

Las Campanas Water Cooperative
Annual Board Meeting
Open Session

The Club at Las Campanas
July 13, 2022; 10:00 – 11:30 AM

- I. CALL THE MEETING TO ORDER: President, Stephen Raab
- II. INTRODUCTION OF NEW BOARD MEMBER-AND RHONDA WILLIAMS: Stephen Raab
- III. OLD BUSINESS
 - A. Approval of the April 13, 2022, Quarterly Board Meeting minutes: Stephen Raab, **Exhibit A** (action)
- IV. NEW BUSINESS
 - A. President's Report: Stephen Raab, **Exhibit B**
 - B. Operations Committee Update: Ben Lee, **Exhibit C**
 - C. Sustainability Committee Update: Stephen Raab, **Exhibit D**
 - D. Legal & Governance Committee Update: Stan Weiner, **Exhibit E**
 - 1. Bylaws Update
 - E. Finance Committee Update: Steven Miller, **Exhibit F**
 - 1. 2021 Audit Results
 - 2. 2nd Quarter Financial Summary
 - 3. 2022 Rate Increase (action)
- V. ADJOURNMENT

Exhibit B

Q2 President's Report – Stephen Raab, Board President

July 13, 2022

As reported in the April Q1 2022 President's Report, the Las Campanas Water Co-op ("Water Coop") is operating with a full staff. Nick Schiavo, our General Manager, Bryan Romero, our Operations Manager and Erykah Vigil, our Executive Program Facilitator are a small but very talented and dedicated team. In support of our efforts, we have four well-staffed committees which are chaired by Board members. The Operations Committee is chaired by Ben Lee, the Finance Committee is chaired by Steve Miller, our Legal & Governance is chaired by Stan Weiner and I chair the Sustainability Committee. Committee members are listed on our website. Each committee provides a report on their year-to-date efforts and significant goals & objectives for the balance of the year.

Thankfully we have had a substantial (relatively speaking) amount of rain in June, rainfall in June totaled 3.3" as the average for Santa Fe County. Keeping in mind that the southwest has been in a drought for over twenty years, our average annual rain fall is less than 6.0". In recent years, the average rainfall during the monsoon season averages 5.5". June rainfall certainly gets us close to the average rainfall for the monsoon season but the drought is far from over. Let's hope we exceed 6.0" of rain for this year's monsoon season and it is followed by a record-breaking snowpack this winter.

All three Boards (the HOA, the Club and the Water Coop) are placing a considerable effort on water conservation and sustainability. The three Boards will be working together to form a community-wide sustainability committee. The initial meeting of the three chairs for each Board's Sustainability Committees will be meeting later this week.

In closing, I want to thank our staff, the Board members and the community representatives who sit on our committees for their hard work and dedication. Please do not hesitate to contact the Board if you have any questions or concerns. We can be reached at Board@lcwatercoop.com. If you wish to contact me directly you can email me at SRaab@lcwatercoop.com. I check my Water Coop emails at least once per day.

Sincerely, Stephen Raab

EXHIBIT C

Operations Committee report

Annual meeting of Las Campanas Water Board

Ben Lee, Operations Chairman

July 13, 2022

With the support of Bryan Romero and Nick Schiavo, we feel satisfied that we have made significant progress in meeting our 2022 objectives for improving and modernizing our facilities. Our overall objective is to maintain a consistent supply of clean safe water, and efficient treatment of sewage to the residents of Las Campanas with an eye to helping keep cost of operation at an optimum level. Among the actions of 2022 to date are the following:

- Our application for DP944 discharge permit to NMED was completed. Inspection by NMED was done and there were no issues brought up during the inspection. NMED will be sending the inspection report.
- We repaired the damaged water line at the entrance to Las Casitas. The damaged pipe was sent out for testing and it was determined that the damage was caused by a point load due to a foreign intrusion specific to the area. As a result, we have no concerns that we have a wider systematic problem with our piping system
- We continue to work in reducing the number of endpoints that require manual reading. In some case the problem lies in defective units that are being replaced. In other cases, the problem is caused by inadequate cell phone transmission capability. The situation has been aggravated by the fact that a nearby AT&T tower is currently out of operation. It is expected that when a new cell phone transmission tower is constructed and the current AT&T tower is repaired, our situation will be improved.
- For now, we have purchased a route reader, which allows the operator to gather the meter reads without having to open the meter can.
- We are in the process of implementing Phase 1 of our SCADA (Supervisory Control and Data Acquisition) system. We await delivery of parts to proceed with parts 2 to 6

EXHIBIT C

- Completed a predictive asset management program which include weekly, monthly and quarterly reporting of the condition of our assets. Such reports are to be supplied by Jacobs personnel.

