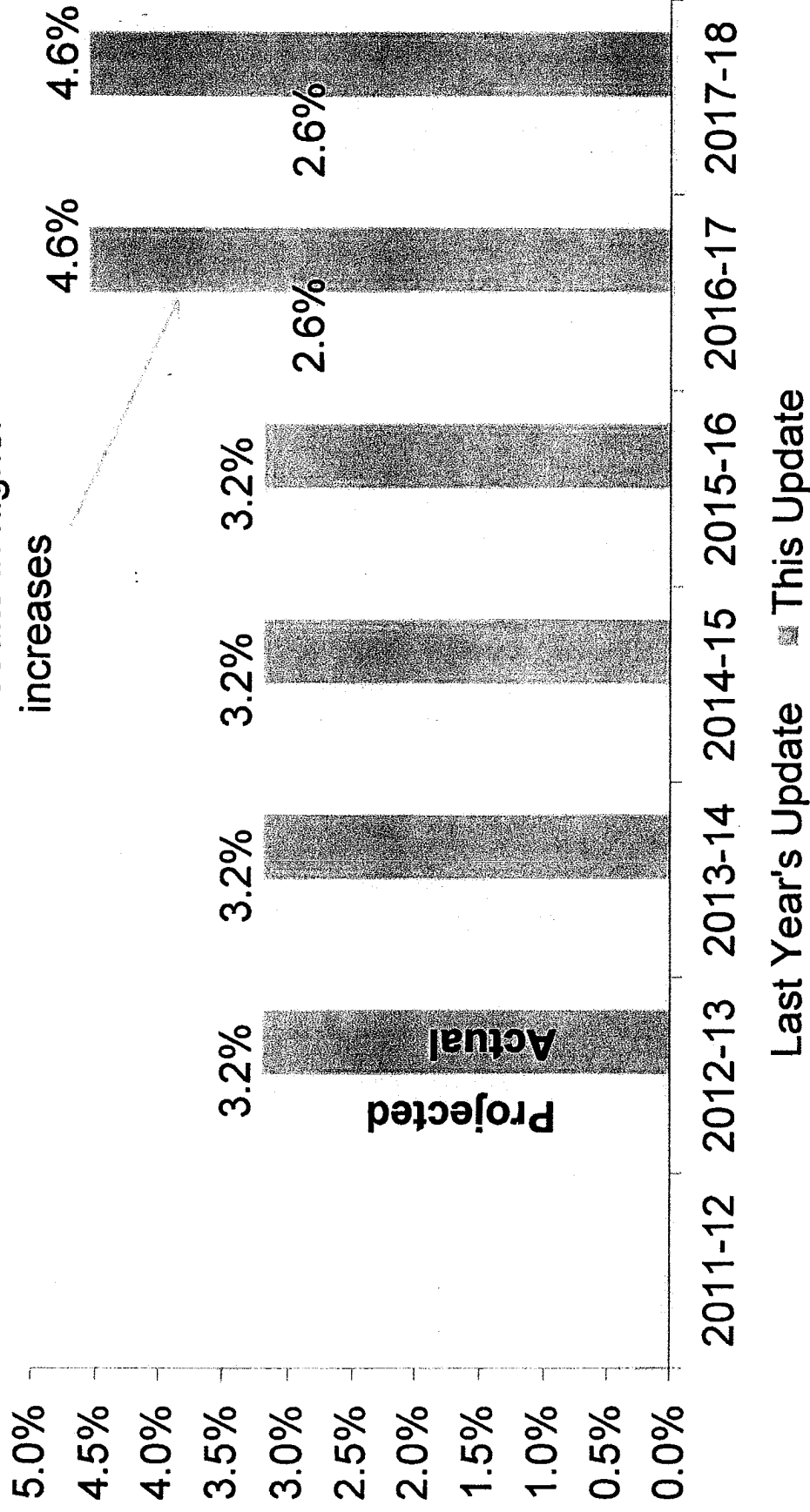


Water Division: Rate Increases

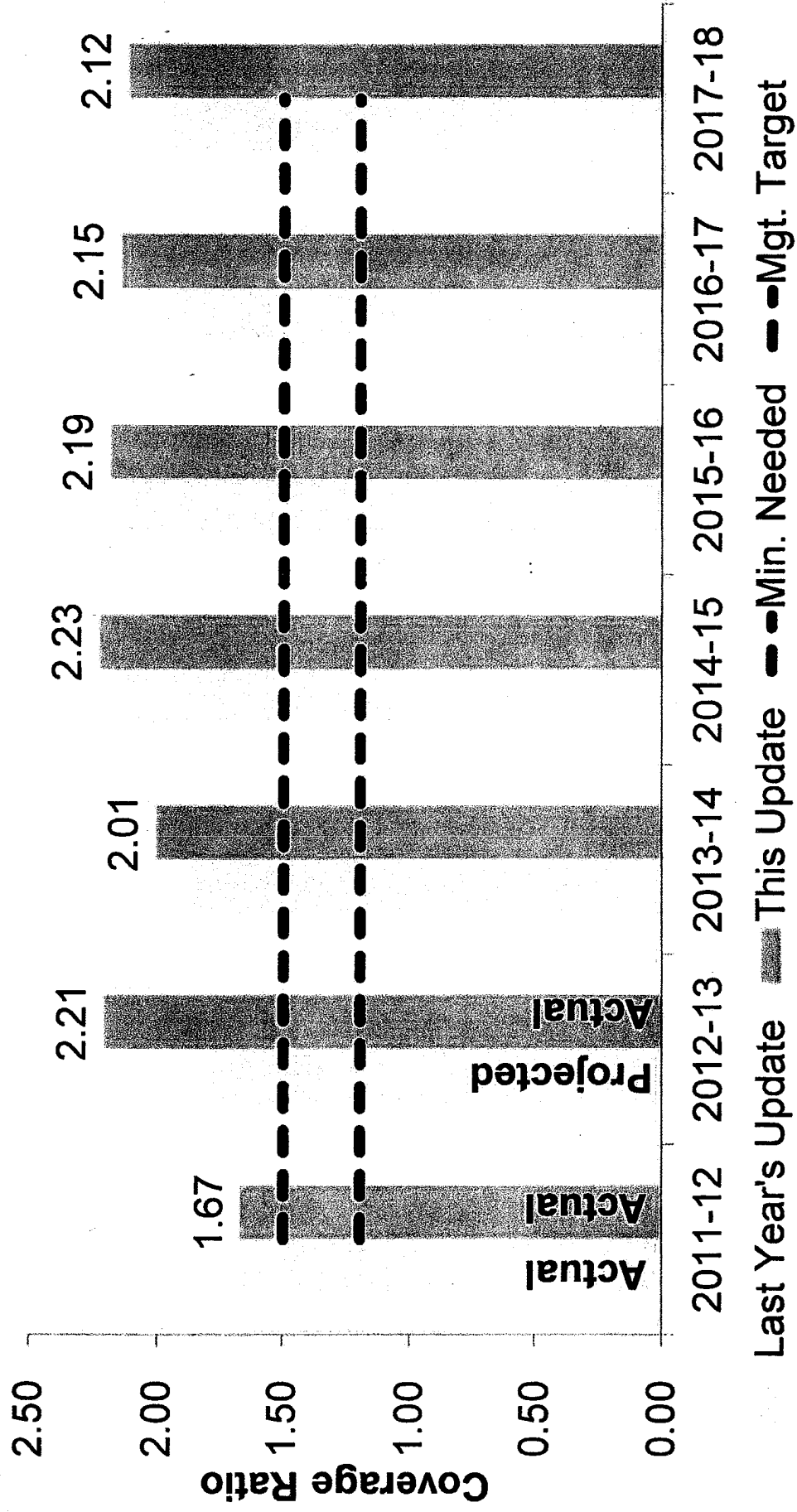


Environmental Services: Rate Increases

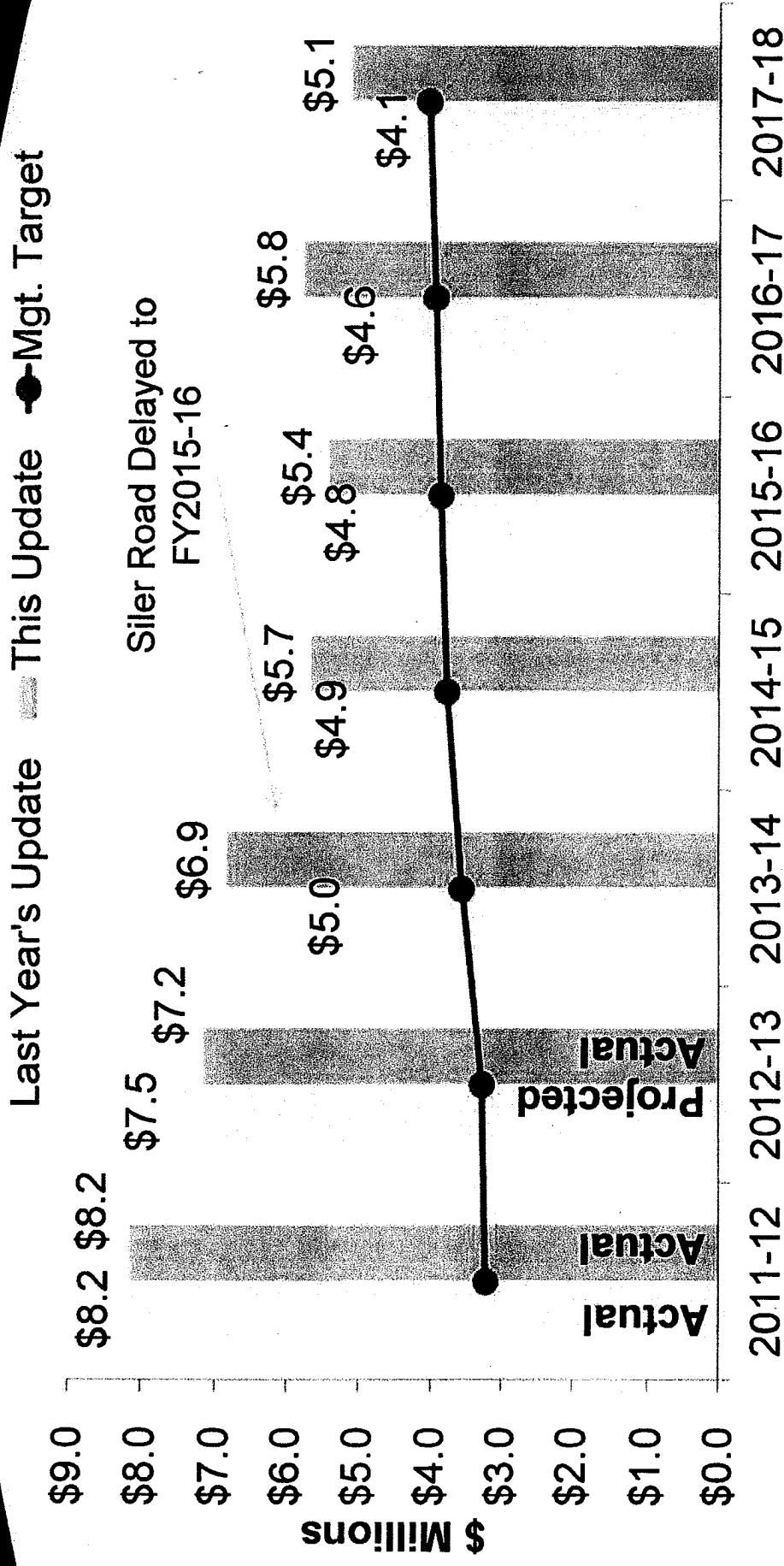
Less customers
results in higher
increases



