



Las Campanas Water Cooperative

SANTA FE, NEW MEXICO

ANNUAL MEMBER MEETING

Open Session Meeting Minutes

July 29, 2020/10:00 A.M.

Directors Present: Stephen Raab, Acting President
James Lightfoot, Secretary
Jack Keely, Treasurer
Steven Miller, Director
Barbara Shoemaker, Director
Shawn McCoy, Director

Also Present: Kim Visser-Weinmann, General Manager
Bryan Romero, Consultant for Water Co-op
Andrew Resnick, Controller
Heather Roybal, Administration
Jenny Kaufman, Governance Attorney

I. **CALL TO ORDER:**

The open session meeting of the Board of Directors of the Las Campanas Water Cooperative (“Co-op”) was called to order by Acting President, Stephen Raab, with a quorum present at 10:06 a.m. on July 29, 2020 via Zoom teleconference service.

A. **Acting President’s Report:**

As Acting President and on behalf the Las Campanas Water Co-Op Board and Kim Visser, the Water Co-op’s General Manager, I welcome you to the 2020 annual meeting.

In June 2020, the Board of Directors had two Board Members retire. Ken Kirk, the former Board President, and Robert Taber, Board Director. I would like to thank Ken & Bob for their dedicated service to the community and their countless contributions to the Board. Serving on any of the Las Campanas Boards is very demanding. The time demands placed on a Board member go well beyond the quarterly meetings.

Each Board member serves on multiple committees and most Board members chair at least one committee. In addition, there is the annual budgeting process which takes place over several months. A sincere thanks to Ken and Bob for all of the hours that they put in, they will be missed.

I do have the pleasure of announcing the addition of Andrew Resnick who has assumed the position of the Controller for the Co-op. Andrew joined the Water Co-op staff on June 15, 2020 as a permanent part-time employee. Andrew brings an enormous amount of experience to the Water Co-op as well as an exceptionally impressive academic background. Andrew will play a huge role in our budgeting and financial modeling efforts.

As Ken Kirk outlined in his President's Report in April 2020, the staff and Board have accomplished a great deal of work year-to-date which include; a cost-of-service analysis, a refinement of our reserve policy, the development of a three year capital improvement program and the negotiation of a long-term contract with Jacobs Engineering, our operations service provider, to name a few. The question that needs to be asked is what will be the focus of the staff and the Board for the balance of the year?

In support of the Water Co-op commitment to continuous improvement, 2020 will be the year of process improvement with a strong focus on enhancing the budgeting process and refining the cost modeling for our long-term infrastructure. Believe it or not, the budgeting process for 2021 begins in a few short weeks.

You have our commitment that the Water Co-op's staff, and the Board will continue to dedicate ourselves to managing this vital service in the most efficient and cost-effective manner possible.

Stephen Raab also addressed how annual water allocations are allocated and why Members are unable to use allocations from their vacant lots to their residential lots to increase their annual water allocation to avoid surcharges. Santa Fe County assigned water allocations during the master planning process, and it is County policy to keep the water allocation assigned to each lot and not transfer the allocations to other lots. The Co-op cannot change Santa Fe County's water allocations. Adhering to the County regulations ensures Las Campanas has enough water to service the community once full build-out is achieved.

Stephen Raab then opened the floor for questions regarding water allocations. There were no questions regarding this topic.

Stephen Raab then opened the floor for questions regarding the President's Report.

- A Member had a question regarding the sewer cleaning project. At 10% a year, it will take a decade to do a full sewer assessment. If the goal is to have this information be a useful tool for guiding reserve considerations, wouldn't it make more sense to do a 10% or 20% sample of the entire system immediately?
 - Stephen Raab explained the impact that Covid-19 has had on this project. The sewer line cleaning project was originally scheduled to begin at the beginning of 2020. The Co-op is scheduled to complete Estates I first. As it is the oldest part of the sewer infrastructure, the results will inform us of the overall risks and help determine the pace of future inspections/cleaning.

