

*Attachment # 4*



Steve King  
GENERAL MANAGER

# ELDORADO AREA WATER & SANITATION DISTRICT

2 North Chamisa Drive, Suite A • Santa Fe, NM 87508 • (505) 466-2411

Number of Attendees = ~28

John Calzada, PRESIDENT  
Gregory Hart, VICE PRESIDENT  
David W. Yard, SECRETARY  
Elizabeth Roghair, TREASURER  
David Burling, DIRECTOR

## FINAL MINUTES – PUBLIC FORUM Cost of Service & Rate Design Study 27 Aug 2019 – EAWSD Public Conference Room – 6:00 PM

### Introduction and Presentation #1 (via PowerPoint)

S. King

- Mr. King thanked everyone for attending the public forum regarding the presentation of the preliminary findings and recommendations that resulted from the COST OF SERVICE & RATE DESIGN STUDY that was conducted over the past year. He then introduced Nelisa Heddin, the rate study consultant that worked collaboratively with the RATE STUDY ADVISORY COMMITTEE on developing a model for the next five-year rate schedule and stated that her presentation would follow his.
  - He noted that the main objective of tonight's Public Forum was to share the preliminary findings from the rate study and to help familiarize everyone with the rate study findings and hopefully generate feedback that could help to fine-tune the rate study model. He briefed the audience on the agenda topics and proceeded to present each topic in detail:
    - A Brief History of EAWSD from 1973 to 2019
    - Introduction of the RATE STUDY ADVISORY COMMITTEE Members
    - Overview of EAWSD's Costs and the driving need(s) for a Rate Adjustment
    - General overview of EAWSD's Revenue Sources and Funding Successes
    - Rate Study Consultant's background
    - Cost of Service and Rate Design Study (skip to PPT #2 - Presented by Nelisa Heddin, Rate Consultant)
    - Next Steps
    - Questions and Audience Input

### Rate Consultant's Presentation #2 (via PowerPoint)

N. Heddin

- Ms. Heddin briefed the audience on what is trending across the country in the water industry with regard to the costs of providing services and replacing infrastructure.
- Ms. Heddin's presentation covered the following agenda topics:
  - Economic Reality of Water
  - Driving Forces for Change in Rates
  - Project Approach
  - Findings
  - Recommendations
- Ms. Heddin concluded her presentation by summarizing the rate model option that had been highlighted in her presentation.
- Mr. King concluded the presentation(s) by reviewing the next steps and encouraging the meeting participants to remain active with the rate study process by commenting on the process tonight or submitting comments in writing to the Board or by attending upcoming meetings. He also mentioned that the EAWSD website will post up-to-date information on the process as it becomes available.

### PUBLIC QUESTIONS AND COMMENTS

(Q = QUESTION | C = COMMENT)

(NOTE: Only Audience QUESTIONS AND COMMENTS are reflected below. Responses from Presenters were entered into record to clarify what had already been stated in their presentations)

#### On costs and driving needs for a rate adjustment, per Mr. King's PPT presentation

- Q Audience member inquired if the costs Mr. King was quoting in the presentation, regarding storage tanks, reflected complete replacement or just rehab and repair. *Mr. King responded that the costs were for rehab and repair.*
- Q Audience member inquired what the useful life of a tank is. *Mr. King responded that many reports say it is typically around 50 years. He went on to explain it could be extended a few more years if the District proactively keeps up with rehab and repair, but he cautioned that rehab and repair has associated costs too.*

- Q Audience member inquired about what it would cost to connect to a potential new well and/or water source on State Land in the Northwest. *Mr. King responded that it is very costly to drill a well and construct 2.5 miles of pipeline, but it is projected that a proposed well in that area has been identified and could potentially be the equivalent to 3 lower capacity wells constructed within the District in pumping capacity.*
- Q Same audience member inquired if the District had explored the cost of completely replacing the 130 miles of existing pipelines replacing and abandoning in place by section. *Mr. King responded that it is very costly to pursue complete replacement.*
- Q Audience member inquired what the District's plans are for abandoned wells. *Mr. King responded that this has never been a line item in the budget, but there are costs associated with removing well houses that are in a state of disrepair and for the decommissioning of each well.*

