

**MINUTES OF THE
THREE THOUSAND TWENTY SECOND REGULAR MEETING
OF THE
BOARD OF DIRECTORS OF THE
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
FEBRUARY 12, 2018**

Directors having been duly notified, Chairman Kelly called the regular meeting to order at 3:10 pm at the MRGCD General Office. The following Directors and Staff were present:

DIRECTORS			STAFF	
John P. Kelly	Chairman		Mike Hamman	Chief Engineer/CEO
Glen Duggins	Vice-Chair		Dr. DuMars	Chief Water Counsel
Joaquín Baca	Director		Lorna Wiggins	General Counsel
Karen Dunning	Director		Bruce Wiggins	General Counsel
Derrick J. Lente	Director	Absent	David M. Fergeson	Secretary-Treasurer
Beverly Romero	Director	Absent	Jeanette Bustamante	Administrative Officer/CPO
Valerie Moore	Director		David Gensler	Water Operations Manager
			Mike Lopez	Construction Technician
			Becky Burnham	Budget Analyst
			Alicia Lopez	Engineer 1
			Judy McSweeney	Accountant
			Melin Villegas Vargas	Accounting Supervisor
			Ericka Martinez-Beard	Accountant
			Doug Strech	GIS Supervisor
			Rita Hern	Payroll Coordinator
			Adrienne Martinez	Engineer 1
			Yasmeen Najmi	Planner/RRA
			Christine Nardi	Human Resource Director
			Rick Altenberg	GIS/Mapping Technician

The following names of individuals were interested viewers and/or participants:

Jeff Willis, AMAFCA
Gary Stansifer, OSE
Matt Dyer
Blake Sanchez
Trevor

AGENDA ITEM NO. 1 – PLEDGE OF ALLEGIANCE

Alicia Lopez, MRGCD Engineer-1 lead the Pledge of Allegiance.

Chairman Kelly welcomed the guests, and declared a quorum.

AGENDA ITEM NO. 2 – APPROVAL OF THE AGENDA

Chairman Kelly called for approval of the Agenda.

Director Dunning made the **MOTION TO APPROVE THE AGENDA AS PRESENTED.** Director Moore seconded the motion. The **MOTION CARRIED.**

AGENDA ITEM NO. 3 – APPROVAL OF MRGCD PAYMENT RATIFICATION & ATTORNEY INVOICES

- a. Consideration/Approval of Payment Ratification for February 12, 2018

Director Moore made the **MOTION TO APPROVE THE PAYMENT RATIFICATION FOR FEBRUARY 12, 2018**. Director Duggins seconded the motion. The **MOTION CARRIED** unanimously.

- b. Consideration/Approval of January 2018 Invoice for Wiggins, Williams and Wiggins.

Director Dunning made the **MOTION TO APPROVE JANUARY 2018 INVOICE FOR WIGGINS, WILLIAMS AND WIGGINS**. Director Moore seconded the motion. The **MOTION CARRIED** unanimously.

- c. Consideration/Approval of January 2018 Invoice for Law and Resource Planning Associates.

Director Dunning made the **MOTION TO APPROVE JANUARY 2018 INVOICE FOR LAW AND RESOURCE PLANNING ASSOCIATES**. Director Duggins seconded the motion. The **MOTION CARRIED** unanimously.

- d. Discussion and Concurrence – First Six Months Summary Financial Report – David M. Fergeson, Secretary-Treasurer

Mr. Fergeson advised the Board that the first six month of fiscal year 2018, revenues are up by \$1.1 million primarily from additional ad valorem revenues. Some of this increase can be attributed to the increase in the mill rate and some could be attributed to customers paying the assessments all in the first half of the year instead of waiting until May.

It is not unusual to be in a negative position as we still have not received all of the first half revenues. A large portion of the funds are received in January.

Expenses are slightly up for the first six months, but are not unexpected.

Expenditures are less than half of the budget for the first six months but some of the anticipated expenditures have not been incurred at this time. Accounting has taken a very conservative estimate of anticipated expenditures and believes there may be a surplus at year end of about \$500,000.