Environmental Services: Debt Coverage

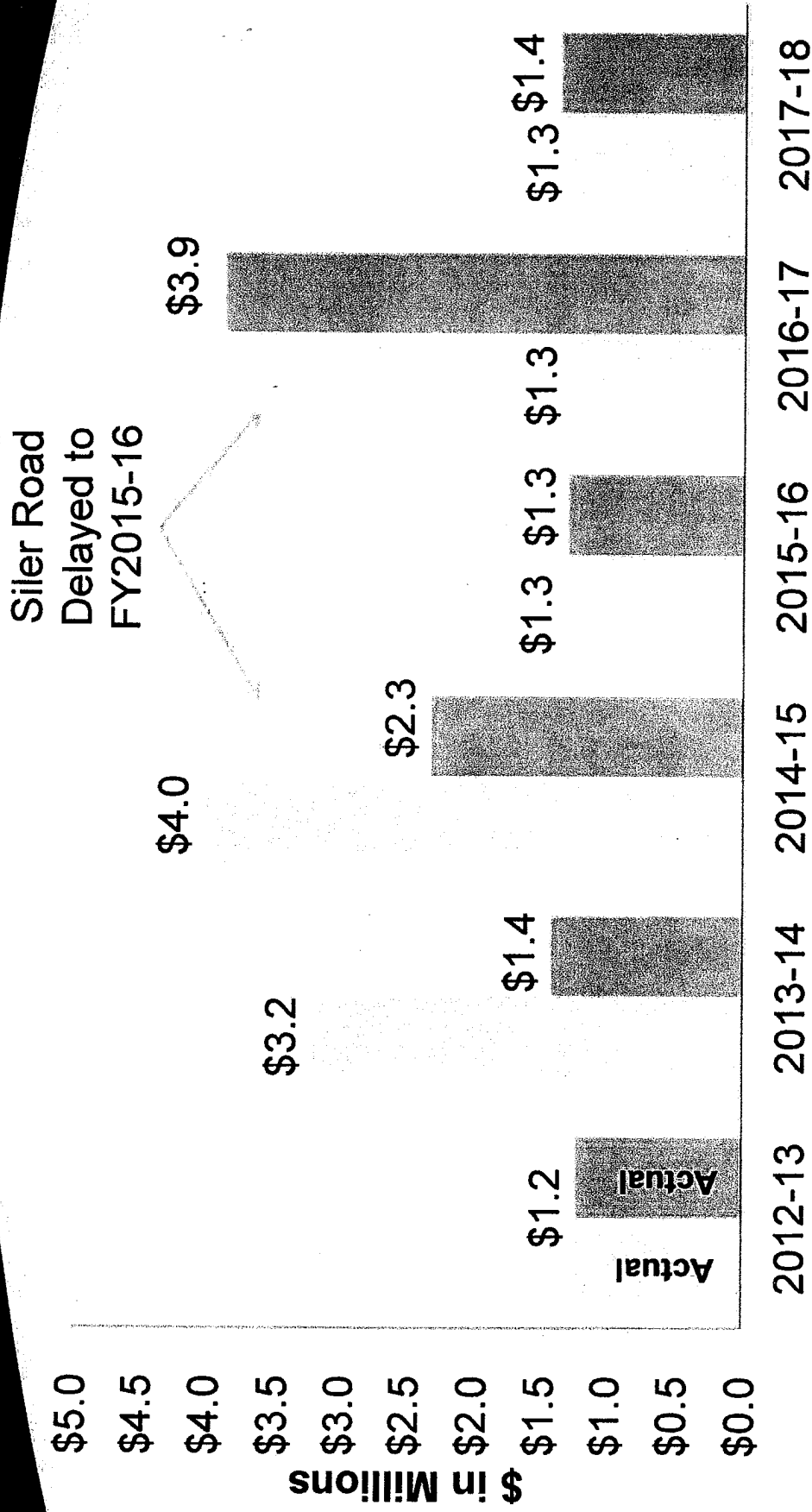


Environmental Services: Fund Balance



Targets: 90-days O&M (\$2.6M), Capital Reserve (\$1M)

Environmental Services: CIP



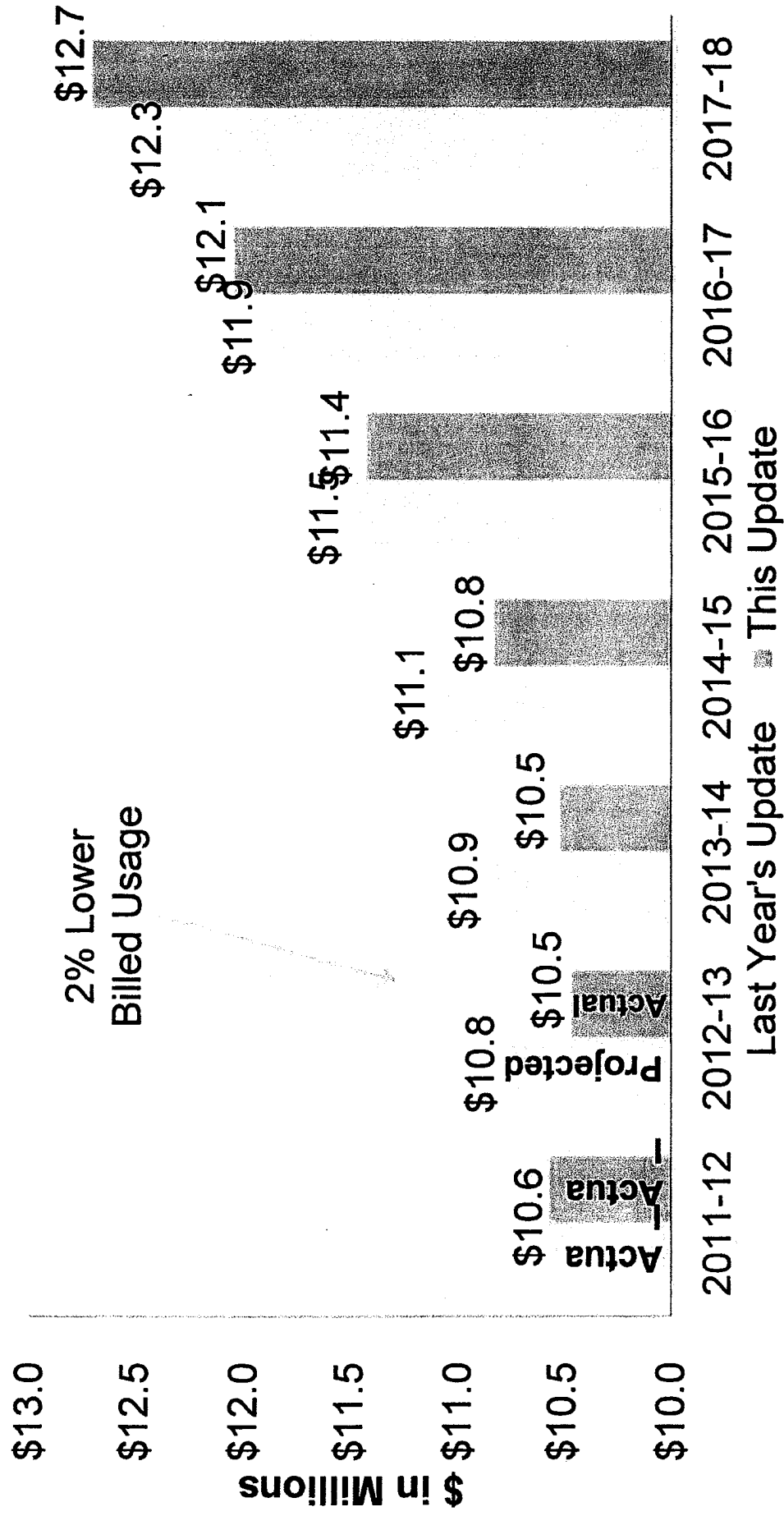
Recommendations

- Keep monitoring the financial plan for the next two years to evaluate the real need of rate increases in FY2016-17
- Approve the loan of \$3.5m to Environmental Service from the Water Fund