**On EAWSD's Revenue Sources and Funding Successes**

- Q Audience member inquired if loan and grant funding received by the District is primarily used to conduct studies or produce reports or if there is any part of it that goes toward rebuilding the infrastructure. *Mr. King responded that the funding received is used primarily for design and construction of the projects.*

Mr. King introduced Ms. Heddin and she proceeded to explain the findings and recommendations that resulted from the Rate Study that was conducted over the past year.

**On the Cost of Service & Rate Design Study, per Ms. Heddin's PPT presentation**

- Q Audience member inquired if there was any impact to the rates for customers who live outside of District boundaries. *Ms. Heddin explained that out-of-District customers are charged a "surcharge" for revenues that they are not receiving from property taxes from out-of-District customers. That compensation is inclusive and will remain the same.*
- Q Audience member inquired if the District had ever considered impact fees as an alternative to property taxes for new construction. *Ms. Heddin deferred to Mr. King and he responded that there is a new water service fee that is comprised of 3 components: A new customer has to pay their pro rata share of the cost for (1) water production (2) water rights and (3) water delivery. For anyone looking to build a home on a vacant lot, it typically costs around ~\$15,000 to connect.*
- C *Ms. Heddin pointed out in one of her graphs that the average monthly water bill for an EAWSD customer is based on usage of ~3,800 gallons per month. This group represents 95% of EAWSD's customers and they will see a nominal increase in volumetric rates of approximately ~\$1 per year in the first three years. In the proposed rate model, the cost burden will be shifted to the remaining 5% of customers who tend to consume 20% of the District's water or over 10,000 gallons per month. They will see significant increases each year in volumetric fees. This supports the concept of using a tiered rate structure.* Audience member commented that they would like to know the names of the 5% of Eldorado customers that are consuming 20% percent of the District's water and how they could possibly use that much water.
- Q Audience member inquired if Ms. Heddin and the RATE STUDY ADVISORY COMMITTEE had expanded the rate study to explore all options of increasing just the BASE RATE to see how much revenue could be generated and what kinds of capital projects that revenue would support. *Ms. Heddin responded that the RATE STUDY ADVISORY COMMITTEE had explored many different rate model scenarios (increasing base rates, or volumetric rates, or both and/or property taxes). In July she presented 3 different rate model schedules that satisfactorily met the District's revenue objectives. Of the three that were presented, the Board favored a "hybrid" version of two of the rate models (1 and 3), and that is the version that is being presented tonight.*
- Q Audience member inquired if there was a proposed schedule when the property tax increase would be implemented to meet the District's revenue objectives. *Ms. Heddin responded that at this point there is no "proposed" schedule to raise property taxes because that would involve a separate public process. The objective of this rate model is to revisit this option annually and decide at that time if property taxes do need to be increased. In 2020, there are no planned increases.*
- Q Audience member inquired how much of the District's water is being lost through its aging infrastructure. *Mr. King responded that the District does have a system in place to track total*

unaccounted for water including estimates for hydrant flushing etc. Industry standard suggests that a reasonable threshold is 10%. If that number goes significantly above 10%, that is indicative that there are substantial infrastructure issues that need to be investigated and addressed. The District's system consistently measures near or below the 10% threshold.

- Q Audience member inquired if Ms. Heddin had any sense of what is going to happen once this rate schedule ends in 2025. Ms. Heddin stated that it is too early to predict what will follow 2025 but reassured the attendees that as the proposed rate schedule progresses over the next 5 years, it will be carefully monitored for any needed adjustments. She also recommended that another rate study be conducted after the five-year period.