AGENDA ITEM NO. 4 – APPROVAL OF THE MRGCD MEETING MINUTES

- a. Consideration / Approval of Minutes for Regular Board Meeting – January 22, 2018

Director Dunning had a correction.

Director Moore made the **MOTION TO APPROVE THE MINUTES OF THE REGULAR BOARD MEETING JANUARY 22, 2018 AS AMENDED**. Director Duggins seconded the motion. The **MOTION CARRIED**

AGENDA ITEM NO. 5 – ITEMS FROM THE FLOOR

No Public Comment or Items from the Floor

AGENDA ITEM NO. 6 – REPORT(S) FROM THE U.S. DEPARTMENT OF THE INTERIOR

- a. Reports from U.S. Department of Interior – Jennifer Faler, Area Manager

Following is the BoR Water Report 02-12-18

- 1. Heron Summary

Content = 144,147 ac-ft (2/8)
 Azotea tunnel: 0cfs
 Total SJC inflow year-to-date: 0 ac-ft
 Currently releasing: 0 cfs
 Current MRGCD storage: 36,125 ac-ft

2. El Vado Summary

- A. Total storage (all contractors and natural) in El Vado as of (2/8):
69,660 ac-ft.
- B. Native in El Vado
43,048 ac-ft.
- C. MRGCD's SJ-C storage in El Vado
24,643 ac-ft.
- D. P & P: 0 ac-ft
- E. EDWA: 0 ac-ft
- F. All other SJ-C contractors: 1,969 ac-ft

Current release is 100 cfs RG Inflow is 30-50 cfs

3. Storage in Abiquiu

Content = 122,405 ac-ft (2/8)
 MRGCD's SJ-C storage= 0 ac-ft

Total water released for minnow to date in 2018: 0 ac-ft

Snowpack Data:

As of 2/8/18 (% of median)	
Rio Chama	26%
Upper Rio Grande Basin	33%
Sangre de Cristo basin	20%
Jemez Basin	17%
San Juan River Basin	33%

February Stream-Flow Forecast

Rio Grande @ Del Norte CO	255,000 ac-ft (50%)
El Vado Reservoir Inflow (Mar-Jul)	53,000 ac-ft (34%)
Rio Grande @ Otowi	150,000 ac-ft (24%)
Jemez R. below dam	1,800 ac-ft (12%)
Rio Grande @ San Marcial	0 ac-ft (0%)

Ms. Faler thanked the Board and expressed that she appreciates the Boards patience, and that she took on another full-time job in managing the Bureau's Pojoaque Basin Regional Water System Project. It is the Aamodt Settlement, and she is working in all different directions. She will also be setting up weekly calls on Mondays from 3 to 4.

The District may see different faces from Reclamation as they are covering all the bases because they are trying to tackle issues and get a lot of things done, like the "Title Transfer". That is a priority for the Department.

Ms. Faler confirmed that they have a new Deputy Solicitor and wants to come and visit New Mexico and has advised the Bureau of his priorities and things he would like to see while touring New Mexico. The title transfer was on a list of three things that he has asked to see while he was here.

The Department of the Interior is assuring the Bureau that they have their full support to work on this project.

Ms. Faler will be overseeing the Reclamation team and will continue to coordinate and be responsive to the District on where we want to go with this title transfer because it will probably have a high level visibility, and stated the Bureau and the District will have to work closely together on this matter.

She commented on the water situation that Mr. Gensler will be reporting on, and that it is looking to be a difficult water year. Mr. Gensler works very well with farmers to get them their water and also keeping the federal agencies somewhat appeased, because we have other responsibilities as well. The Bureau will do their part to find flexibilities; there isn't a cookbook that tells us exactly what we have to do every year with the water. So that's why there is room for creative solutions. Every year is different and the Bureau will be doing their part to work with the different parties and Pueblos to find those flexibilities to get through this year.

Ms. Faler indicated she received an update on the water ops for the Rio Grande Project. It is looking like about 50% percent allocation down there, out of the approximate 800,000, that's a full year. They will be allocating 400,000 to the District, about 300,000 to El Paso and have just over a 100,000 to EBID in New Mexico. Mexico will be getting about half of their normal allocation, and we are not expecting any more allocations. If we happen to have a good monsoon season, the Bureau can allocate water throughout the year on those projects.