In the rest of 2022, we will focus on the following activities:

- Develop a strategic spare strategy that identifies critical and high -risk system elements
- Negotiate a fixed price contract with a contractor to provide on-call and emergency services and to ensure that we receive competitive pricing
- Work on rehabilitation of lift stations 8 and 9
- Continue to explore financially feasible possibilities for implementing solar panels at the sewage plant

If you have any questions about the Las Campanas Water Board's operations effort, please do not hesitate to contact Bryan Romero at (505)930-7154

EXHIBIT D

Sustainability Committee Report

Annual Meeting of Las Campanas Water Board

Stephen Raab, Sustainability Committee Chairperson

July 13, 2022

I am pleased to announce that the Las Campanas Water Cooperative's (Water Coop) Sustainability Committee is moving forward supported by an excellent team comprised of Board members, Water Coop staff and representatives from the community. The Sustainability Committee's goal is to take the program to the next level moving forward with both a near-term and long-term program. An overview of our core goals & objectives is as follows:

- Meeting the Sustainability Challenges of Las Campanas: To meet the sustainability challenges of our community the Sustainability Committee will focus on education, the use of technology and enhanced communication. By the end of July, the community will receive an update on the specifics of the overall program;
- Goals & Objective for 2022 & 2023 and Beyond: The newly reformed Sustainability Committee will finalize our 2022 goals & objectives by the end of July. By years end we will have a longer-term plan that will take the sustainability program well beyond 2023;
- Formation of a Community-wide Sustainability Committee: The HOA, the Club and the Water Coop each have their own sustainability committees. Later in the month of July I will be meeting with Robert Kiely, the chair of the HOA Sustainability Committee and Joe Colvin, the chair of the Club's Sustainability Committee to discuss our plan for launching a combined community-wide sustainability effort. Each Board is independently focusing on sustainability and a combined effort will undoubtedly strengthen the overall program. I look forward to working with Robert and Joe and their respective committees;
- Possible Transition to Solar Power for the Waste Water Treatment Plant (WWTP): As part of our sustainability program and in effort to reduce our carbon footprint, Nick Schiavo, the Water Coop's General Manager is investigation the possibility of converting to solar power for the WWTP. The

EXHIBIT D

initial study indicates that solar power can be cost justified but there is more work to be done; and,

- Formalization of the Go-Forward Sustainability Program: A key goal & objective will be to refine our communications program. The community should expect to see updates on our sustainability effort on a periodic basis beginning in August 2022.

I would like to take this opportunity to recognize our talented and enthusiastic Sustainability Committee. As the chair, it is my privilege to be working with such an impressive group. The Water Coop's Sustainability Committee includes the following members:

James Dark (Board Member)

Stan Weiner (Board Member)

David Richardson (Board Member)

Nick Schiavo (General Manager)

Erykah Vigil (Executive Business Administrator)

Ron Jennings (Community Representative)

Abby Lieb (Community Representative)

Mona Shoup (Community Representative)

If you have any questions about the Water Coop's sustainability efforts, please do not hesitate to contact me (Stephen Raab) (505)660-4166 or via email at SRaab@lcwatercoop.com.

Regards, Steve

EXHIBIT E

LEGAL AND GOVERNANCE COMMITTEE REPORT – JULY 13, 2022

The Committee's primary responsibilities are, together with staff and outside legal counsel, to:

- Review proposed contracts, purchase orders and related types of documents that arise in the day-to-day operation of the Co-op.
- Maintain and update Co-op governing documents, including internal policies and procedures.

The Committee has also undertaken the following additional major projects:

1. **Amendments to the Bylaws.** Working with outside counsel, the Committee has proposed a series of amendments to the Coop's Bylaws. The proposed changes were sent to the Members in advance of the July 13 meeting, together with the actual text of the proposed Amended Bylaws. These proposed changes will be presented to the Members for a vote shortly after the July 13 meeting. The Committee has received several thoughtful comments from the Members, and welcomes additional comments.
2. **Dismissal of Lawsuits Involving Mr. Kirk.** We are pleased to report that the lawsuits filed by Mr. Ken Kirk against three Board members, and the lawsuit filed by the Coop against Mr. Kirk, have been dismissed voluntarily.

Over the course of the next year, the Committee expects to review and revise the Coop's internal policies, including personnel policies, and will be addressing various water rights issues with Santa Fe County.