II. NEW BUSINESS

A. Long-term Strategic Planning Committee:

Steven Miller provided an update for the Long-term Strategic Planning Committee. All goals and objectives for this committee have been completed, and therefore the Long-term Strategic Planning Committee is no longer needed. Going forward, each committee will take control of executing short-term goals, and long-term goals will be incorporated into the 2021 goals and objectives and updated as part of the yearly business planning cycle.

B. BDD Update

James Lightfoot reported the Buckman Direct Diversion (BDD) sent a notice in the middle of July stating they will be shutting down soon due to drought conditions, as the water levels are low in the Rio Grande. The other available water sources will be sufficient to meet demands and includes well water, as the aquifers are fully charged.

C. Update to Casitas de las Tierra Development:

Stephen Raab provided clarification regarding the Co-op's obligations for the Casitas de las Tierras project. Based on the original permitting, the 44-acre development is in our sewer service area, and therefore, the Co-op is legally required to provide sewer service to this area. The Co-op will not provide water service to the Casitas del las Tierras project; Santa Fe County will provide water service.

Stephen Raab then opened the floor for questions regarding the Casita de las Tierra Development.

- A member had a question regarding infrastructure upgrades to handle additional sewer services. The Co-op will not be required to complete any upgrades to the sewer infrastructure, it has sufficient capacity to meet this

additional demand. The developer would be responsible for all the community infrastructure and hook-ups.

- This member also had a question regarding sewer rate increases. The Co-op has not had a rate increase in over 5 years. Jacobs is the operator of the Co-op's facilities. The overall growth of the Las Campanas community has created a greater manpower demand for Jacobs to meet the operational requirements, and so our contract has increased which includes an additional full-time employee.

Sewer rates will not increase due to new developments in Las Campanas. The developer bears the full cost of building the underground water and sewer infrastructures and making the connection to the Co-op's existing infrastructure. The sewer rate does not increase due to more customers. Costs have increased due to inflation and an increase in the Jacob's contract, and the cost of maintain the Co-op's aging infrastructure. Each customer is required to pay a connection fee when building a home. After thorough review of the infrastructure as-builts submitted by the developer to the Las Campanas Water Co-op, the infrastructure is then accepted upon approval.

- This member also had a question regarding changing our rate structure from a fixed rate to a variable rate. The Co-op plans on adding this discussion to our goals and objectives for 2021.

D. Financial Reporting:

Andrew Resnick presented the Financial Report as of June 30, 2020:

- Revenue and operating expense are close to budget through June. A substantial positive variance has occurred in investment income, which accounts for the major portion of a positive variance of \$208k year-to-date in net loss. Andrew Resnick pointed out that the loss situation isn't sustainable, and the Co-op will be developing plans during the last half of the year to address this deficit, with major consideration on reserve levels and rates.
- Andrew Resnick continued with information about the too-low contributions from water and sewer toward overhead. Even with the rate increases in July, water and sewer will only contribute about \$466k toward overhead expense of \$760k plus an additional \$370k of depreciation cost.
- Andrew Resnick also presented the outlook for the reserves. The Co-op had a reserve of \$5.7M at beginning of this year to cover major repairs and replacements, plus \$429k to cover unexpected operational issues. At year-end, it

is anticipated that the reserve for repairs and replacement costs will have dropped to \$5.3M, due to the cost of sewer line scoping, asset management service and the SCADA study.

- Andrew Resnick reported that the audited financial statements for 2019 had a clean opinion, with no adjustments or concerns expressed by the auditors.