#### General Audience Observations and Questions

- C Audience member commented that the first presentation focused on the cost of building or maintaining infrastructure and Ms. Heddin's presentation opened by saying we don't have an abundance of water in New Mexico, so why would the District be spending all this money if there are limited water resources to work with? Ms. Heddin responded that the District is exploring alternative water sources such as an intertie with SF County. Mr. King added that SF County water is a surface water source so in a wet year, they tend to have a surplus of water to offer (wholesale pricing to District), but the downside is, in a drier year, delivery could be reduced. Both scenarios have been reviewed by the committee. The main benefit of "conjunctive use" would be that it allows EAWSD's existing wells to rest and recharge during years of surplus surface water supply. This is the recommended, most cost-effective option that will allow the District to prepare for those drier years when there is only intermittent delivery available from SF County.
- Q Audience member inquired if the District is having to drill further down each time a new well is drilled. Mr. King responded that the trend in the last few years has been that each new well costs more to drill and produces less water.
- Q Audience member inquired if there are any plans for the District to control the welled areas by putting in meters to monitor their usage. Mr. King responded that there are approximately ~290 private wells in the District, whose water rights exceed those of the District, yet they are not monitored by the Office of the State Engineer (OSE), most likely owing to the complexity of metering and monitoring each individual well as opposed to the collective group managed by the District. Instead, the OSE focuses on rigorously monitoring the District's customer usage and imposes reporting requirements throughout the year. At this time, there are no formal plans to monitor the welled areas, but the topic has come up numerous times and will eventually have to be addressed as we are all drawing from the same shared resources.
- Q Audience member directed his inquiry to Representative McQueen, who was a forum attendee, and asked how far the legislature is going to pursue the concept of regionalization? Representative McQueen responded that they're working on getting private wells metered, but there are enforcement issues and challenges of providing adequate staff to monitor the private wells. He stated that the legislature supports the concept of regionalization and is always looking for ways to streamline the process without forcing communities that choose not to be part of a regionalization plan to have to partake, but it is still a work in progress.
- Q Audience member inquired if the PUBLIC REGULATION COMMISSION (PRC) had any involvement in developing the rate schedule that is being presented tonight because he understood that as of 10 years ago, they no longer regulated the District's rates. Response was "none" – other than providing a list of Public Hearing officers to officiate over the Public Hearing, per requirements of the Water and Sanitation Act.
- Q Audience member inquired how much, if any, of the District's infrastructure maintenance and rehab issues will get deferred into the future if the revenue requirements are not met. Mr. King responded that he feels confident with the forecasted numbers for rehab and repair and based on his professional experience, he thinks EAWSD is doing better than 80% of other water utilities across the country in keeping up with maintenance and rehab issues. Follow-up inquiry: If money were no object, what all could be accomplished? Mr. King responded that it would depend on how much could physically be implemented in any given year. Bottom line is it would be nice to have the funding, but in order to get everything accomplished, you'd have to increase the resources to oversee and get the work completed.

- Mr. King thanked everyone for taking the time to attend the Public Forum and for engaging in a constructive and meaningful discussion. He stated that he realized it was a lot of information to take in all at once but reminded everyone they will have a couple more chances to participate in the process: (1) at the September 12, 2019 Board Meeting where the final COST OF SERVICE AND RATE STUDY REPORT will be presented to the EAWSD Board for acceptance and (2) at a PUBLIC HEARING to be held on Wednesday, September 25<sup>th</sup> starting at 6 PM in the same meeting space as tonight's Public Forum. He proceeded to review the remaining steps of the process following the Public Hearing.

#### POST-FORUM DISCUSSION

- Q Audience member inquired if EAWSD or any other state resources offer incentives or guidelines to customers to conserve water? *Mr. King stated that the monthly Water Notes newsletter highlights conservation tips throughout the year and the District's website has a comprehensive list of conservation resources.*
- A general discussion followed about the pros and cons of conserving water. While it is good to use water catchment systems to gather and store excess water for watering gardens and other activities, conservation works conversely for promoting needed revenue for the District.
- C Audience member commented that even though District customers meet or exceed the national average for water conservation, it seems like there is room for improvement such as reuse of graywater.

#### **ADJOURNMENT**

- Public Forum concluded at ~7:30 P.M.