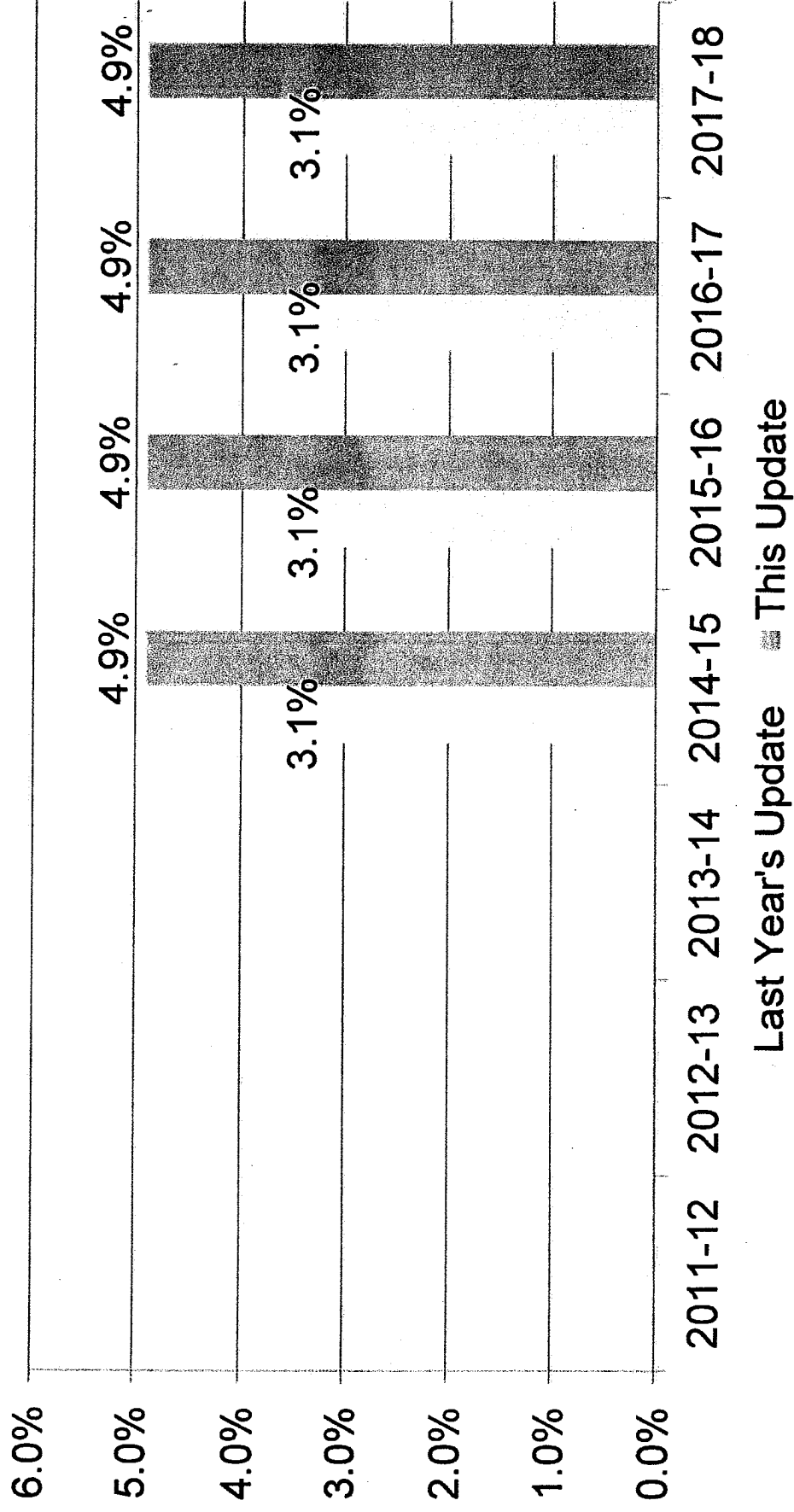
Wastewater Division

- Continued decreased in billed volumes along with increased capital and operating cost projections result in five years of 4.9% revenue adjustments starting in Fiscal Year 2014-15 to meet debt service coverage and fund projects.