E. Operations Report:

Stephen Raab presented the 2nd Quarter 2020 Operations Report:

2020 Operations Goals & Objectives:

Kim Visser and the staff at the Water Co-op continue to remain on or ahead of schedule for completing the 2020 Operations goals & objectives. The strong early year focus on our 2020 goals & objectives is going to allow the Operations staff and Operations Committee to better prepare for 2021 budgeting process which begins in early August. In support of the budgeting process the Operations team needs to identify any capital requirements for the coming year, prioritize the operations tasks and make certain that we can management any process improvement scheduled for 2021. The major goals & objectives for 2020 and their status are as follows:

- **Continue with installation of the AMR Implementation System** - The Eye on Water programs has achieved a remarkable 83% participation rate across the community with the very achievable goal of an 85% participation rate by year's end. Most municipalities are thrilled to have a two-digit participation rate! As 83% of the community already realizes this app that allows every customer the ability to view water usage and, most importantly, determine if they have a leak.
- **Replacement of the Aging Pond Liner** – Our pond liner replacement project has been completed. As a reminder the need to maintain a fully functional liner is a permit requirement with the New Mexico Environmental Department. Our last liner, the original liner for the retention pond, was over 20 years old.
- **Sewer Line Cleaning Project** - A long-term project to clean and inspect the Las Campanas sewer lines will begin in 2020. The sewer line cleaning and scoping project will begin with Estate 1, our oldest community, with another 10% of the project scheduled for every year until the project is complete. The scoping aspect of the project will provide the Water Co-op with valuable information related to the condition of our underground piping. This information will be key to developing a sensible infrastructure repair and replacement program.

- **Implementation of the Asset Management Project** – The Water Co-op will proceed with the roll-out a multi-faceted asset management program which will help the utility to meet the challenges of providing service to the community over the coming years by allowing for a more refined approach to managing the business to better address challenges such as changes in our population and continued economic development, the potential for extreme weather events (droughts) to name a few. The scope for this project was refined by the Operations Committee and Board ultimately saving about 30% of the initial projected cost for the project.

Support for the Sustainability and the Eye-On-Water Programs:

As noted earlier in this report and thanks to the Water Co-op staff and our communication efforts the program is exceeding all our expectations and zing 83% participation rate.

F. Communications / Sustainability Update:

Barbara Shoemaker presented the 2nd Quarter 2020 Communications / Sustainability Report.

We are pleased to report that fully 83% of our members have signed up to use Eye on Water to support better water conservation and early detection of both internal and external leaks. We will continue to outreach to new residents and members to encourage the use of this system as part of our emphasis on sustainable water use throughout the community.

Our abatement program will continue to be available to residents who experience unexpected leaks following the same guidelines and documentation requirements as in the past but will now also consider whether a Member has signed up for Eye on Water. Abatements are available only once every five years and are offered at the sole discretion of the Board of Directors on a case by case basis.

We continue to endeavor to help our membership better understand the many challenges we face as a community in managing water usage for our community, particularly as we increasingly face drought conditions. We have updated the welcome packet for new homeowners to better explain water allocations. These allocations vary based on lot size and are determined by the original development plan approved by the County. We are pleased to report that over 89% of our community members stay well within their allocations through a combined focus of appropriate use of plant materials and conservation efforts.

The Board of Directors has opted to continue to focus our efforts on education and communication with homeowners who routinely exceed their allocation rather than resorting to the imposition of large fines, publicizing the names of those who exceed

their allocation, or cutting off irrigation service. While these alternatives are all available we would prefer to build on the positive response of our members to Eye on Water (and the reduction of surcharges year over year) that indicates most of our members join us in a commitment to the well-being of our entire water community. Thank you for your continued support!

Going forward we anticipate working even more closely with the HOA and Club to provide detailed analysis of water usage (such as the impact of new landscaping at the entrances) and to support our members through more classes and articles that help us all do a better job of plant selection and irrigation in the high desert. We also have a designated representative to the Buckman Water Authority (currently James Lightfoot) to support good communication relative to our water supply and stay in regular contact with both City and County water authorities as well as our elected representatives.

G. 2020 Board of Directors Election Discussion:

Stephen Raab introduced Shawn McCoy as the Co-op's newest Board member. The Co-op would like to increase the number of Board members, so the Co-op will be running an off-cycle election. This election will run the same way as previous elections have.

III. Resident Open Forum:

The Board President called for an Open Forum; there were no questions.

IV. Adjournment:

There being no further business, the meeting was adjourned at 11:13 p.m. The next scheduled meeting is October 29, 2020 TBD.

Board President

Date

Board Secretary

Date