Las Cruces Utilities
Minutes of the Regular Meeting on
Thursday, January 10, 2019
3:00 pm
Utilities Board Room 225

Board Members Present:
William Little, Chairman
Ed Archuleta, Vice-Chairman
Steven Baumgarn, Commissioner
Jim Carmichael, Commissioner
Harry Johnson, Commissioner
Gill Sorg, Commissioner
Gabriel Vasquez, Commissioner (arrived at 3:07 p.m.)

Ex-Officio Members Present:
Stuart C. Ed, City Manager (arrived at 3:17 p.m.)
Jorge A. Garcia, Utilities Director

Others:
Becky Baum, RC Creations, LLC
Cassie McClure, Public Outreach Consultant
Suzanne Michaels, Public Outreach Consultant
Greg Shervanick

City Staff Present:
Carl Clark, RES/TS Administrator
Jeff Dillard, Business Systems Jose
Marcy Driggers, Senior Assistant City Attorney
Paul Edwards, Business Systems Analyst
Lucio Garcia, Gas Administrator
Robin Lawrence, Solid Waste Administrator
John Mrozek, Wastewater Administrator
Viola Perea, Internal Auditor
Jose Provencio, Business Services Administrator
Mario Puentes, Gas Business Analyst
Domonique Rodriguez, Rate and Economic Analyst Manager
Alma Ruiz, Officer Manager Senior
Audrianna Sambrano, Senior Office Assistant
Estella Sauceda, Customer Service Supervisor
James Stafford, Management Analyst
Steven Valdez, Billing and Receiving Supervisor
Adrienne Widmer, Water Administrator

Chair Little called the regular meeting to order at approximately 3:00 p.m.

1. Conflict of Interest:
Chair Little: The first order of business is to inquire if any member of the Board or any staff present have any Conflict of Interest with any item on the agenda?

There were none.

2. Acceptance of Agenda:
Chair Little: Next item of business is the Acceptance of Agenda. Move to approve?

Sorg: Move to approve.

Chair Little: Thank you. A second?

Baumgarn: Second.

Chair Little: Are there any additions or corrections to the Agenda?
The Agenda was Accepted Unanimously 6-0.

3. **Acceptance of Minutes:**
   *a. Work Session Meeting on December 13, 2018*
   *b. Regular Meeting on December 13, 2018*

The Minutes were Approved Unanimously 6-0.

4. **Public Participation:**
Chair Little: Next item of business is Public Participation. Are there members of the public present who would like to be heard? Seeing none.

There was none.

5. **Administrative Report**
Chair Little: The next item is the Administrative Report.

Dr. Garcia: Mr. Provencio.

Provencio: Good afternoon Chairman and Commissioners. I’ll update you on activity and information as requested and activity ongoing in Billing and Receivables and Customer Service.

First point is we’re undergoing information bill insert campaign. To provide one more additional notice of the change in the cutoff or the non-payment shut-off for customers of the 2:00 p.m. deadline. This was reviewed and approved in the November meeting. This is just one final heads up and information for our customers. It’s both in English and in Spanish to ensure that the message is distributed in the best way and the most diffuse manner that we have.

The next item is Existing Utility Debt...

Chair Little: Before you go on, quick question. When does the Low-Income Home Energy Assistance Program (LIHEAP) cutoff period end?

Provencio: ...Chairman, that would be the month of March.

Chair Little: Okay. Thank you.

*Commissioner Gabriel Vasquez arrived 3:07 p.m.*

Provencio: March 15th. I think it’s in the middle of March. Okay, back to information that was requested again by the Board. This is our Existing Utility Debt Schedule. It’s the principal interest payment of all the outstanding debt we have for the
Utility, It's a snapshot as it stands here as of last month. The information was also requested of finding out what the borrowing capacity is. Now the information that we received from our bond advisor was very preliminary. We got it last week. It's very preliminary. It's very conservative. The answer to the question here is in terms of what's the additional bond capacity of Wastewater and Water rate increases and the phasing impact. The initial response which was very conservative, we're still going back and forth and refining it, it's about $11 million after the first year of full phase-in.

We're continuing to work with our bond advisor to lessen some of the more conservative inputs and his evaluation. We will bring back the updated numbers as we progress and provide that updated data.

Archuleta: I have a question Mr. Chairman.

Chair Little: Go ahead.

Archuleta: First of all, thank you for the information. Are there any bond issues that can be refinanced given today's market?

Provencio: Chairman, Commissioner Archuleta, I am not aware of that. This is conditioned that we would not be going into the bond market until after the first year of complete phasing.

Archuleta: Right. No, but I mean this is just refinancing, not necessarily borrowing more money, but refinancing.

Dr. Garcia: Mr. Chairman, Commissioner Archuleta. Like Mr. Provencio said, we had some questions with the financial model of the financial advisor, that does not exactly reflect what we projected on the three-year phasing with our Stantec consultant, so we need to reconcile that. That's number one. You have a very good question, next question we're going to ask him is in the past bond issuances, do you recommend any of those to be refinanced. You are right, that could be done regardless if we could reduce the Debt Service.

Archuleta: Right. Some of these obviously are going to be paid off before too long, the next 10 years or so. There are others obviously the newer debt, that's kind of out there. My other question is, do you know if this is based on a Debt Service coverage of 1.6? Isn't that the number that we talked about in the budget for the first year? One point six, do you know? Is it 1.6 or is it less?

Provencio: You're talking about the additional...

Archuleta: The additional capacity.

Provencio: ... The additional capacity? His is based on a factor of 1.5.
Archuleta: One point five. I think in our rate study as I recall, I think in the first year we could get to about 1.6 or there about?

Provencio: That's what we set the rates at.

Archuleta: Just barely into what we'd like to see, right, in the first one?

Provencio: That's correct sir.

Dr. Garcia: Mr. Chairman. The other thing is, he's assuming a 1.5 minimum with all his conservative assumptions. You're right, we had designed in our rates 1.6, so that's the other thing we need to reconcile with him between the two consultants. Then he's assuming 1.25 for the Junior Lien. The ordinance requires a combined 1.25 for everything.

Archuleta: Okay.

Dr. Garcia: He recommended leaving a margin on the senior lien, so that we can preserve our bond rating.

Archuleta: Well I'm glad we got this information. Actually, it's a fairly simple calculation to determine Debt Service coverage. It's not that difficult to be frank with you, unless there's something different there. Anyway, there's not as much capacity as I thought maybe we might have. I think it's important I think for the Board, the Commission to kind of see this information early on when we're looking at rate changes and other kinds of things. We know pretty much based on capital improvements what the capacity might be. It's not as much as I thought. I thought maybe we had less debt. Thank you.

Provencio: Yes sir.

Carmichael: Mr. Chairman.

Chair Little: Go ahead.

Carmichael: Thank you Mr. Chairman. I'm not quite sure how to assess the bonding capacity. I'm looking for some way of analyzing whether that's where we should be. Is that good? Is it bad? Is it just what it is? Any comments Dr. Garcia, that might clarify that a little bit?

Dr. Garcia: Mr. Chairman, Commissioner Carmichael. What we were planning on doing, number one, like I said, I want to reconcile the data from Stantec in the projections we have. Because they both started on 2018 audited numbers. I was just talking to Joe, there shouldn't be a variance on the numbers that are very significant. Once we concur with the long-term financial model, I'd like to bring the financial advisor to give you a quick presentation, then we can look at the next 15, 20 years. Yes, a long model, but I don't agree with that model right now. In fact, we pointed out some errors in the treatment of the Cost of
Gas. That makes a huge difference on the Joint Utility Revenue bonds because the Gas Utility's part of that. Now he has to go back and redo that. Once we're satisfied with that, I'd like to bring him and give a little presentation in the Administrative Report, or a Work Session, so you can see until 2028, 2030. We need to make sure we agree with the simulation of the financial model.

Carmichael: That's a great idea.