Ms. Faler also thanked the District and the Board for the approach to their meeting with the stakeholders regarding El Vado. She appreciates the approach of the District to find other funding partners, but not holding the project hostage in order to do that. This is an important project to fix El Vado.

Dr. DuMars asked Ms. Faler if she has had a chance to interact with the new Commissioner, Brenda Burman.

Ms. Faler responded she has had the opportunity to brief her four times, and three of those briefings was regarding the Rio Grande Project.

Dr. DuMars asked what Commissioner Burman views are compared to Estevan Lopez's.

Ms. Faler stated you will probably notice not having a New Mexico Commissioner, but you probably have the next best thing from a stakeholder's importance, understanding the southwest. She does know Gary Esslinger from EBID when she briefed the Commissioner on Texas. She is also getting up to speed on the Rio Grande.

Mr. Hamman advised Ms. Faler that the District will be traveling to Washington DC and the District will be forwarding a request through your office for some face time with the new Commissioner and the leadership there at Reclamation.

Ms. Faler said she feels it will be accommodated.

Chairman Kelly asked what were the other three things discussed with the Solicitor.

Ms. Faler stated the Aamodt Settlement, Texas v. New Mexico and the rest were updating him on things that could end up in litigation or be very contentious.

b. U.S. Bureau of Indian Affairs – Ms. Viola Sanchez, Designated Engineer

Ms. Sanchez was not present at this meeting.

AGENDA ITEM NO. 7 – FISCAL YEAR 2017 MRGCD AUDIT REPORT –Wayne Brown, CPA – Ricci & Company

Mr. Brown started with opening remarks; this is the third year to perform the audit for the MRGCD. The audit went very well, and Mr. Ferguson and his entire financial team do an excellent job, very good cooperation. He expressed his appreciation for being the auditor for the past three years. Mr. Lee Baldwin headed up the audit effort each day and is going to cover some of the specifics for you.

Chairman Kelly asked being that Ricci & Co. audit many different organizations every year for municipalities, local government groups, school districts and many other organizations. How does the learning curve and relationship with the MRGCD compare to your typical client.

Mr. Brown responded slightly better than average. Usually the first year it takes approximately 30 to 35 percent more time than the initial year that would be average period of time. By the third year there is practically no learning as Ricci staff understands the operations well. He stated it was slightly above or below average as far as the time they need to dedicate this particular audit versus all the others. They audit 28 different governmental organizations in the State of New Mexico.

Kelly asked in the scale of findings, where 10 would be on the front page of the newspaper, and 1 could be internal to the process, we have got some relatively minor findings.

Mr. Brown stated is pretty benign. The District is probably down on a scale of 2, it is pretty mild.

Mr. Baldwin stated if on the forms we report out at the end of our audit is communication to those charged with governance, the Board Members. We discuss if there are any adjustments and any difficulties.

The adjustments related to the audit were toward the pension, record net pension liability, and the new PERA pension standards. So that is typically a large adjustment we make each year and work closely with Mr. Ferguson and the staff just to provide the information. Other adjustments were construction that is in progress, and other uncorrected missed statement, and this there were none for the year.

The audit report is a clean audit opinion, which is an unmodified opinion. That is the highest opinion you can received. The two areas you typically look at are the audit opinions and the audit findings.

There is a current finding related to procurement, so the report will show a prior audit finding, and that one has been resolved. The first two years they report a repeat finding; related to purchase order or purchase requisition not being issued before an item or material or purchase was made.

A new finding related to procurement was listed. It is related to purchase order and requisition being issued after the order date, but after thorough discussions with Mr. Ferguson all procurement policies were followed. The steps were taken to obtain quotes and go out for request for proposals if needed, and these steps were verified. The issue was with not timely completing the purchase order or requisition, but all other areas were met in terms of meeting the procurement rules and standards.

The other new finding for 2017 is related to Information Technology. When they do inquiries over controls related to internal information technology, it was noted there is not a requirement for the District to change passwords periodically, and there were no minimum requirements to set up a password.

