

MINUTES OF THE REGULAR MEETING OF THE BOARD OF WATER AND SEWER COMMISSIONERS AUGUST 16, 2018, AT 8:30 A.M., IN THE PLANNING ROOM AT THE MUNICIPAL BUILDING, 101 N. HALAGUENO STREET, CARLSBAD, NM

VOTING MEMBERS PRESENT:	Craig Stephens Fred Beard Russell Hardy Larry Henderson	Chairman Member Member Member
VOTING MEMBERS ABSENT:	Gary Perkowski	Member
EX-OFFICIO MEMBERS PRESENT:	Michael A. Hernandez Eddie Rodriguez	Ex-Officio/City Administrator/ Secretary Ex-Officio/Mayor Pro-Tem/ Member
EX-OFFICIO MEMBERS ABSENT:	Mayor Dale Janway	Ex-Officio/Member
OTHERS PRESENT:	John Lowe Wendy Hammett Eileen Riordan Ron Myers Joe Harvey Richard Aguilar Olga Ramirez Maria O'Brian Jon Tully Scott Goodale Paul Gill Robert Baldrige Larry Gregory Dick Doss	Deputy City Administrator Director of Finance & Investments City Attorney Utilities Director Waste Water Superintendent Environmental Superintendent Assistant to City Administrator Modrall Sperling LLP Citizen Mosaic Mosaic Intrepid Select Energy Citizen

0:00:01 1. Call to Order
 Craig Stephens called the meeting to order.

0:00:04 2. Roll Call and Determination of Quorum
 Craig Stephens called roll and it was determined that there was a quorum of voting members.

0:00:30 3. Approval of Agenda
 The motion was made by Larry Henderson and seconded by Russell Hardy to approve the Agenda. The vote was as follows, Yes: Craig Stephens, Russell Hardy, Fred Beard, Larry Henderson No: None Absent: Gary Perkowski. The Motion Passed

0:00:39 **4. Approval of Minutes of the Board of Water and Sewer Commissioners Regular Meeting held July 19, 2018**

The motion was made by Larry Henderson and seconded by Fred Beard to Approve the Minutes of the Regular Board of Water and Sewer Commissioners Meeting held on July 19, 2018. The vote was as follows, Yes: Craig Stephens, Fred Beard, Larry Henderson, Russell Hardy, No: None, Absent: Gary Perkowski. The Motion passed

0:01:04 **5. Consider Approval to Abandon Section of Grubbs Water Line**

Mike Hernandez asked if Ron Myers would speak regarding the Grubbs Water Line. Ron Myers stated this Line was a money maker for the City of Carlsbad at one time. Back around 2015 it stopped being a money maker for the City. Right now all we supply is 7 stock tanks that are free and 3 stock tanks. The stock tanks pay about \$25 a month. Mike Hernandez said they had discussed a few years back about abandoning this line back when Double Eagle Phase I was completed. We had some activity on that line and the decision was made not to. It's not a big line that is tied into the line, there's a jumper on it that limits the water in that line, and it should have been abandoned sooner. Mike explained to the board the city would do away with the connections; there will be no physical connection to the new lines.

Craig Stephens asked what would happen to the stock tanks that are on it. Ron Myers said there are two ranchers, Jim Ross Caviness and Jimmy Richardson. Mr. Caviness has the seven stock tanks that are on there, those are the free ones. He said he mentioned to him about a year ago that at some time the city would be abandoning the line. So he's aware this is coming. Ron sent a letter to him a couple of weeks ago stating that it would probably be abandoned this month. Mr. Caviness would have to work with whoever takes over the line if he wants to continue to receive water from that line and he clarified it was not city water.

Craig Stephens asked if he was aware, Ron Myers said yes, and he's willing to work with whoever takes over the line. Mike Hernandez asked what the revenue on this stock tank was; Ron Myers stated \$25 a month. Russell Hardy asked what the costs of the repairs on this line. Ron Myers said it's much higher than that.

The motion was made by Larry Henderson and seconded by Fred Beard to abandon the line. The vote was as follows, Yes: Craig Stephens, Russell Hardy, Fred Beard, Larry Henderson No: None Absent: Gary Perkowski: The Motion Passed

0:30:41 **6. Consider Approval to Recommend to Council Approval of Agreement between the City of Carlsbad and Select Energy Services, LLC dba Gregory Rockhouse Ranch for use of Grubbs Water Line and Related Facilities**

Mike Hernandez stated this went to Council back in August 22, 2017 to go out for Request for Proposal to see if anyone was interested in using this line. He said Steve had mentioned he had two or three interested parties in that area, the city had one RFP submitted and that was Select Energy Service/Gregory Rockhouse Ranch. Craig Stephens stated that was a year ago. Mike Hernandez said yes, and he did check with the purchasing manager and there is no timewise by procurement code saying we have to go back out for RFP. This should have been handled a long time ago.

A draft contract was handed out to the Board. Mike Hernandez said this is a draft contract that meets all the city requirements. The contract allows the city to monitor the line the city would be able to read the meters. The payout would be the amount of water they run through the line.

Craig Stephens clarified they will just use it for transportation. Mike Hernandez said yes. They would be responsible for all the repairs. Mike Hernandez said so if in the future the city decided to bring this line back up it would be in an operable position. It's estimated to bring in \$30,000 to \$35,000 plus per year, that was the minimum. It would bring in revenue to the Water and Sewer fund that it needs.

Craig Stephens asked if the Labor would be less than what the city will be making. Mike Hernandez said the city will not maintain it. Select Energy would be responsible for all repairs, clamps, parts and everything. Russell Hardy said the city will just have oversight.