Dr. Garcia: I'm not a financial person, but I've done a lot of math. I didn't agree with what I saw, so we provided limited information for now until such time that we agree with the assumptions because they don't jive with what the calculations of Stantec are. Just to tell you, Stantec I was looking at in the Wastewater phasing as you recall, doesn't produce very much money in the first year, only $400,000.00. In the Water, it's $1.3 million in the first phasing. Well the $11 million Debt Service in the first year doesn't reflect that. It should be a much larger number. There's a discrepancy. We're giving you a minimum number that is provided by the consultant, but I need to make sure that it is correct. I personally don't believe it's correct and it doesn't jive with the Stantec study. Stantec showed us every year what the additional recovery is, without growth. That was just the base year. That doesn't include the fact that we are growing at 1.6%. We will, I think you need to bring...

Archuleta: Clarification. You talk about $11 million as Debt Service.

Dr. Garcia: ... Sorry, $11 million additional.

Archuleta: Right.

Dr. Garcia: I'm talking about available monies for Debt Service.

Archuleta: Right, which is pretty small. As I read it, it's pretty small, awfully small.

Dr. Garcia: Well $1.3 million available for Debt Service is what the consultant predicted for Water. Available for Debt Service over 20-year period, that's $20-plus million. That's what we need to reconcile between the two. Right?

Carmichael: When do we think that might?

Dr. Garcia: If I can bring it for the February meeting, I'm assuming that it'll be available. The February meeting's going to be pretty loaded with Executive Session and Work Session. If not, for the March meeting. We need to have a long-term model that you all understand and feel comfortable.

Carmichael: Thank you.

Dr. Garcia: That's my recommendation. Again, today I'm not comfortable with what we reviewed this week because it's not consistent with the Stantec model.
Carmichael: Right. Thank you.

Chair Little: Any other questions? Thank you. Go ahead.

Provencio: That concludes my portion.

*City Manager Stuart Ed arrived 3:17 p.m.*

Dr. Garcia: Marcy I think you have some messages from the Water Rights Attorney, some bullets that he sent.

Driggers: This PowerPoint presentation is just to fill you in on the most recent activity regarding the U.S. Supreme Court case involved the depositions that were taken at the local Elephant Butte Irrigation District (EBID) office by the Texas attorneys. I attended some of the depositions at Jay's request because he wasn't available to. He came down for the depositions the second day and both Jay and I were surprised at how friendly the depositions were as opposed to being aggressive assertions.

The main focus of the depositions, again these were of EBID board members. EBID as an entity, seems to be aligned with the position of Texas and of the United States. Not necessarily all of the directors are individually, because remember on EBID's board, there are members that represent what we call the "row croppers," who need a reliable source of water every year. If they don't get it, they don't plant crops. Whereas the other group are the pecan growers and they must have a reliable source of water every year because they can't opt to lay their pecan trees fallow. The more pointed questions seem to be what accommodations you had had to make for reduced water flow. Of course, the response for the row croppers was primarily as a group, they just reduced the amount of acreage in production. Whereas of course the pecan growers indicated that they drilled supplemental wells or wells that were too shallow, they had to incur the expense of deepening them.

There are depositions scheduled of City employees later this winter. Jay will be working with them in anticipation of the questioning that he thinks that they may get towards the City's water conservation efforts. Of course, they look at the City as the target. Literally the target, like the target from the Target grocery store. They blame us for a lot of the depletions in the valley because of the volume of water drawn from our wells.

As far as litigation is concerned, the state has filed, it's called a motion for Partial Summary Judgement. Again, a summary judgement is asking for the court to decide based on affidavits, that certain actions should be taken. The City's attorneys have some concerns with this motion to the extent that they don't believe it necessarily represents all of the interest of the City. They will, as Jay has indicated, in the second bullet on page seven of this PowerPoint, that the response, because remember we're an Amicus and even though this is the position of the State of New Mexico, as an Amicus, we're not necessarily...
Chair Little: Questions? Thank you.

Clark: Chairman, Commissioners. I'm here to give you the January 2019 Projects Update. The three projects I selected are the Jacob Hands Wastewater Treatment Facility (JHWWTF) Water Quality Lab Building, the City of Las Cruces Utilities Metal Building, and the Energy and Water Savings Performance Contract with Johnson Controls.

The first project is the Water Quality Lab Building. As you are all aware Jaynes Corporation is the contractor for that project. The contract cost is approximately $4.4 million. Contract time on that project is 360 calendar days with the start date of April 18, 2018. The estimated completion is March 28, 2019. They're approximately 63% completed in regards to construction and 53% in regards to payment applications. As you can see from the photos here the exterior sheeting is on. The weather barrier is installed and started the exterior insulation and see new wainscot on the building itself and exterior. The roofing is approximately 85% complete. As stated, the interior walls are...
being sheeted and prepped for finish materials. As you can, see there's a nice photo on the lower right, kind of gives you a perspective of the size of the building in there. It's a good-sized building to handle both Water and Wastewater labs and the other employees that will be housed in that building. Any questions?

Vasquez: Mr. Chair, I have a question.

Chair Little: Go ahead.

Vasquez: Yes, just a quick question. We had discussed the possibility of having additional space or at least consideration of some contract work to be potentially another source of revenue for Water Quality. Is that something that design, and construction currently allows for?

Clark: We'll have enough space there to take on additional work if that's the direction we're clear to go in and we'll do that. Yes, we were anticipating that. At one time we had talked about being a provider of that kind of work, but we haven't really gone down that path to finish it out.

Vasquez: Very good. Thank you. Thank you, Mr. Chair.

Chair Little: Anything else? I have one.

Clark: Okay.

Chair Little: When this is done, the construction is complete, we still have to install all of the furniture and instrumentation and so on. That will be another?

Clark: Chairman, Commissioner. That's correct. Right now, we're contracting with the consultant, the architect that did the design and he's going to help us with the office furniture and cabinets and stuff like that.

Chair Little: Lab benches. What about the analytical instrumentation?

Clark: There is some new analytical instrumentation that will come over from the old lab. Then we also have budget there to install other items that we need for the new lab, so that was thought of, yes sir.

Chair Little: When do we anticipate actually being open for business?

Clark: Moving into the building. We would have to reach substantial completion on this building to allow us to start utilizing it for its intended purpose. As I said, we're working with the consultant right now to start working on the furniture order so we can get that done before the building is even completed. We can put our order in and then anticipate a timeline when we can start shipping and delivering to that building. After substantial completion and acceptance of the building, it'll probably take us maybe another 30 to 60 days in there,
somewhere to move all the furniture in and get set up and finalize the equipment, so the lab can leave what they're doing, move over, and keep on working a continuous operation. It will take us a little bit of time and logistics to get that completed, but that's why we hired the consultant who's an expert at that.

Chair Little: Okay. Thank you.

Clark: You're welcome. The next project that I have for you is the City of Las Cruces Utilities Metal Buildings. The contractor for that project is Western Commercial Industries of Las Cruces with a contract cost of $1.1 million. The contract time is 235 calendar days for this project. They started this August 20th, with a completion date of April 12, 2019. They're approximately 65% complete in regards to construction. There are buildings all over except for Jacob Hands where the footings are being installed. The buildings are all more or less erected everywhere else. We still have two buildings at Jacob Hands. As you can see in the summary of the project that we are still pouring footings for those buildings. Those were the last ones they were moving into. The contractor's hard at work. You can see from the upper photo that's the Foothills Landfill, where that building is located at. Then the interior of that building, you can see they're working on the office spaces and breakroom that's going to be in there as well. Besides housing equipment they'll have the supervisors in there and some personnel. Any questions on this?

Chair Little: None. Thank you.

Clark: The final project that I have is the Energy and Water Savings Performance contract with Johnson Controls Incorporated. As you are all aware this is a $22 million contract to install new meters and Encoder Receiver Transmitter (ERT) devices and the network infrastructure needed to transmit the information from the meters. The contract time is 21 months. We started that back in March 2018. We have an estimated completion date of December 2019. They're approximately 73% complete in regards to construction and 76% in regards to payment. That's because we had to give them a large payment for materials on hand. There was quite a bit of materials that they asked for materials on hand, it was around $2 million worth of materials. Once they received them and put them into their warehouse that they have in town, then we made them a payment for that equipment.