There is also no policy to disable accounts for any terminated employees. It is not a significant deficiency, just an area that they recommend for improvement at the District.

Chairman Kelly asked when has the audit business strayed from being a strictly financial assessment of our books and delves in other issues, like information technology?

Mr. Baldwin responded at a minimum they are required to do inquiry as to what internal controls are in place. Internal controls, it is to an extent, related to financial reporting. They examine the controls and look at if an employee was terminated and still has access to the system, could they come back and try to defraud the organization. They verify to see that the passwords in place or accounts have been disabled.

Chairman Kelly questioned if there will be a new GASB ruling to expand the scope of financial audits to include IT issues?

Mr. Baldwin stated they are just assessing internal control. It was also recommended to establish a committee to evaluation all IT activities.

Chairman Kelly directed Mr. Hamman, and Mr. Fergeson to meet with the District's IT person and discuss. Chairman Kelly asked about the adjustments for construction and progress, it was his understanding that if a major maintenance job is over \$100,000 dollars of labor, equipment and materials, this it needs to be put on our books as a depreciable asset.

Mr. Baldwin stated construction and progress, once that particular infrastructure or project is put into service, then yes, it would need to be, but until it's a final project or a project that has been decided to go forward, it is not going to be depreciable; it will be listed as construction progress.

Director Dunning commented that while on the Board and she's been through eight audits it is great that there wasn't a carryover finding. She then stated she was proud of the staff and thanked them for a good job.

Director Dunning brought to Mr. Baldwin's attention the future liability, but the statement about the employee health benefits for retirees is not correct. It states the dependents are eligible until such time as the retiree is eligible for Medicare. "The retiree doesn't get it, but the retiree's spouse and dependents get coverage until they are either no longer a dependent or they reach retirement age.

Mr. Baldwin stated that the report has been reviewed and finalized by the State Auditor, and can definitely go ahead and update that for our future audit report.

Director Dunning also questioned in the audit it stated how the change for accrued vacation time and was paid out. The report states if anyone is going to go over 240 hours, it has to be signed off by the CEO and by the Human Resource Director. Is there a policy that states that the Board had to be notified whenever that occurs? She explained that in the past when it happened the Board was not informed, and there were employees accruing a lot of leave and the Board never knew about it. She felt it would be helpful for the Board to know.

Mr. Hamman stated the current leave policy works in terms of what they accrue; there is a 240 hours maximum now. There were a few employees this year where they just couldn't take some leave. There is the option to go ahead and pay it out as opposed to giving them the first quarter to use this time. Right now everyone is working for the start-up of the irrigation season and completing projects, and just can't take time off and use their excess leave. The Division Managers have justified this for their employees, and in some cases it is the division manager that might be in that situation. It is very infrequent, but Mr. Hamman has approved three payouts for annual leave over the 240 this year.

Dr. DuMars wanted to make a minor point regarding the land value. The audit reports lists for 2017 the value of the land at \$456,999 dollars, where does that number come from?

Mr. Baldwin stated this amount is historical from way back, based on records years ago he had read on. The records were not sufficient in the old days to bring the values up to current value.

Dr. DuMars asked this number bears no relationship to the actual title that we have in land or the value of what the District owns, just a historical number?

Mr. Baldwin responded yes.

Director Dunning asked if the District actually gets the title transfer would that number change or stay the same.

Chairman Kelly stated that number shouldn't change because we are not paying for this title transfer, other than staff and attorney time.

Mr. Ferguson concurred.

Chairman Kelly asked for a motion to approve the audit.

Director Dunning made the **MOTION TO APPROVE THE FY17 AUDIT REPORT PRESENTED BY RICCI AND COMPANY**. Director Moore seconded the motion. The **MOTION CARRIED**.

Chairman Kelly thanked Mr. Ferguson and his staff for a good job over the course of the year.

REPORT(S) FROM THE MRGCD CHIEF ENGINEER – Mike Hamman, MRGCD Chief Engineer/CEO

a. Employee Recognition – Ms. Judy McSweeney – Mike Hamman, CE?CEO

Mr. Hamman recognized Ms. Judy McSweeney. She is an accountant in charge of grants, fixed assets, and the very intricate work order process. The District has been working on transforming the way that they account for the fixed assets and the work orders from some time now. Ms. McSweeney has risen to the occasion, and she takes her assignments extremely seriously. One of her assignments is balancing the use of the gasoline and our fuel within the District. And she does an excellent job keeping everything in order.