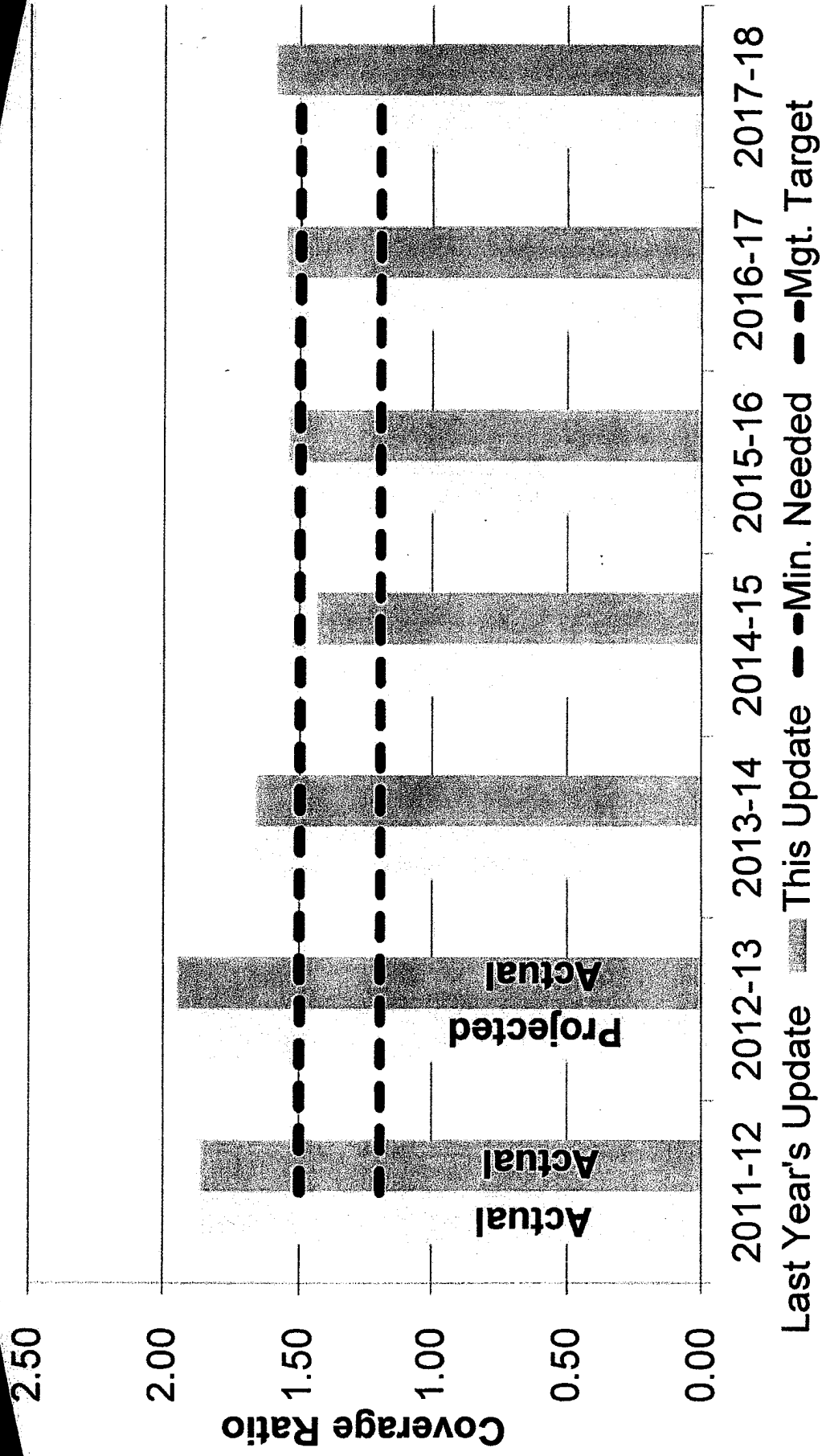
Wastewater Division: Rate Requirements



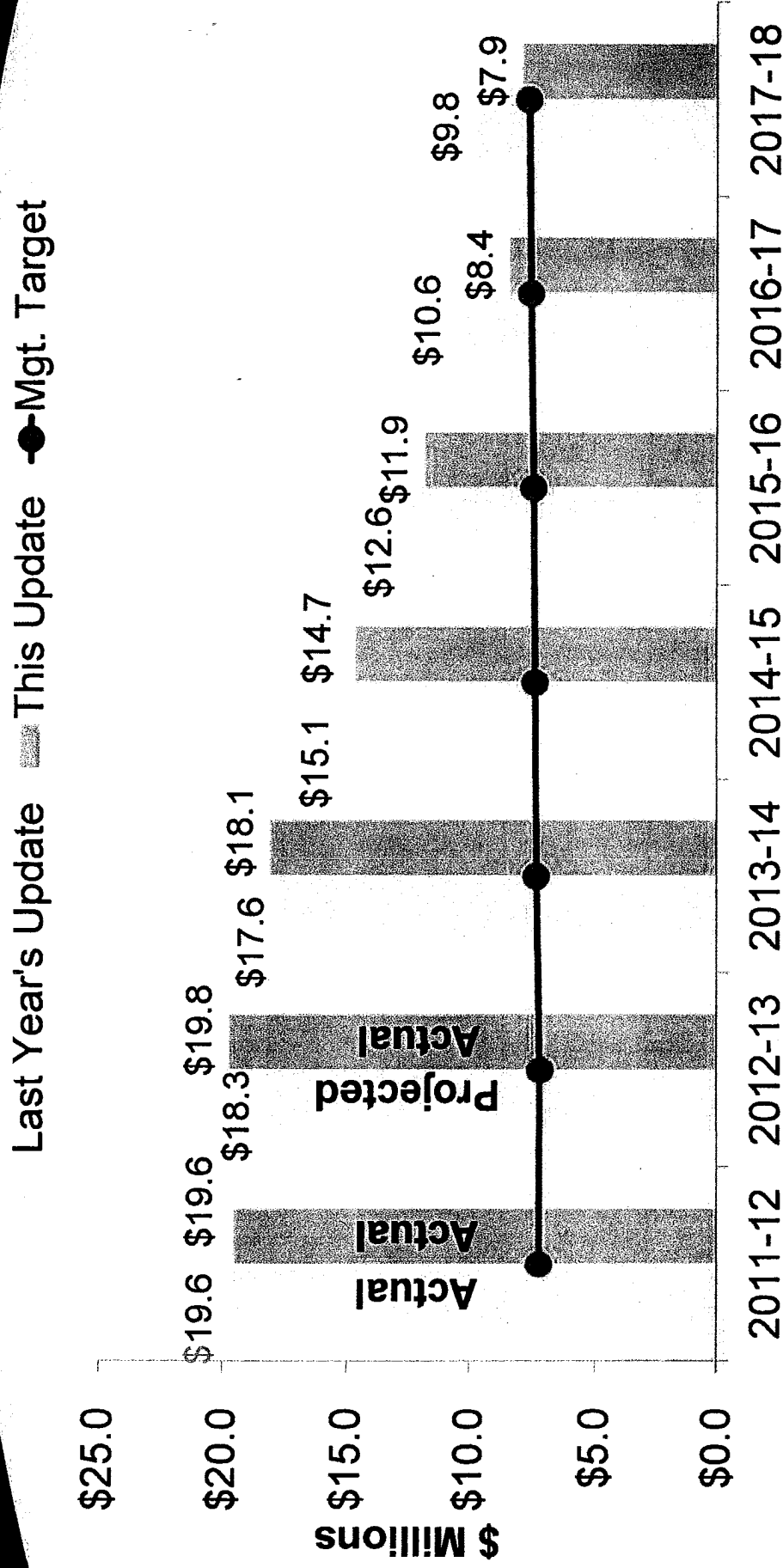
Wastewater Division: Rate Increases