The infrastructure network is 100% complete. The large water meters are 95% complete, there are 89 installed. The small and intermediate water meters are 66% complete with almost 19,000 meters installed already. The water meter retros are approximately 47%. The gas meter retros are 28%. The retros are not replacing the meter itself, they're just putting in the ERT device. We do have a little display of what the meter box looks like with the ERT and the new meter in there. That's kind of hard to see it's a little dark over there but we don't have any backlighting behind it so you can't see it well. If you want to
Chair Little: Go ahead. Commissioner Vasquez first.

Vasquez: Thank you Mr. Chair. Thank you, Carl. Have we already started to see accuracy of the readings? An impact on the house utility bills?

Clark: Chairman, Commissioners. Yes, the meters that are in place, they are very accurate, and we are getting some feedback saying, "I can't believe my water bill is this high." That is going on. We've been able to show, "No you're showing continuous use," or "Your water meter is continually showing use overnight, so you may have a leak on your side of the meter because it's continually running." We've also had where they contested the meter and we doubled checked them and they're right on spot. They're very, very accurate. We haven't found one yet that it was the meter's fault.

Vasquez: I know we talked about this being an issue when we first were looking at installing these. Does that mean that you've been out repairing more leaks? Has there been an increase in some of that work?

Clark: Very good question. Chairman, Commissioner. These new meters and ERT devices, also every other meter we have leak sensors and it's hanging on the top of the box. That's the leak sensor device. When we got access to the analytics, we found these little red dots going on. Our project manager wanted to say, "okay is it really a leak going on there?" They went to those exact addresses. We took our inspector and we used some old-fashioned technology; a wooden stick and an ear to the meter and you could hear the leak going when the meter's not running. We went right to the source and sure enough it was leaking. We found three or four like that. We fixed those.

Vasquez: When there's a leak is it the property owner's or is it on their time that they have to fix the leak or does the City fix it, or how does that go?

Clark: Chairman, Commissioner. It depends on which side of the meter it's on, because we have them both. The ones I just told you about were on the street side or that's on our dme to go fix those. We also have somewhere we are telling them, "No you're showing continuous usage and so it's a leak on your side. We recommend you hire a plumber to start looking for that leak on your property."

Vasquez: Okay. In terms of the user interface, the web portal that comes along with the Automated Meter Infrastructure (AMI) meters, is that something that folks that are on the new meters now they have access to or is that something that will be rolled out at completion of the entire system?
Clark: Chairman, Commissioner. Currently they do not have access to it. We're getting ready to look at some other third-party venders to allow the customers to have access to the system.

Dr. Garcia: Mr. Chairman, Commissioner Vasquez. We want to have a demonstration of one more system. We had a couple, and we want to see. The big unknown and the adaptability of gas is the issue. There are a lot of venders that do water and not gas. We have one more demo scheduled pretty soon so that we can tell Johnson Controls Incorporated (JCI), “We like this one versus this other one.” To answer your question, it will be deployed later on in the system as we get closer to the completion of the project. At that time, we'll have to have all the public outreach necessary for people to understand exactly what they can do. At this point, they have to come to us and then we can tell them exactly what's going on with their meter or there's a leak. Their ability to do it is not set up at this time until we deploy the whole system.

Vasquez: Thank you. I appreciate the due diligence on that. It's an important tool to show the customers. Basically, give them proof right that they are using water at times when they feel maybe they are not or if there's a leak, they could see it for themselves, and also for better conservation efforts. Maybe it's a decision between buying an energy or water saving dishwasher or new washer or things like that. I think it will help to offset some of the potential issues with customer service related to higher bills and things like that. I understand the software might be complicated. Getting it right is important. Thank you. Thank you, Chairman.

Clark: You're welcome.

Chair Little: Okay. Commissioner Carmichael.

Carmichael: Carl, I never thought about this before but are the meters being installed on dedicated landscape meters also?

Clark: Chairman, Commissioners. We hadn't identified any landscape meters that I believe at this time to have them installed on. We are shooting towards all residential, which we may not, the commercial site still has landscaping as well.

Dr. Garcia: Mr. Chairman, Commissioner. The future deployment of meters is going to include the same meter for the landscape meter as well. We're going to have one type of meter and it's the Kamstrup.

Carmichael: I think it's probably a good idea. I look at some of the landscape meters around where leaks are and water running in the streets and that sort of thing that could be a problem.

Dr. Garcia: Every future meter, on the small meters of Kamstrup, and the large meters still have to have this ERT that we call it, the monitoring system. Our goal is
to eventually get to 100% AMI. Right now, as you recall, from the project, we're doing all small meters and selected large meters that we were losing revenue on. We need to continue and bring other commercial meters back into the system as well. Eventually we want 100% of everything we meter on AMI.

Carmichael: Thank you.

Sorg: Just a quick question. Is there any area in the City that seems to be having these leaks more than other areas?

Clark: Chairman, Commissioners. It's about what we know from the past, the newer subdivisions have those issues with the water services. That's where we found the initial leaks from the analytics. It's just confirming what we already knew. Now we have a way of actually finding them and pinpointing them.

Sorg: Good.

Chair Little: Commissioner Archuleta.

Archuleta: Yes, Mr. Chairman. Thank you. I want to follow-up on the question that Commissioner Vasquez asked. You know that the real important part of this is going to be the analytics, the information that comes out of it, right? In other words, the meters are being installed. It looks like based on your schedule, you'll probably be done with that by summer or something like that or before.

Clark: More than likely.

Archuleta: It's going to be the analytics that's going to be the important part. I would ask that before final decision is made on what analytics to use, that we be briefed. With regard to that so that we are aware of what we're going to buy in the analytics. Could you do that?

Clark: Chairman, Commissioners. Yes sir. That's definitely something we can bring to you.

Archuleta: Right, so we're well aware of the attributes of it and what's going to occur and what's going to be available. Maybe we may have some suggestions on some things that maybe hadn't been thought about or be included in the package that might be important. I think that's going to be the real power of this, basically the analytics and the customer service interface with the customer.

Clark: Yes sir.

Archuleta: Thank you.

Chair Little: Anything else? All right. Thank you.

Clark: Thank you.
Dr. Garcia: We're ready for Resolutions I believe Mr. Chairman.

6. **Resolutions for Discussion:**
6a. **Resolution 18-19-033:**
Chair Little: Beginning on Resolutions. First of all, thank you for the supersized Agenda, it makes life a lot easier.

The first Resolution is Resolution 18-19-033: A Resolution Approving the Purchase of Meters, Insulated and Non-Insulated Swivels, and Nuts from Mountain States Pipe and Supply of Colorado Springs, Colorado, and EGW Utilities, Inc., of Carrolton, Texas, for one (1) Year with the Option to Extend for Three (3) One-Year Terms, Subject to Approved Budget Appropriates and Annual Renewal.

Sorg: Move to approve.

Chair Little: Thank you. A second?

Vasquez: Second.

Chair Little: Thank you. Discussion.

Provencio: Chairman, Commissioners. As you described, the purpose of the pricing agreement, it is for gas meters and associated and affiliated equipment and hardware, swivels, insulated and non-insulated swivels. It is a pricing agreement, that's one year with options for three-year renewal. We've provided the mockup of gas meter that highlights all the associated hardware with the gas meter installation. Basically, this is a renewal for this type of equipment for the Gas Utility operation. If you have any questions, I'll stand by to answer.

Archuleta: I do.

Chair Little: Okay, Commissioner Archuleta.

Archuleta: Yes, thank you. Thank you, Jose. Question, what is the lifespan of a residential gas meter?

Provencio: I'm going to have to defer to our Gas Administrator of what a lifespan of a gas meter.

Garcia: Good afternoon. Commissioners. Lucio Garcia with Gas Administration. Some of the meters that we've had out in place for up to 20 to 30 years. The replacement cycle we have now is 15 years.

Provencio: Fifteen years?