In the process of keeping the gasoline and fuel in order she recognized that there were some taxes that the District had been paying that were being billed on the WEX credit cards, and taxes were being collected by the State and Internal Revenue Service. Ms. McSweeney questioned this and found out that the IRS should not be collecting those taxes under our wholesale fuel purchases.

Ms. McSweeney worked diligently with IRS and after a very long process, and digging and asking questions eventually it was determined that the District had overpaid over \$40,000 dollars to IRS taxes on our wholesale fuel accounts.

Mr. Hamman wanted to bring this to the Board attention and recognize Ms. McSweeney for the good work she has done for the District and successfully getting reimbursement to the District.

A certificate of recognition was presented to Ms. McSweeney thanking her for a job well done on getting the IRS to reimburse the District for the overpaid taxes that were paid.

The Board all expressed their appreciation for all the hard work, and for not taking no for an answer. They also encouraged the employees to not only do a good job but to figure out ways to save the District money.

b. Bid Abstract – Jeanette Bustamante, Administrative Officer/CPO
 1. Welding Truck Beds – Cochiti & Socorro Division



Memorandum

To: MRGCD Chairman Kelly and Board of Directors
 Mike A. Hamman, CEO/CE
 David Fergeson, Secretary-Treasurer
 Jeanette Bustamante, Administrative Officer/CPO

From: Richard DeLoia, Purchasing Agent *RD*

Date: January 24, 2018

Re: ABSTRACT FOR WELDING BEDS FY2018

Bid for truck welding beds was advertised on January 7th and 10th, 2018, three (3) bid packets were issued, and two bids were received as follows:

VENDOR	(2) WELDING TRUCK BEDS FOR 2018 CHEVY 3500'S	GRAND TOTAL
MCT INDUSTRIES	\$9,205.00 EA	\$18,410.00
CLARK TRUCK	\$9,525.00 EA	\$19,050.00

After thorough review, staff recommends award to MCT Industries for two (2) Welding Truck Beds installed for a grand total amount of \$18,410.00.

Director Duggins made the **MOTION TO AWARD 2 WELDING TRUCK BEDS TO MCT INDUSTRIES IN THE AMOUNT OF \$18,410.00.** Director Moore seconded the motion. The **MOTION CARRIED.**

c. **Water Report – David Gensler, Water Operations Manager**

The February forecast has proved to be sobering. Snowpack in the Rio Grande Basin dropped to 18% of median. Stream forecasts dropped to 150KAF at Otowi, March-July and 53KAF in El Vado, March-July. Those are really bad numbers, but it snowed a bit since those numbers came out.

We are fortunate to have water in storage, and are currently free of RGC Article 7 restrictions and will continue to store as much as we can up until the point we have to bypass water from irrigation needs. This will put pressure for the start-up, most notable the need to stagger division startups. The traditional March 1 opening at all 4 diversion points, this requires a lot of water. This year the District will bring things on-line gradually, allowing canals to fill and begin to return from wasteways before moving on the next one. By doing this we will avoid bypassing flow at El Vado and maximize our storage ability. When water deliveries begin, it will require strict scheduling to keep diversion rates as low as practical for the same reason.

It is shaping up much like in 1996 that is the year that precipitated the RGSM issues from MRGCD. We know our system much better now than we did then, what our needs really are, and how to direct water where it is most needed, and we also know a lot more about the fish. At the Minnow Action Team meeting it was discussed that there really won't be enough water to result in successful spawning and recruitment of RGSM.

The emphasis will be on carefully managing flows to keep as many fish alive and healthy as possible, banking on better flows next year.

The District will be intentionally diverting, or not diverting water, to control the rate of recession and allow fish to migrate upstream into the areas where we expect them to spend the summer. It is going to be a very interest spring for water ops.