Wastewater Division: Debt Coverage

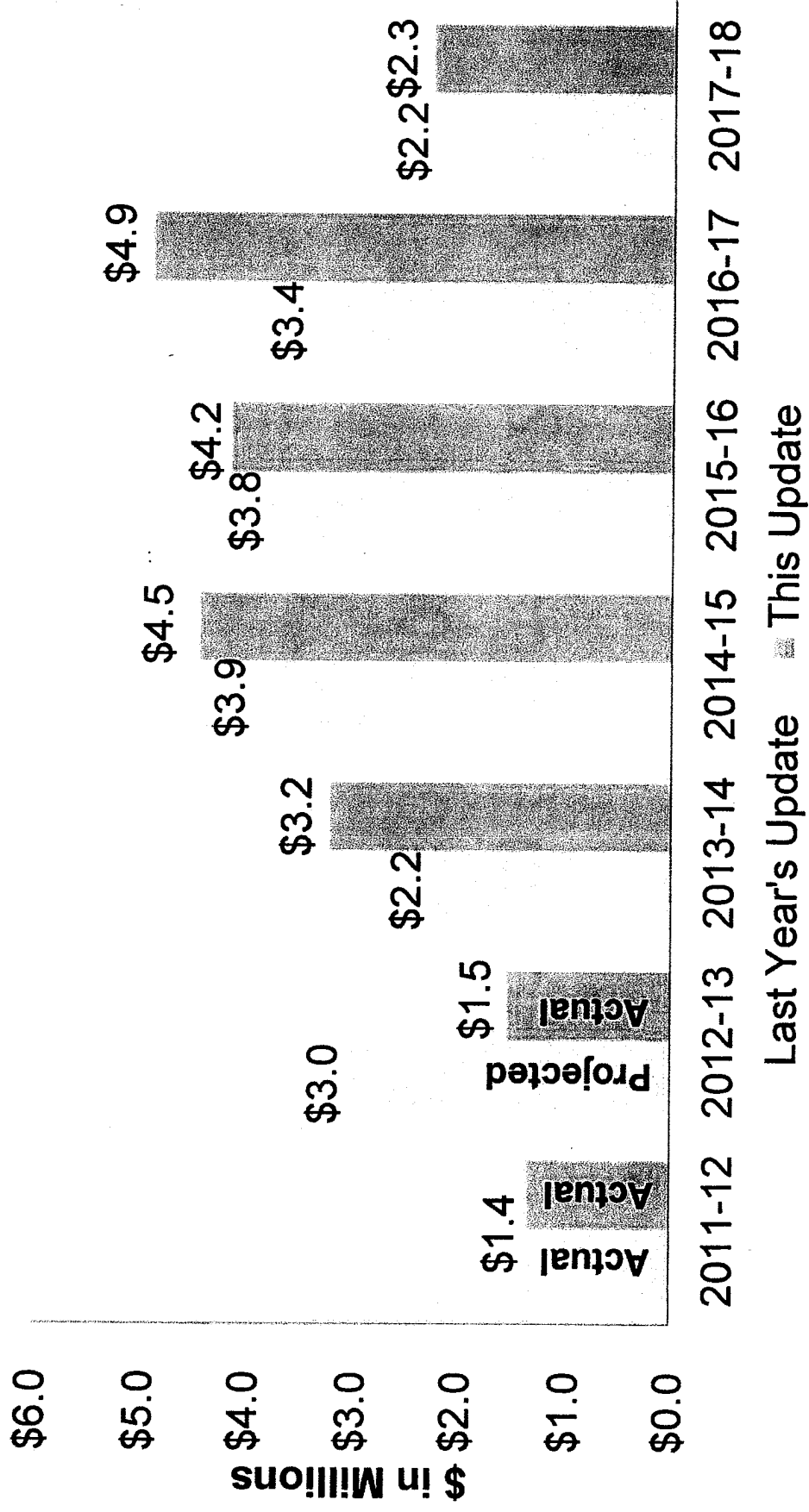


Wastewater Division: Fund Balance



Targets: 90-days O&M (\$2.2M), Capital Reserve (\$3M) Rate Stabilization (\$2M)