Garcia: Yes sir. That's the cycle we've been working with for quite a few years now.
Archuleta: How many do you have in inventory now?

Garcia: It varies. Inventory in the warehouse?

Archuleta: Yes.

Garcia: We've had up to 6,000. We're running real low right now with replacement because we're trying to stay ahead of this Advanced Metering Infrastructure (AMI) project.

Archuleta: Why do you need 10,000? I guess that's the question. Why do you need 10,000 meters now?

Garcia: For this next contract?

Archuleta: Yes.

Garcia: It would be for the replacement and new installations.

Archuleta: Replacement of how many?

Garcia: Currently, as part of this project, we're replacing about 5,000. Our current list is about 3,000 we're replacing now. There are others out there that we need to replace as well.

Archuleta: Were you going to have inventory, right?

Garcia: Yes sir.

Archuleta: The question I have is, why do we need so much in inventory? I guess that's my question. It's a big contract, $2 million and a lot of times let the vender keep the inventory rather than us keep the inventory. If we need 10,000, I guess we need 10,000, but I just wanted to know why.

Garcia: Yes. We'll run through those fairly quick within the next couple of years with replacement.

Dr. Garcia: Let me add Mr. Chairman, Commissioner Archuleta. If you recall, the contract with Johnson Controls replaced the water meters.

Archuleta: Right.

Dr. Garcia: Did not replace the gas meters.

Archuleta: Right.
Dr. Garcia: One of the things we're going is we're upgrading the gas meters in a way that the ERT's, the AMI portion, which is this is one throughout the system. We have to replace a lot of the old meters, possibly prematurely so that the technology is one in terms because Johnson Controls is not replacing any gas meters.

Archuleta: Right. I didn't think it was 10,000, that's my question. I thought it was a few thousand.

Dr. Garcia: No, there are quite a few that we needed to replace and upgrade so that the technology would apply. Johnson Controls is replacing only that interface.

Archuleta: My question is, I don't have any problem with purchasing meters, buying meters, but do we need 10,000 given $2 million? That's a lot of money. That's my question. Can we wait for more later kind of thing? If we need them all now, I guess we need them all now. It's just a fair question that I'm asking. Because we could buy less, right? I mean this based on a unit price contract, right?

Garcia: Yes sir. Three year...

Archuleta: With options for one year.

Garcia: ...Three one-year extensions.

Dr. Garcia: Yes, but let's clarify. This is a pricing agreement. It doesn't mean that you you're going to buy every single meter that is allowed. In year two, if we've replaced everything we need, we don't need any more, then the third year there may be a minimum amount purchase. We don't buy every single meter that is estimated. I don't know if that's your question?

Archuleta: You're not going to buy 10,000 meters right away?

Dr. Garcia: No.

Archuleta: How many are you going to buy?

Garcia: We're currently replacing 3,560. That's to accommodate the AMI. In addition to that, we have the replacement program that we're replacing others. The ones we're replacing now is because of incompatibility of the ERTs with the existing meter. Then we have a replacement cycle, where we're replacing the meters that we go through.

Archuleta: You could buy 5,000 now and then buy another 5,000 next year, right?

Provencio: Certainly. Yes, we can.

Archuleta: Okay.
Chair Little: Any other comments or questions? We can be assured that you will take the suggestion about quantities to be purchased put to heart and act accordingly.

Garcia: Yes sir.

Archuleta: The only concern we have is budget issues. I was concerned you were going to buy 10,000 now. You buy 5,000 now and maybe 5,000 next year, you'd be all right under this contract.

Chair Little: Anything else? Okay, thank you. All right. Any other comments or questions on the Resolution? There being none. Ready for a vote?

Commissioner Johnson - Aye; Commissioner Carmichael - Aye; Commissioner Archuleta - Aye; Commissioner Sorg - Aye; Commissioner Vasquez - Aye; Commissioner Baumgarn - Aye; and Chair Little - Aye.

The motion was Unanimously Approved 7-0.

6b. Resolution 18-19-061:
Chair Little: Next is Resolution 18-19-061: A Resolution Awarding a Construction Contract for the Talavera 8-inch High Pressure Gas Pipeline Extension, Project No. 18-19-061, to DuCross Construction LLC, of Las Cruces, New Mexico, for a Total Contract Amount of $1,517,990.98. A motion to approve?

Sorg: Move to approve.

Chair Little: Thank you.

Baumgarn: Second.

Chair Little: Thank you. Discussion.

Clark: Chairman, Commissioners. DuCross Construction, they were the compliant low bidder for this project. They have done work for the City before and it's been good work. Basically, they're going to be installing approximately 15,000 lineal feet of steel, 8-inch high-pressure gas line. That includes the welding and x-ray testing of every joint on that steel gas line. Along with pressure testing that comes in after that. Then purging and charging with natural gas for that high-pressure gas line. In addition, they'll be installing approximately 5,000 lineal feet of 4-inch low-pressure gas line. As they extend the high pressure to the east, they'll be passing a couple of subdivisions where we're going to want to provide low pressure gas. They'll include the low-pressure gas line as they go east and terminate over at Soledad Canyon more or less at the new Regulator (reg) station site.

This is the second phase of the three-phase project. We're just about completing Soledad Canyon Road with the 4-inch gas line. This second phase is now the high pressure and some low pressure. Then the final phase would
be the remaining low pressure throughout the greater Talavera area there and taking service lines to the properties at that point. We anticipate advertising to bid on that last phase, the third phase. I was told the end of February we would have those plans ready to go and ready for bidding. We'll probably see it around April that we'll bring in front of you for you all to approve or not approve. That'll complete all the contracting or bidding portion of the Talavera gas line project.

We're trying to move along quickly. I'm constantly getting calls from residents out there wanting to know when they can get gas. "I'm building my $4 million home, I need to know if I'm going to have natural gas or not." Okay, I'm moving as quickly as I can. We asked the consultant to break the contract in half for that final phase because, we're going with one but were going to put two contracts out, so we can get two contractors out there, and put in pipe as fast as we can. Provide service to these customers.

Chair Little: Okay. Comments or questions? Commissioner Carmichael.

Carmichael: Carl. Is everything cleared with the Bureau of Land Management (BLM)?

Clark: Chairman, Commissioner. Yes, we have all our permits that we need from the County and the BLM. We have all those in place.

Carmichael: Good. Thank you.

Chair Little: Anything else? Seeing none. We're ready for a vote.

Commissioner Baumgarn - Aye; Commissioner Vasquez - Aye; Commissioner Sorg - Aye; Commissioner Archuleta - Aye; Commissioner Carmichael - Aye; Commissioner Johnson - Aye; and Chair Little - Aye.

The motion was Unanimously Approved 7-0.

6c. Resolution 18-19-068:
Chair Little: Next is Resolution 18-19-068: A Resolution Awarding a Construction Contract for the Jacob Hands Wastewater Treatment Facility Primary Feeder No. 1 Replacement, Project No. 18-19-068, to Carver Electric Company, Inc., of Mesilla Park, New Mexico, for a Total Contract Amount of $593,931.59.

Sorg: Move to approve.

Chair Little: Thank you. A second?

Archuleta: Second.

Chair Little: Thank you. Discussion.
Clark: Thank you Chairman, Commissioners. This project basically is to replace Primary Feeder No. 1. I brought the issues we had with the two feeders we have, we have a Primary Feeder No. 1 and No. 2. We had those electrical lines tested. They are 30-plus years old, so we had a consultant come in and analyze it and test it. We found that there are some shielding issues and some hot spots in Primary Feeder No. 1, and it needs to be replaced. Secondly, we have both Primary Feeders that terminate into four-foot manholes, which makes it difficult to work on. When one is down you have another that's hot and so you're always in that proximity of that high voltage. We wanted to separate that totally. They will be installing approximately 1,800 lineal feet of conduit. There are four conduits out there. One of those conduits will have some double aught wiring and shielding. We also have spare conduits in case we need to replace a line. We have the third conduit for the Secondary Feeder, if we need to replace that in the future. We have fiberoptic conduit, which won't get fiberoptic line yet, but will be coming in to play later on. We want to take advantage of the labor that's spent because the material is cheaper than the labor.