EXHIBIT F

Finance Committee 2nd Quarter CY22 Report

Committee Members: Steve Miller (Chairperson), Herb Faling, Janet Duncan

- 2021 Audit Results
 - Received a “clean” audit – no material discrepancies
 - Achieved through significant effort by the CRI team and Erykah Vigil, who were able to overcome many information gaps
- 2nd Quarter Financial Summary (refer to separate handout)
 - YTD actuals = \$13,125 net positive income
 - Water LoB operating at a deficit (-\$144K) principally due to lower-than-expected water consumption
 - Sewer LoB operating at a net positive (\$157K)
- 2022 Rate Increase (refer to separate handout)
 - Except for the Commercial account rate increase, all increases were factored into the approved 2021 budget
 - To date, no Member has raised an objection to the proposed rate increases
- Administrative cost control
 - Accounts for 25% of the overall budgeted expenses
 - Working with the GM, we are aggressively seeking opportunities to reduce these expenses
 - Consolidating communication costs (cell phones, internet, etc.)
 - Eliminating office equipment leases
 - Investigating alternate sources of services (trash removal, pest control, etc.)
- Future endeavors
 - Review cost of accounts receivable processing
 - CY23 budget development (4th quarter activity)

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	YTD Budget vs. Actuals (JAN - JUN 2022)					
	Water		Sewer		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Service Income	\$ 590,845.24	\$ 768,606.57	\$ 563,412.31	\$ 478,624.00		
Income - Other	\$ 2,500.00	\$ 610.00	\$ 2,500.00	\$ 51,659.98		
Total Income	\$ 593,345.24	\$ 769,216.57	\$ 565,912.31	\$ 530,283.98	\$ 1,159,257.55	\$ 1,299,500.55
BDD Costs	\$ 44,912.72	\$ 52,803.50				
Purchased Water	\$ 211,158.80	\$ 290,775.29				
Electricity	\$ 10,644.80	\$ 5,775.00	\$ 20,569.82	\$ 32,725.00		
Chemicals	\$ -	\$ 2,250.00	\$ 1,657.71	\$ 2,250.00		
Contract Services	\$ 194,802.83	\$ 151,254.66	\$ 195,862.61	\$ 241,722.30		
Government Compliance			\$ 4,740.24	\$ 888.36		
Repairs & Maintenance	\$ 54,844.64	\$ 50,000.00	\$ 8,264.91	\$ 37,500.00		
Meter Expense	\$ 32,238.48	\$ 14,400.00				
AMR Monthly Service Fees	\$ 10,494.95	\$ 8,529.54				
Operational Expenses - Other	\$ 37,142.94	\$ 27,644.88	\$ 37,142.94	\$ 27,644.88		
Total Operational Expenses	\$ 596,240.16	\$ 603,432.87	\$ 268,238.23	\$ 342,730.54	\$ 864,478.39	\$ 946,163.41
Total Administrative Expenses	\$ 140,827.03	\$ 171,927.66	\$ 140,827.03	\$ 171,927.66	\$ 281,654.06	\$ 343,855.32
Total Expenses	\$ 737,067.19	\$ 775,360.53	\$ 409,065.26	\$ 514,658.20	\$ 1,146,132.45	\$ 1,290,018.72
Net Income	\$ (143,721.95)	\$ (6,143.95)	\$ 156,847.05	\$ 15,625.78	\$ 13,125.10	\$ 9,481.83

2022 Co-op Rate Increase Summary

- Pass-through cost escalation
 - Santa Fe County cost of water = 3.07%
 - Applied to all Water Usage and Surcharge Rates
 - Jacobs contract escalation for CY22
 - Water system operations & maintenance cost growth = 3.95%
 - Applied to water monthly maintenance fees for Residential and Commercial accounts
 - Sewer system operations & maintenance cost growth = 4.33%
 - Applied to sewer monthly maintenance fees for Residential and Commercial accounts
- Commercial rates increased to be equivalent to Residential rates
 - Water usage, maintenance, and connection fees
- Increased cost to maintain water infrastructure = \$50K/year
 - Driven by greater frequency and severity in water line breaks
 - Applied to all water maintenance fees (Residential, Commercial, Vacant Lots)

Residential Rates

	2021	2022	Increase
Residential Water Rates			
Water Usage <10,000 gallons (Tier 1) (per 1000 gal)	\$ 7.62	\$ 7.85	\$ 0.23
Water Usage >10,000 gallons (Tier 2) (per 1000 gal)	\$ 17.41	\$ 17.94	\$ 0.53
Monthly Maintenance Fee 3/4" meter	\$ 21.35	\$ 25.60	\$ 4.25
Monthly Maintenance Fee 1" meter	\$ 71.54	\$ 75.79	\$ 4.25
Monthly Maintenance Fee 1-1/2" meter	\$ 71.54	\$ 75.79	\$ 4.25
Monthly Maintenance Fee 2" meter	\$ 115.39	\$ 119.64	\$ 4.25