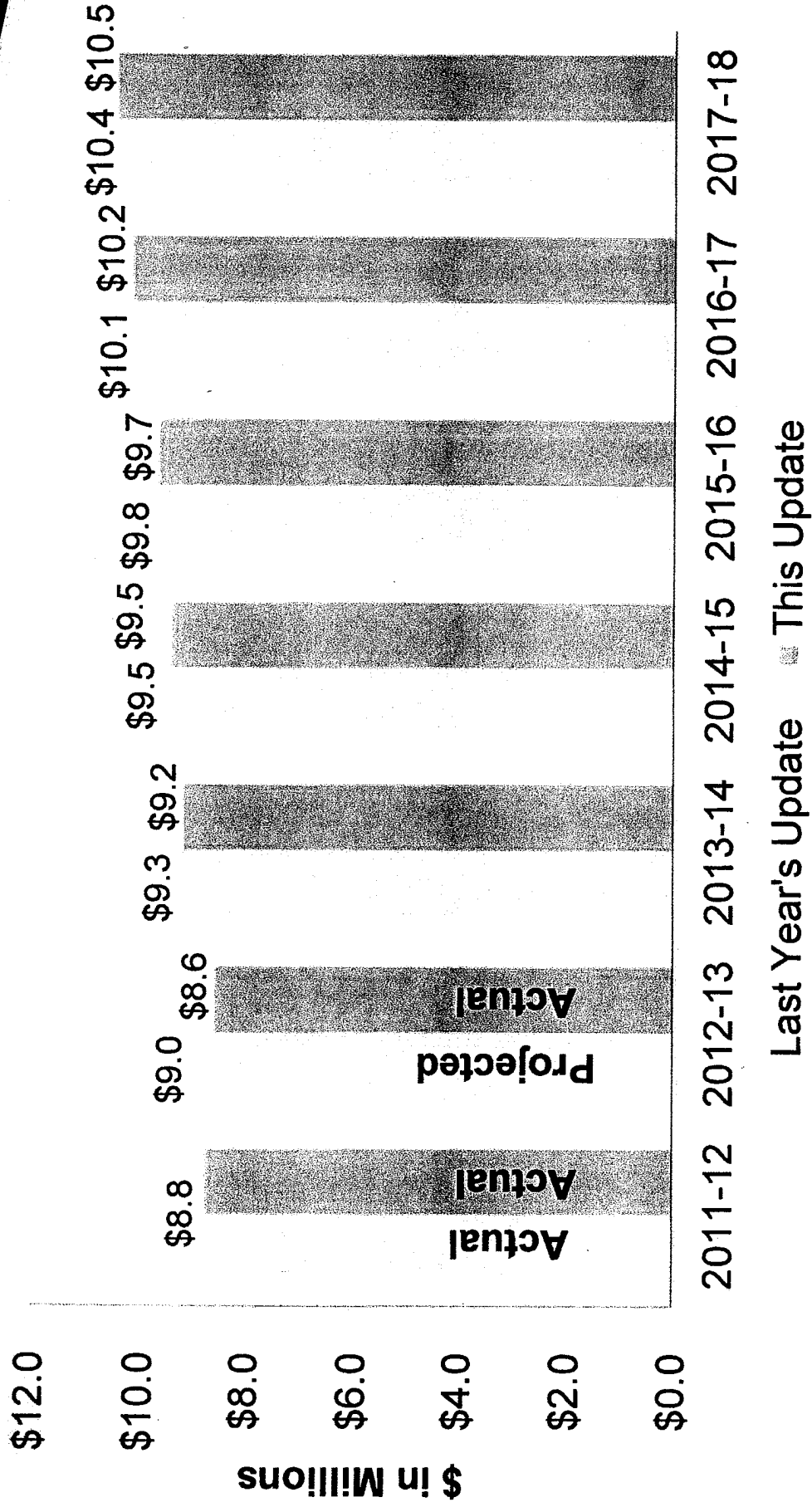
Wastewater Division: CIP



Wastewater Division Upcoming Improvements

- Sewer Line Rehab (Rufina) - \$2,500,000
- New Digester - \$4,000,000
- Digester Rehab - \$1,000,000
- Dewatering Equipment - \$700,000
- Replace Tublex Blowers - \$600,000
- Aeration Basin Dewatering Fac. - \$1,000,000

Wastewater Division: O&M





WASTEWATER RATE STUDY



The Rate Setting Process

Revenue Requirements

Compares the revenues of the utility to its expenses to determine the overall level of rate adjustment



Cost-of-Service

Equitably allocates the revenue requirements between the various customer classes of service