Chair Little: Comments or questions? Seeing none. Ready for a vote.

Commissioner Johnson - Aye; Commissioner Carmichael - Aye; Commissioner Archuleta - Aye; Commissioner Sorg - Aye; Commissioner Vasquez - Aye; Commissioner Baumgarn - Aye; and Chair Little - Aye.

The motion was Unanimously Approved 7-0.

6d. Resolution 18-19-LCU016:
Chair Little: Next is Resolution 18-19-LCU016: A Resolution to Accept the Utility Customer Advisory Group's Recommendation Letter Pertaining to the Wastewater Rate Review. Move to approve.

Sorg: Move to approve.

Chair Little: A second?

Johnson: Second.

Chair Little: Thank you. Discussion.

Provencio: Chairman, Commissioners. Resolution 18-19-LCU016, is a prelude to the following recommendation to City Council. In regard to LCU016, it formally accepts the recommendation from the Utility Customer Advisory Group (UCAG). In regards to the Wastewater Rate Review that accepting the findings and recommendation as well as a three-year phase-in for the rate increase plan. This action accepts the recommendation by the UCAG Committee. Which conducted all the public outreach, information, dialogue to all our customers, and sets up the process for the Board. To provide and forward the...
recommendation to City Council for the Wastewater Rate Review and the three-year phase-in option.

Chair Little: Okay. Comments or questions? We have heard this through and are ready for a vote.
Commissioner Baumgarn - Aye; Commissioner Vasquez - Aye; Commissioner Sorg - Aye; Commissioner Archuleta - Aye; Commissioner Carmichael - Aye; Commissioner Johnson - Aye; and Chair Little - Aye.

The motion was Unanimously Approved 7-0.

6e. Resolution 18-19-LCU017:
Chair Little: Now Resolution 18-19-LCU017: A Resolution Recommending the Three-Year Phased-In Option to City Council for the Wastewater Rate Review.

Sorg: Move to approve.
Chair Little: Thank you. A second?
Baumgarn: Second.
Chair Little: Thank you. Discussion.

Provencio: Chairman, Commissioners. Resolution 18-19-LCU017 is the formal action recommending the Wastewater Rate Review. With overall increase requirement of $4.2 million and implemented over a three-year period. It has been discussed and presented to you in prior meetings.

As you recall, this is the breakout and presentation of the billing for sewer service for a low, intermediate, and high use wastewater customer. We've seen this many times as we've gone through this whole process. It's summary again that presents what the impact is for the Rate Review for wastewater operations. We also provided the information in terms of how this Rate Review plan and implementation over three-years compares with regional municipalities. With respect to the sewer service and it's a quick presentation of what the dollar impact is. Not just for our plan but with some of the regional utilities that we compare ourselves to, in terms of their current wastewater service.

This was requested in a prior meeting that the bill distribution for sewer service was to be provided. This presents both the basic distribution for sewer service, residential service, in terms of the scale and discharge amount that's billed. The second slide is based on the cumulative comparison of the distribution for residential wastewater service. It's pretty much compacted towards the bottom, between one and 10,000 gallons. As we would expect that's the general amount for a typical residential use customer.
This slide, 24, provides another look at the cumulative impact of the Wastewater and Water rate increase in terms of bills for again low,
intermediate, and high use customers. It's a snapshot, quick reference as to what the bill impact would be seen by the customer. Instead of just in isolation between just Water and Wastewater, this combines the total impact for these two utilities' rate increase activity. All the way out to the year three of the phase-in plan. I'll stand by for any questions you may have.

Sorg:
Mr. Chair.

Chair Little: Commissioner Sorg.

Sorg: Just out of curiosity. We don't have rate classes for wastewater, do we?

Provencio: Chairman, Commissioner Sorg. Yes, we do.

Sorg: You do?

Provencio: Yes, we do. Residential, small commercial, and large commercial.

Sorg: The same as in water?

Provencio: They parallel water, yes sir.

Chair Little: They're not tiered.

Provencio: There's no tiering in the sewer.

Sorg: Yes, I know that. Then curiosity gets me. Why Rio Rancho is so high? Do you have any reason, any guess as to why they might be high?

Provencio: I believe Dr. Garcia has some insight on the rates of Rio Rancho.

Dr. Garcia: Mr. Chairman. We're not certain, but we do know that that utility is fully contracted out. It's still owned by the city, but it's run by a private company.

Sorg: Just the wastewater?

Dr. Garcia: I believe the whole utility.

Sorg: All the utilities?

Dr. Garcia: I'm thinking there's some profit margin somewhere there.

Sorg: Yes, there must be. Okay. Thank you very much.

Dr. Garcia: That's our guess. There is a huge difference.

Sorg: Okay. Thank you.

Chair Little: Anything else?
Archuleta: I have a question Mr. Chairman.

Chair Little: Well actually Commissioner Johnson was first.

Johnson: Yes, on this slide here the numbers that you have include the rate rider, but they don't include Franchise Tax or Gross Receipts Tax (GRT). I had a little bit of concern that this slide is being used to go out to the public. It's still missing some of their cost. It doesn't state that it doesn't include Franchise Tax or GRT. Somebody looking at this and then they get the bill a few months later when the new rates are in place, "What did they do to me now?"

Provencio: Chairman, Commissioner Johnson. That's correct. We had to maintain or at least wanted to maintain the same consistency that we've done all along. In terms of what is a tariff charging for the service. I do realize that there are other components in ultimate bill such like GRT, and other fees that are added. Our goal here was to keep the consistent message of what tariff for that service is charging.

Johnson: Then there's good validity in doing it that way, just the optics of somebody. I don't know if this slide is just going to City Council, I'm not worried. If it's going to be put out to a wider audience at least we ought to say this doesn't include gross receipts and franchise.

Provencio: Chairman, Commissioner Johnson. We can certainly asterisk the presentation as to how and what the presentation...

Johnson: I'm sure the City Council is well aware that there are other things, factors that go into it.

Provencio: ...Yes sir.

Chair Little: Anything else?

Archuleta: I just had a question. I have a question Jose. I just wondered on the rounding. Let's say that a customer used 4,000 gallons of water, so 90% of that is 3,600, right? Is that 3,600 rounded up to 4,000 gallons in the computer or is it left at 3,600 gallons? Do you know?

Provencio: We bill in thousands.

Archuleta: It's rounded up?

Chair Little: I think it's rounded down.

Dr. Garcia: Mr. Chairman. We discussed this several times. I'm going to ask Paul to come up and explain exactly how we do it. You and I went through this a few weeks ago. Explain it, the way that it's crystal clear please.
Edwards: The question you're asking about, there are two ways of looking at it; how the customer uses the water and how we bill it. The customer uses a gallon at a time, maybe eight-fluid ounces at a time. We bill 1,000 gallons at a time. Whenever the meter reaches 1,000 gallons and you have zeros, the last three digits are zeros, at that point we bill additional 1,000 gallons. Let's say they start out with a zero reading, they use 3,600 gallons. They get billed for 3,000, three units. Three billing units.

Archuleta: Right, so it'll work out I guess to different customers over time?

Edwards: That's correct.

Archuleta: I wanted to make sure on the example of 4,000 gallons, you take 90% of that, we do bill actually for 3,600 right, on sewer?

Edwards: Okay, so the winter quarter average for a residential small commercial customer is 4,000, take 90%, that's 3,600. We round off to the nearest 1,000.

Archuleta: You do round again?

Edwards: No, only rounding once. Let's say they use 12,000 from the winter quarter. Divide that 12,000 by three months, it gives 4,000, times 90%, and it's 3.6 billing units. We round off to four.

Archuleta: Okay, so you're rounding?

Edwards: If they use 3.5, it rounds off to 4,000. If they use 3.4, it rounds off to 3,000.

Archuleta: Okay. That's what I wanted to make sure, just that you round up.

Edwards: Last year, I got just right above the rounding, where I got a bill an additional 1,000 gallons in my bill. Hopefully maybe this next winter, I'll do better.