Mike Hernandez said the West end of the line was also leased by the Gregory's back in 2011. This new lease will cover everything.

Larry Henderson asked this is not city water that the city would eventually use. Mike Hernandez stated it does not come out of the city wells. Russell Hardy asked how they would tie into the line, if it would have a jumper. Mike Hernandez said he believes they would have some tap on the line. They would probably have their own meter and the city would have a meter and that's how it will be monitored. Craig Stephens stated the price will be per barrel. Russell Hardy said .7 per barrel. Craig Stephens asked if there was any downfall to leasing this line. Mike Hernandez said if we don't lease it, the line will just sit there abandoned. Ron Myers said it's costing the city money to maintain it, by leasing it maybe it will generate some revenue.

Fred Beard asked if there was language in the contract in regards to continuing to furnish water to the Ranchers. Where do the Ranchers stand on this? They are very dependent on this water. Ron Myers said no that is not in the contract, but that is something that can be added in the contract. Eileen Riordan stated the agreement has nine active services the Grubbs line is supplying.

Eileen asked if either Rancher has stated they have a problem with this. Ron Myers said Richardson is fine, Jim Ross has stated he's a little concerned that he may or may not be able to continue to get water from Select Energy. Ron Myers said Select Energy has stated they would continue to supply, but without the language in the contract stipulating that, they don't have to.

Fred Beard addressed Larry Gregory to clarify if they were going to keep water in that line. Larry Gregory replied yes, they do not have any problems working with any ranchers. Larry Gregory said that line really doesn't go to anywhere important. He said they would be maintaining the line, he told the board the ranchers really don't use a lot of water.

Craig Stephens asked if they have a problem if the city added that in the contract. Larry Gregory responded said he does not have a problem adding that to the contract, he stated they are not there to make money off the ranchers.

Fred Beard asked if some language could be added to the contract to protect the ranchers. Eileen Riordan said she would research to see how much was served and there would be no additional taps, the taps not be relocated without both their approvals and city approval.

Scott Goodale told the board the Mosaic does have tap agreements with all the ranchers; it is set on a set volume per year based on those allocations to those sections. He said that way it's fair they always have an allocation for their livestock. He said they do have some stipulations in the agreements, they will provide water for their ranching needs just don't abuse it.

The motion was made by Larry Henderson to add the inclusion of stipulations for use of ranchers taps for stock tanks Fred Beard seconded the motion. The vote was as follows: Yes: Craig Stephens, Larry Henderson, Fred Beard, Russell Hardy No: None Absent: Gary Perkowski The Motion Passed

0:14:06 7. Utilities Department Monthly Reports and Project Updates presented by Ron Myers

Ron Myers reported nothing unusual going on. Wastewater plant is operating very well. Ron Myers reported Well 6 is up, Well 9 is down we had an electrical failure. He reported there was a small explosion out there; he said they are lucky there wasn't more damage. He does not know what the cause was. Russell Hardy asked how long Well 9 would be down, Ron Myers responded at least until October.

Russell Hardy asked how Well 6 was working. Ron Myers said Well 6 is doing great. It does have some of the higher chlorides than some of the other wells. Mike Hernandez stated Well 1 and 2 are the highest chloride producers.

0:16:51 8. Financial Reports for June 2018 presented by Wendy Hammett

Wendy Hammett cautioned the board that the fund does have a \$12.2 million dollar budget but \$10 million is allocated to Double Eagle Phase III so brings it down to about \$2.2 million. There is about \$1 million restricted for inventory and utility deposits so that brings the fund down to about a \$1million operating budget.

Wendy Hammett said staff did a great job controlling labor and costs. Labor and Operations were favorable to the budget.

Wendy Hammett mentioned moving forward with the new fiscal year the city will be raising rates in October. She stated she will bring it before the Water Board, it does not have to be approved, and it's a City Ordinance but wants the board to be aware.

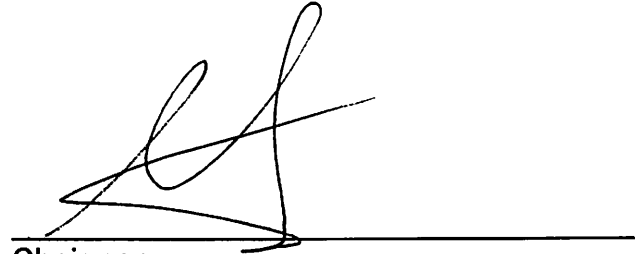
Mike Hernandez gave an update on Double Eagle Phase III. He said they are looking at going to Council in September to get approval to go out for Bids. Hopefully in December they will send a recommendation to Council. Then award the project in Mid-January and start the project in mid-February

Craig Stephens asked what the completion date was. Ron Myers stated about 1 ½ to 2 years. Russell Hardy asked will it come in under budget. Mike Hernandez said we are optimistic that it will.

Fred Beard asked with the rate increase what the projections are in helping the fund. Wendy Hammett said it will help some but this is just an increase to adjust with inflation costs, it will help a little.

0:22:23 9. Adjourn into Closed Session Pursuant to Section 10-15-1(H)(7) and (8) N.M.S.A. 1978, discussion of Threatened or Pending Litigation and the Purchase, Disposal or Acquisition of Water Rights

Craig Stephens said the board will adjourn into closed session. No decisions will be made during the closed session; it is to discuss the purchase, disposal or acquisition of Water Rights. The motion was made by Fred Beard and seconded by Larry Henderson. The vote was as follows, Yes: Craig Stephens, Russell Hardy, Fred Beard, Larry Henderson No: None, Absent: Gary Perkowski. The Motion passed.



Chairman