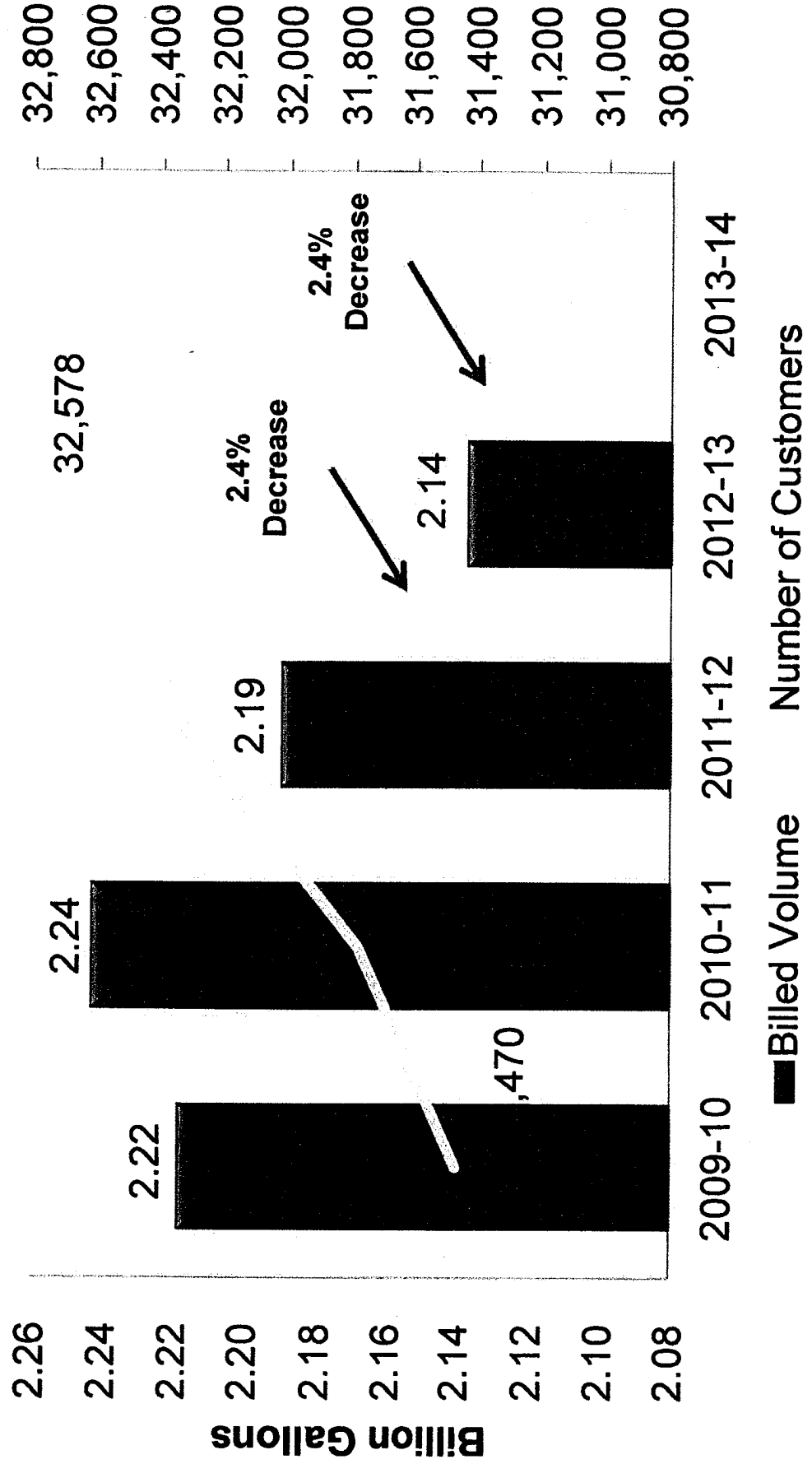
Rate Design

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

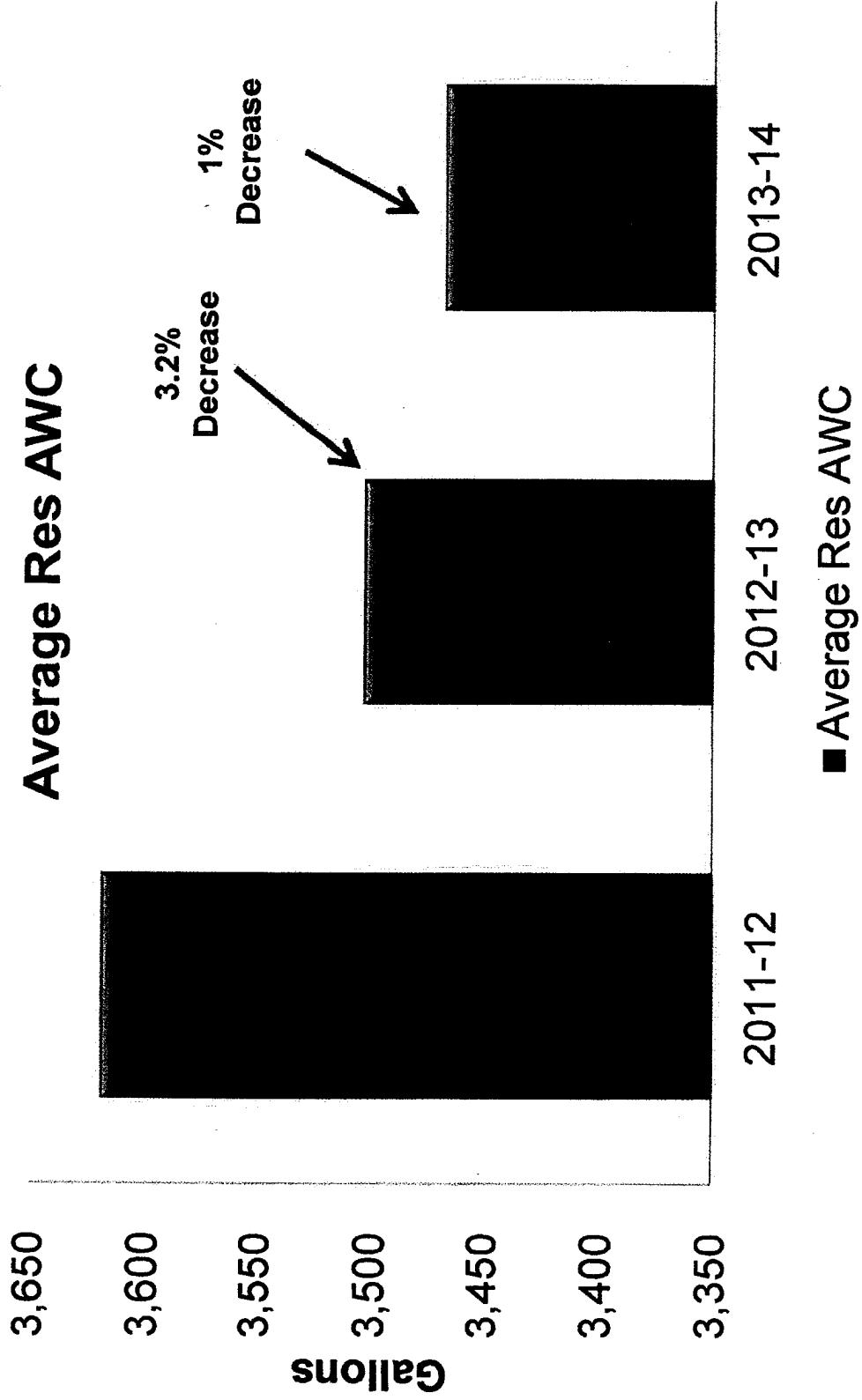
Cost-of-service

- A method to equitably allocate the revenue requirements of the utility between the various customer classes of service (e.g. residential, commercial, etc.)
- The cost of service provides two key pieces of information
 - Allocated total costs to each class of service
 - Average unit costs
 - \$/Customer/Month
 - \$/1,000 gallons

Wastewater Bill Volumes



Wastewater Bill Volumes



Proposed Wastewater Rates

Proposed Rates

Class	Service Charge (per Unit)	Volume Rate
Inside City	\$6.22	\$3.79
Outside City	\$4.51	\$3.95
Extra Strength (Per Lb.)		\$0.54

Existing Rates

Class	Service Charge (per Unit)	Volume Rate
Inside City	\$5.85	\$3.58
Outside City	\$4.29	\$3.95
Extra Strength (Per Lb.)		\$0.51

Proposed Wastewater Rates Comparison

Service Charge (per Unit)