Archuleta: Depends on where your average winter consumption is. If it's 4,000 gallons, you're still going to have 4,000 of payment for wastewater because you're rounding off, right?

Provencio: That's correct.

Edwards: Right.

Chair Little: Other comments or questions?

Vasquez: Mr. Chair?

Chair Little: Go ahead.

Vasquez: Could you go back to the graphic of the comparisons the city-by-city bar graph.
Provencio: The municipal comparison, is that correct?

Vasquez: Yes sir. Yes, that the one there. I just want to make a suggestion in the billing cycle, when this potentially would take effect. Include it in any literature that we might include with the bill. In addition to some of the outreach that we do prior to that, that this chart be front and center in that communication with the public. I think in what I've seen discussed at different forums, one of the strongest arguments we have on our side for offering competitive rates that are still competitive despite the rate hike, has been folks comparing other cities rates. Just a suggestion as we send the bills out, as we have communication with our constituents both the Utilities Department and in the City. Perhaps even in the City Manager's newsletter, that some abbreviated version or some easily understandable version of this could be front and center. I think it's important to let our customers know that we've done a good job of keeping the Wastewater rates low, and that we continue to be extremely competitive amongst other cities.

Sorg: Mr. Chair?

Chair Little: Commissioner Sorg.

Sorg: Good call Commissioner Vasquez. I in fact have shared this with my constituents already. I would make sure that you have Seattle and Rio Rancho in that list.

Ed: Mr. Chair?

Chair Little: Go ahead.

Ed: I've got my newsletter coming out. As a matter of fact, I have the one for this week in my hot little hand. What I'll do is I will ask that this slide be forwarded to Udell and to Steve Ramirez, and that chart be added to tomorrow's newsletter that goes out. How's that sound Commissioner Vasquez?

Vasquez: That's great. Thank you. All inquiries be directed to the City Manager.

Ed: I'll take them. That's a good one to answer. I'll take those calls every time. Any other calls that aren't that easy, I'll refer to Dr. Garcia.

Chair Little: Other comments or questions? When we do get around to sharing the cumulative impacts of the rates with the public ratepayers, this table should really have a coversheet that says, "Here are the rates that we're adjusting, and all of these rates are subject to these additions." To present for franchise fee and so on and so forth. Make that a coversheet rather than just a footnote. I'm tired of being chewed on for the difference.

Provencio: Chairman, we will certainly do that.

Chair Little: All right. Anything else?
Archuleta: I have one other, just a typo. I think in the cover memo if I can find it again here. There's a typo that maybe should be corrected. In the second page, where it says Year 2, Year 3, I think that should be Year 1, Year 2, right?

Ruiz: Phased-in Option 2?

Archuleta: Phased-in Option 2 should be Year 1 and Year 2, rather than Year 2, Year 3. Correct?

Provencio: Are we looking at this?

Archuleta: No, looking at the cover memo that.

Chair Little: The discussion.

Archuleta: The discussion memo. The phase-in Option 2 should be Year 1 and Year 2.

Provencio: Yes. That was the other option. It would be Year 1 and Year 2. That's correct.

Archuleta: Yes. Thank you.

Provencio: Thank you.

Archuleta: I don't know if this goes to City Council or where it goes, but it needs to be corrected.

Chair Little: Yes. Okay. Anything else? All right then, for this Resolution the results of which are going to the City Council. Ready for a vote?

Commissioner Baumgarn - Aye; Commissioner Vasquez - Aye; Commissioner Sorg - Aye; Commissioner Archuleta - Aye; Commissioner Carmichael - Aye; Commissioner Johnson - Aye; and Chair Little - Aye.

The motion was Unanimously Approved 7-0.

6f. Resolution 18-19-LCU018:

Chair Little: All right, the last Resolution for the day is Resolution 18-19-LCU018: A Resolution Authorizing the Las Cruces Utilities Staff to Make Administrative Revisions to the Wastewater Tariff.

Sorg: Move to approve.

Chair Little: Thank you. A second?

Johnson: Second.

Chair Little: Okay. Thank you. Discussion.
Provencio: Chairman, Commissioners. Resolution 18-19-LCU018, is an administrative change to defer the application of the annually updated Winter Quarter Average. From the billing month of February to the billing month of March. This better manages the workflow, which has to be conducted in a short working month. It's gotten more and more challenging as the City has grown. The billing volume has gotten to the point that it's just moving the application of the updated Winter Quarter Average, from the billing month of February to the billing month of March.

Chair Little: That makes sense. Other comments or questions? Commissioner Johnson.

Johnson: This is just a nitpick too, but in your markup where you do the redline strikeout, there's a couple of places where you haven't struck out the February, but there's a March already there. It's just a nitpick. Again, I'm not sure it makes any difference except in the record. The first couple of them are missing.

Dr. Garcia: Mr. Chairman, Commissioner Johnson. We will check. The actual average is still going to be December, January, February, but the application is March.

Johnson: Right.

Dr. Garcia: We may still have February in the language, but we need to make sure that it's the right. The average is still the same, the application is March. We'll double check.

Johnson: I did a search with just March and I found a couple of Marches where there wasn't a February struck out.

Dr. Garcia: Okay.

Johnson: It's a nitpick.

Dr. Garcia: Well we need to be sure.

Johnson: I think it's one of the ones that easily clean up.

Dr. Garcia: We'll double check sir.

Chair Little: Other comments or questions? There being none.

Commissioner Baumgarn - Aye; Commissioner Vasquez - Aye; Commissioner Sorg - Aye; Commissioner Archuleta - Aye; Commissioner Carmichael - Aye; Commissioner Johnson - Aye; and Chair Little - Aye.

The motion was Unanimously Approved 7-0.

8. Old Business:
Chair Little: Next item is Old Business.
Dr. Garcia:  Mr. Chairman. I want to bring up one administrative matter that we're looking at and I'm not sure whether we will need some Board action. I don't believe so, but I'll confer with the attorney afterward. We had extensive discussions when we set up the water phasing about doing it up front or doing it three years. We went through that. We presented to the Board. UCAG recommended something. You adopted something else. We went to the Council. The Council approved it. If you recall, when we worked with Stantec, the revenue recovery of the rate riders was included in the new rates. We had discussions that we would leave the rate riders zeroed out. We never discussed what happens with the rate riders when you phase-in the rates.

That is significant for the Utility because the rate rider needs to be zeroed out, with the full amount of the revenue recovery. When we implemented the rates, we zeroed out the rate rider, when we should have probably reduced it to, in the case of Water, to about 37.5%. Then to half of that, then to zero on the third year. That way the revenue recovery we predicted would be steady. We didn't do that. We're going to recommend that we adjust that to what it should be. Then phase it out over the three-year period. Also, because that way we can recover the revenue that we said we're going to recover. The impact in the second year obviously is smaller, but the impact in the first year is significant because even though the customer level maybe around $0.16 per 1,000 gallons. Instead of the $0.41 right now, that was before. In the aggregate of the customers, that’s $900,000.00, that come out of the revenue recovery that we predicted.

It will make a difference to the Utility. For some reason we never discussed it. I realized when I got my bill, I said, "It was a phase-in and that number is zero right now, it should be prorated down while the rates go up. That way the revenue that we said we're going to recover from the public is the same as what we got approved." The same as what the Council approved. Today if we go along the whole year with the rate down to zero, we will be losing about $1.3 million of recovery that are already approved by the Board and the Council. I wanted to point that. I think it's an administrative correction we may need to do, or if I need an action, we'll bring it to the Board.

It was an unanticipated thing that we did not discuss, phase out of the rate riders and that applies to the two rate riders. That litigation is much smaller recovery, but the other one is significant to the Utility. I wanted to bring that up. I think we need to correct it. If we can correct it administratively, we will, but if not, we'll bring a Board action next time.

Chair Little:  Okay. Questions about that?

Archuleta:  I think it's a significant item that probably ought to be brought back to the Board, next meeting.

Johnson:  I agree.
Archuleta: Make sure we all understand it.