Residential Sewer Rates			
Residential Sewer Service Monthly	\$ 58.59	\$ 61.13	\$ 2.54

Annual Maintenance Fee for Vacant Lots			
Annual Water Maintenance Fee	\$ 225.01	\$ 265.93	\$ 40.92
Annual Sewer Maintenance Fee	\$ 175.78	\$ 175.78	\$ -

Connection Fees (one time charge)			
Water Connection Fee	\$ 3,500.00	\$ 3,500.00	\$ -
Sewer Connection Fee	\$ 3,500.00	\$ 3,500.00	\$ -

Commercial Rates

2021

2022

Increase

Commercial Monthly Water Rates

3/4 inch Meters			
Water Usage <10,000 gallons (per 1000 gal)	\$ 7.62	\$ 7.85	\$ 0.23
Water Usage >10,000 gallons (per 1000 gal)	\$ 17.41	\$ 17.94	\$ 0.53
Monthly Maintenance Fee	\$ 20.35	\$ 25.60	\$ 5.25
1 inch Meters			
Water usage <27,000 gallons (per 1000 gal)	\$ 7.62	\$ 7.85	\$ 0.23
Water usage >27,000 gallons (per 1000 gal)	\$ 17.41	\$ 17.94	\$ 0.53
Monthly Maintenance Fee	\$ 35.77	\$ 75.79	\$ 40.02
1-1/2 inch Meters			
Water Usage <27,000 gallons (per 1000 gal)	\$ 7.62	\$ 7.85	\$ 0.23
Water Usage >27,000 gallons (per 1000 gal)	\$ 17.41	\$ 17.94	\$ 0.53
Monthly Maintenance Fee	\$ 71.54	\$ 75.79	\$ 4.25
2 inch Meters			
Water Usage <80,000 gallons (per 1000 gal)	\$ 7.62	\$ 7.85	\$ 0.23
Water Usage >80,000 gallons (per 1000 gal)	\$ 17.41	\$ 17.94	\$ 0.53
Monthly Maintenance Fee	\$ 115.39	\$ 119.64	\$ 4.25
3 inch Meters			
Water Usage<160,000 gallons (per 1000 gal)	\$ 7.62	\$ 7.85	\$ 0.23
Water Usage>160,000 gallons (per 1000 gal)	\$ 17.41	\$ 17.94	\$ 0.53
Monthly Maintenance Fee	\$ 213.47	\$ 213.47	\$ -

Commercial Connection Fee (one time charge)	\$ 2,750.00	\$ 3,500.00	\$ 750.00
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Sewer Rates

Monthly Service Fee	\$ 35.83	\$ 61.13	\$ 25.30
Consumption Fee (per 1000 gal)	\$ 3.30	\$ 3.30	\$ -

Water Surcharge Rates

	2021	2022	Increase	
0.25 AF = 81,457 gal				
per 1000 gal				
81,458 - 162,914 gal	\$ 17.41	\$ 17.94	\$ 0.53	Tier 1
162,915 - 179,205 gal	\$ 34.62	\$ 35.68	\$ 1.06	Tier 2
179,206 - 325,828 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 3
Over 325,828 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 4

0.4 AF = 130,331 gal				
130,332 - 162,914 gal	\$ 17.41	\$ 17.94	\$ 0.53	Tier 1
162,915 - 179,205 gal	\$ 34.62	\$ 35.68	\$ 1.06	Tier 2
179,206 - 325,828 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 3
Over 325,828 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 4

0.5 AF = 162,914 gal				
162,915 - 179,205 gal	\$ 17.41	\$ 17.94	\$ 0.53	Tier 1
179,206 - 200,000 gal	\$ 34.62	\$ 35.68	\$ 1.06	Tier 2
200,001 - 325,828 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 3
Over 325,828 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 4

0.75 AF = 344,372 gal				
244,373 - 268,809 gal	\$ 17.41	\$ 17.94	\$ 0.53	Tier 1
268,810 - 300,000 gal	\$ 34.62	\$ 35.68	\$ 1.06	Tier 2
300,001 - 488,743 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 3
Over 488,743 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 4

1.0 AF = 325,828 gal				
325,829 - 358,406 gal	\$ 17.41	\$ 17.94	\$ 0.53	Tier 1
358,407 - 399,095 gal	\$ 34.62	\$ 35.68	\$ 1.06	Tier 2
399,096 - 651,649 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 3
Over 651,649 gal	\$ 69.23	\$ 71.36	\$ 2.13	Tier 4