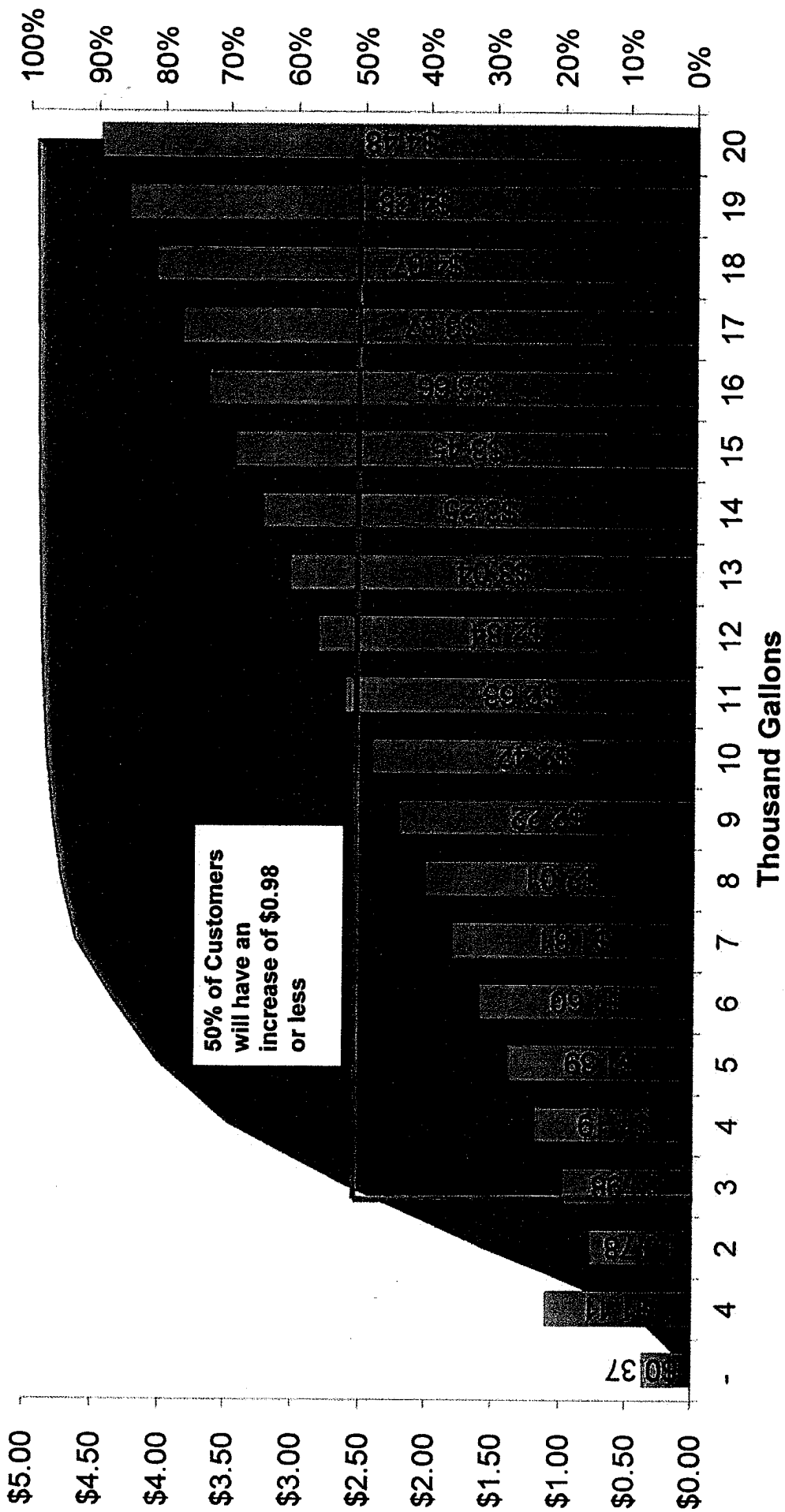
Class	Proposed	Existing	Difference
Inside City	\$6.22	\$5.85	\$0.37
Outside City	\$4.51	\$4.29	\$0.22

Volume Charge (1,000 gallons)

Class	Proposed	Existing	Difference
Inside City	\$3.79	\$3.58	\$0.21
Outside City	\$3.95	\$3.95	\$0.00
Extra Strength (Per Lb.)	\$0.54	\$0.51	\$0.03

Bill Impact

■ Bill Distribution ■ Bill Impact

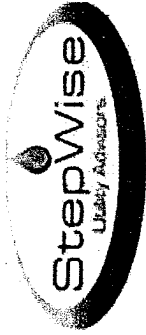


Average Bill Impact (3,600 gallons)

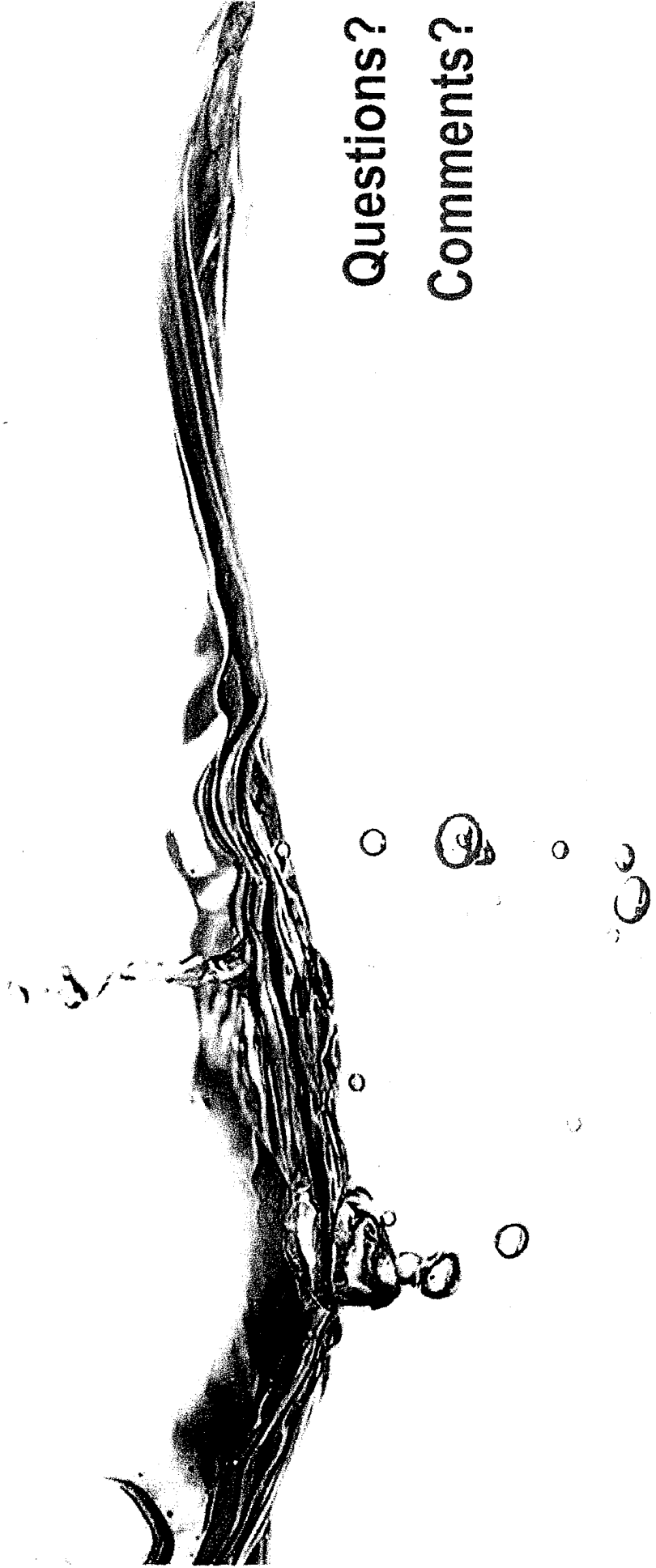
Existing	Proposed	Difference
\$18.74	\$19.84	\$1.11



MWH[®]



Thank you for your time



Questions?

Comments?