Johnson: Which I'm not quite there yet.

Chair Little: Let us ask you to elaborate on it.

Dr. Garcia: Yes. We'll show you the numbers. I think the best thing will be to show the numbers, the prior bill, the existing bill. In the old bill there was a $0.41 for the dif. rider. Right? That got approved at the prior rate case got adjusted. That number, the revenue deriving from that got incorporated into the new rates, but the full implementation of the rates. If you're implementing only 60% of that, right, or 63%, then the remainder, the other 37%, that number should go back down to 37%, so that the top line is true. The recovery's the same.

Chair Little: Would it be acceptable to the Board to have that as part of the Administrative Report?

Carmichael: Sure.

Dr. Garcia: We could do it either way. If we wait till next month, which we need to do all the numbers and apply it, it doesn't matter to bring an action. I mean if you feel more comfortable. I want to make sure that I wanted to bring it up as soon as we realized what it meant number-wise. I know it's not simple, but some of us that have been playing with those rate rides for a long time. Looking back, it seems obvious that the decrease should have been offset at the same rate as the increase of the approved amounts of every year are the same. Right now, they're not and they're going to make a difference in the first year. Like I said about $900-and-some-thousand. That's just a quick calculation we did today.

Chair Little: Okay. Once again, is it the sense of the Board that we'll be content with laying out of the numbers during the Administrative Report? Dr. Johnson?

Sorg: Yes.

Carmichael: Yes.

Johnson: I feel the other way since this is going to ultimately have an impact on what people pay, I think we ought to take as a resolution. I don't think it needs to go to the City Council afterwards, but I think we ought to have it on record as a resolution rather than just do it administratively.

Chair Little: Okay.

Archuleta: I agree.

Chair Little: Does the Board nod its head over that? Okay then please bring it as a resolution to adjust.
Dr. Garcia: To adjust. Then we'll have a full presentation on what the revenue impact is and demonstrate that we're still recovering what the City Council approved and not less.

Chair Little: Other Old Business?

Dr. Garcia: That's all from staff on Old Business. We have some New Business.

9. New Business:
Chair Little: Okay. New Business.

Dr. Garcia: From staff Mr. Chairman, on February 14th like Ms. Driggers brought up, the fact that we will bring the Attorney General (AG) representatives, for an Executive Session as requested by the Board. That will be a 1:00 p.m., on the 14th. We’ll have a Work Session. We know we will have the 40-Year Water Plan Implementation Action proposal for your consideration as a Work Session. We may have our draft Strategic Plan if we obtain approval from the City Manager's Office by that time. There is some potential for a third item. I think that is very doubtful of having some preliminary view of potential investment grade audit in performance contracting with Wastewater over the next couple of years. That is not ready yet, but if it is, we'll bring it, it will be a short item to show you what we're looking at, at least.

Then also new item, Carl you had a public meeting, so that the Board knows if they read it somewhere.

Clark: Yes, Chairman, Commissioners. As a requirement of our assessment of corrective measures for Foothills Landfill, over the years we've been monitoring the landfill, the capped landfill. We thought we were at the point where we moved to the next step as part of the regulatory compliance and that's the assessment of corrective measures. Basically, the corrective measures are, "leave it alone, don't do anything yet." We have to have a public meeting. That's going to happen February 21st at City Hall at 6:00 p.m. Joshua Rosenblatt, our Regulatory Analyst, will be there and I'll be there, and we'll have our consultants on board. New Mexico Environmental Department (NMED) will be there as well. This is a mandatory public meeting that we have to have for the corrective measures that we come forth with.

Vasquez: Mr. Chair. Question.

Chair Little: Go ahead.

Vasquez: Thank you. It's come to my attention that regarding that property that perhaps it would've been used recreationally by folks, even in lieu of it being private property and that not being an allowed use. In anticipation of potential comments from stakeholders who were using that area recreationally illegally. Is that something that staff is prepared to address?
Clark: Chairman, Commissioner Vasquez. This is for the Foothills Landfill that's east of Sonoma Ranch. What you're talking about is the City's Lohman property.

Vasquez: Okay. It's different?

Clark: The Lohman property, which is the Pre-65 Landfill. We're anticipating questions in regards to that. Our first answer is, "We're here to talk about the Foothills Landfill only." That is another subject that right now we can't even speak to.

Vasquez: Okay. Thank you.

Sorg: I've got a question about the Lohman property.

Clark: Commissioner.

Sorg: How it's proceeding again cleaning that up?

Clark: We had been working with NMED on that. We felt that we weren't going to get any more responses. However, from higher up we got some more comments, so we're addressing those comments. Unfortunately, that just came in earlier this week and so we're responding back to that. They haven't given us the go-ahead yet.

Dr. Garcia: Mr. Chairman, Commissioner Sorg. We need to have the excavation plan approved before we can even get a backhoe or heavy equipment in there and start digging.

Clark: That's all I have.

Chair Little: Commissioner Vasquez, did you raise your hand again?

Vasquez: No Chair. Thank you.

Chair Little: Okay. Any other comments?

Dr. Garcia: Just one comment. I know the Chair has a lot of interest in landfills, so I don't know if the Board wants to receive a copy of this? It's a very nice report, says that things are very nice over there. It's a good report, so we can make the .pdf available to you if you want. We'll send it over. It's very good news. That's all from staff, Mr. Chairman.

Chair Little: Okay.

10. Board's General Discussion:

Chair Little: Board's General Discussion.

Sorg: I've got a quick question.
Chair Little: Go ahead.

Sorg: Will this blue calendar be available for the public?

Dr. Garcia: Mr. Chairman, Commissioner Sorg. Currently we don't have sufficient copies. We made copies the first year we do a multiple, but we can certainly look in having it in certain areas like City Hall Lobby and make a few more. We made limited copies for City Council, the Board, and a few extras. This is the first time we do this type. We used to do the roll up in the small one and this is the first time we do this calendar.

Chair Little: Other Board General Discussion? Commissioner Archuleta.

Archuleta: I just had one item. Carl and Dr. Garcia. At the last meeting we had some discussion about what percentage we use in different types of construction. I think the City Manager mentioned that there's some work ongoing. For example, today, we had some new construction and some existing construction both at 10% contingency. I think it'd be good if we could get a recommendation at some point that we could take a look at. Be comfortable with so that we're all well aware of when you're going to use 5%, 10%, 15%, whatever it might be for different types of construction. Is that something you can bring to us next month?

Clark: Chairman, Commissioners. Yes, I can bring you something that's already written. We've already been given directive, no more than 10% for underground work, so we're not going beyond that.

Archuleta: I think you have new construction, existing construction. I mean...

Clark: Chairman, Commissioners. As far as I'm aware of all of, the construction we have out right now is no more than 10%.

Archuleta: ...Right, but there's some that could be 5%, right?

Clark: Vertical construction is typically 5%.

Archuleta: Some new construction. Like that Talavera pipeline.

Clark: That's 10%.

Archuleta: I'm not sure why that would be 10%. Do you see what I'm saying?

Clark: Chairman, Commissioners. There are still some contingency items that we like to have there, 10%, there's fiberoptic. There's other communication companies and we are forced to stay in the same vicinity as them. We weren't allowed to leave that shoulder. Yes, we have 10%.
Archuleta: I'm just trying to see if we can budget as tight as we can, that's all. I believe fiscal responsibility and trying to budget as tight as we can, and the contractors would know that.

Clark: Chairman, Commissioners. Typically, it's always been 10% for below ground and 5% for consultant and vertical construction. We can relook at that.

Archuleta: That doesn't make it right.

Clark: No, it doesn't.

Dr. Garcia: If I may mention something Mr. Chairman. Are you suggesting that the Utility should have different policy from the City? Because we follow City policy. The reason you had higher numbers though was because it was a request for Board approval. We've been directed that we use City policy. Public Works uses the 5% and the 10% right now, and it's the procurement policy. Correct?

Clark: Procurement policy.

Dr. Garcia: I don't know that that one is City Manager policy or approved by City Council. That's what we're using, and we've been directed not to deviate from that policy. Are you suggesting that the Utility should have a more restricted policy?

Archuleta: I'm not suggesting. I just know that when you do Utility construction it's very different from overall City construction and Public Works construction. You have vertical new construction, it's different as well. I wasn't aware that there is an existing City policy or a new policy. If it's all 10%, I guess it's all 10%. All I'm saying is I think there are projects that you could go 5% quite easily and not necessarily allow consultants or contractors to figure on that. As a part of that they got that kind of flexibility to provide change orders. Do you see what I'm saying? I'm just trying to be a fiscally responsible Board Member as possible.

Clark: I understand that.

Archuleta: Like I said, I think there are projects where you could get by easily with 5%. It also depends on the size of the project, right? Five-percent of X is one thing, or 5% of Y is another thing, right? That's all I'm saying. I don't know if it has to be a policy, we have Jorge? As you know being a Utility, there are differences in contracts. There's dewatering that may occur at times. There are unforeseen conditions that you might want to ask for more than 10%, right? There are projects that you may pothole. Other projects that you may not pothole an advance in order to determine what's under there. I just didn't know what the policy was.

Clark: Chairman, Commissioners. The policy is currently no more than 10%, that was the directive we had, and that's what's in the policy.
Archuleta: Because the other thing is City Manager mentioned is that there's going to be times when you can always come back to the Board and ask for more, right? Let's say you ask for 5%, you know but you say, "Gosh, we went over so we're going to come back." This Board meets once a month, right? You're going to ask for more. All I'm telling you to do Carl, is get all people to be kind of more fiscally responsible. Maybe I'm being too aggressive in that regard, but at least that's the way I think we should be. Is really look at our budgets. We're raising rates you know for customers, we ought to be very careful about how we budget our projects.

Chair Little: Go ahead.

Ed: I don't have the level of experience that you have with utility construction projects, so I'm certainly listening, especially based upon your vast experience. My own project experience has generally been with facility construction. I've had some street and drainage improvements. What I found in my experience was, in urbanized areas it can be complicated, and so it would seem to me reasonably in urbanized areas, water, utility improvements that are beneath surface, 10% is very reasonable. Given the feedback that you're providing, instead of just saying underground work is 10%, above ground work is 5%, which is I think a fairly reasonable approach. A fairly fiscally responsible approach, we might consider, because I have no experience in a non-urbanized area.

We do have lines that are new construction in non-urbanized areas that are in open spaces. Maybe those are very uncomplicated underground work. Just for the uninformed, maybe somebody like myself who doesn't have a vast amount of experience with this work specifically, but who's kind of had some construction experience. Maybe what we ought to consider is, and when I mean non-urbanized areas, I mean when you have subsurface work in unimproved land which we do, I'm sure. Maybe that's a 5% and then maybe in a non-urbanized area underneath an existing right-of-way, where we know there's really nothing there.

There's not a lot of complication, there's not a lot of other utilities, there's not a lot of development from over the past 50 years, maybe we can go with 5% in non-urbanized improvements. That might seem reasonable to me. I don't know Dr. Garcia if that seems specific to Utilities? Maybe I don't know if that would conflict with a City Manager or a City policy. If that were reasonable, I'd be happy to incorporate a policy that would include something, discussing Utilities to that. If that would be both reasonable and more fiscally responsible, that seems like a pretty easy adjustment. I don't know. Just some thoughts.

Dr. Garcia: Mr. Chairman, Mr. Archuleta and Manager. One thing we can do is look at past projects and maybe do an analysis to where we ended up. We ended up at 7%, 5%, 10% or if we had a change order to add to the project. I think we need to analyze a little better. I agree with the concept of urbanized or non-urbanized. Talavera proved to be a little different because the public utilities
that are there, they didn't know where their lines were. The locates were wrong and we've had conflicts that are unbelievable in the middle of nowhere in the Talavera. We'll be glad to show you those areas if anybody wants a tour. We need to be cautious with areas in the County and this happens to be in the County, where the as-builds were absolutely and totally wrong in some areas. Is that correct Carl?

Clark: That's correct. Yes.

Dr. Garcia: That's just an example of what we faced on this project. It's not just going and plowing the line in there. Moongate's line was mis-located in the cable company, right?

Clark: The cable company was, yes, I think it was located on the wrong side of the road all together.

Sorg: Comcast?

Clark: No. The telephone communication company.

Sorg: CenturyLink?

Dr. Garcia: CenturyLink. I think we can look at past history and where we ended up. That gives us a little better proposal when we come to you and say, "We'd like 7%." Why seven and not 10? Well because we think that this is going to be fine. We need to analyze the data. We've been living with the 5%, 10% or as approved by the Board, and that's why last time it was more.

Archuleta: My experience has been that wherever you set the bar, that's kind of where people go to the bar. That you know my experience has been if you set the bar not unachievable but achievable, then you always have the ability to come back and ask for more money so to speak, right? This Board meets once a month. I think you mentioned that Stuart. You can always ask for an increase on a project.

Clark: That is correct.

Archuleta: That's it. If you're too lenient in that area, everybody's going to move toward that amount. I can tell you. The engineers are going to move there. The contractors are going to move there. They realize this is how much flexibility we have on this project, you know let's go for it. That's all.

Clark: Chairman, Commissioners. I want to make one statement because I've been doing this for 20 years now. I do have a lot of experience with project management. The project managers that are on board with this including myself, scrutinize any kind of changes that come through. We defend the contingency and we let them know that's not your contingency, that's in case there is truly an issue that we need to use.
Archuleta: Yes, and sometimes the engineers are at fault too, right?

Chair Little: Sometimes the designers at fault and the contractor has every right to be compensated. We do scrutinize that. I do want to make that statement. There are other issues where we can't move forward because we can't issue a change. We know it needs to happen, we don't have the budget until we get approval. Now we get to pay them to demob and then remob. That's a higher cost than the small change if we would've had the extra $2,000.00 and now, I've got to pay him $15,000.00. Just remember that as well. That's all. I think Commissioner Sorg has something.

Sorg: Just to understand this completely. Any of the contingency monies that are allowed on a project, you have to approve those, right?

Clark: Those have to be thoroughly vetted and approved.

Sorg: Okay. That's all.

Chair Little: Okay. Anything else?

Ed: I think there's something else that's occurring right now that's very exciting. It's the transition to PEAK Performance. What we're doing is we're measuring everything. As somebody who's managed construction projects, one of the things that I did personally on all of my projects, was monitor my change orders. Dependent on which department I went to, there was an emphasis on that. In one department there was no emphasis, so I didn't really track it. In another department there was an emphasis there because it was all federally funded and some other things. I think what we're going to is now that we've standardized project management citywide, now that we're using Microsoft Project, we actually are measuring these things that we haven't before. Before it was left up to the desktop of a project manager. Now that's not the case anymore.

What we're going to find is Dr. Garcia is going to be able to assess his individual project managers and be able to find at the end of their projects what their change orders are. There's going to be a record of that by project manager. Invariably what you may find is some project managers average 1% on new construction, and other project managers average 4%. That's a substantial performance issue that warrants quality assurance/quality control. These are the things that we're transitioning to in PEAK Performance that I think are really, really exciting. We'll be able to provide qualitative/quantitative measures that we're not looking at right now, that I think will be very informative that can help shape this conversation. We can actually show you what those results are, and we can show our customers. It's very, very powerful data. We're moving to that direction, so it's exciting times. I just wanted to mention that.
Chair Little: Thank you.
Archuleta: Thank you Stuart.
Chair Little: Anything else? All right.

11. **Next meeting Date:**
   a. February 14, 2018
Chair Little: As mentioned the next meeting is February 14th. It will begin at 1:00 p.m., with a closed session. We'll have a pretty full agenda. I look forward in seeing everybody then.

12. **Adjournment:**
Chair Little: I will entertain a motion to adjourn.
Johnson: So moved.
Sorg: Second.

Meeting was adjourned at approximately 4:36 p.m.

William M. Little
Las Cruces Utilities Board Chair

_14 Feb 2018_
Date