It is Mr. Gensler's understanding is that the 2017 RGC numbers are more favorable than last reported. Some revisions were made to data from Otowi and Elephant Butte and New Mexico's debt is now around 1700 AF, so that is a welcome development

d. 2018 Irrigation Season Startup Plan – David Gensler, Water Operations Manager

In a normal winter, the irrigation season officially begins the first day of March. Although there are a few irrigators that request early water, most of March and early April are spent charging, flushing, and repairing canals. This year, due to the unusually dry winter, farmers are in serious need of irrigation water for perennial crops like trees, alfalfa, and grass pasture. The district has been receiving calls daily wondering when water will be available. The District is aware of how dry conditions are this winter and is working hard to get canals operable as soon as possible. Water will be present in some areas several weeks earlier than usual and we expect to begin making deliveries where possible as early as the last week in February.

There are a number of things irrigators should be aware of that prevents us from starting today, and that will control the startup once it begins. During the winter, the MRGCD ISO's typically work on winter construction projects. Many of those projects are on-going, and won't be completed until late this month. So there are construction projects preventing the charging of canals, and the staff needed to charge those canals to finish the construction projects. ISO's will not be available to begin scheduling water until the end of February.

The Belen Highline Canal has already been partially charged. Beginning February 15 water from the Belen High Line will be routed through the Unit 7 system, for delivery to Socorro Division. This water will be used to begin charging the Socorro Main Canal on February 20th. Expect to begin limited deliveries in Socorro Division as soon as water has reached all the way to the end of the Socorro Main Canal system. At the same time Belen Division will begin charging the lower west side canals, as water is available. On the east side of the river, charging of the San Juan Main Canal will begin February 27th, though at only about 50% capacity. As canals are run through to the end, they will begin making water deliveries.

Diversions at Angostura for the Albuquerque Division will begin as normal on March 1st. The Albuquerque Main Canal will be charged first, followed by the Barr Main and Arenal Main Canals. Irrigation deliveries in the Albuquerque area should begin March 12th, though it will take a few more weeks for the numerous small acequias throughout the Albuquerque area to become fully operational.

The startup in Cochiti will wait a little, since pueblo irrigators often don't requires water until later in the month. But it's dry there too, so Cochiti may also start up earlier.

e. Discussion and Review of Draft Capital Improvement Program, Mike Hamman, CE/CEO, David M. Ferguson, Secretary-Treasurer and Chairman Kelly

Mr. Hamman provided a power point presentation to the Board that was presented to the Finance Committee. He advised the Board that the spreadsheet has been updated with current information based on what was learned in the last half-a-year or so. The fleet replacement is what they are going to be focusing their attention on Mr. Ferguson's memorandum.

He also shared that there are ongoing major and minor structures, which have been determined efficiency improvements, but there are other things that are within that information as well. There are also some current grants and Reclamation water smart grants.

They marked a couple of million dollars a year as a target budget line item, to deal with both the fleet replacement and major and minor structures that they do year in and year out. When the Board travels to Division meetings at the various counties you will be provided all the winter work for each division.

The Corrales Siphon is a big project, and is in parentheses as replacement. They are looking at various options. One option might be to salvage what is in place, which would require slip lining and some kind of a check structure to stabilize the river bottom at that location. The other option is just a full out replacement of the existing siphon at a deeper elevation, and there is an alternative of infiltration galleries. That will be reviewed, and we have about a seven-and-a-half to eight million dollar line item in there.

El Vado, we have learned that we are looking at \$50-million plus dollars perhaps on repayment obligations. That number is further out because it is assuming construction may start about 2020. They will not start billing until after construction is complete, and they are estimating two years. So sometime in 2022 the District will have about a \$400,000 dollar annual payment.

ESA Commitments will be somewhere around \$750,000 dollars a year on average, and will go on for 15 years until a new BO is negotiated. The Bernardo Siphon is another 7-10 million-dollar project.

The District has many projects, buildings, facilities and levee projects that are substantial. The District's 10-year outlook is approximately a \$60-million obligation.

The following presentation by Mr. Fergeson will provide you more information. The District has an opportunity to do some front-end financing with the New Mexico Finance Authority at very attractive interest rates.

- f. **Briefing and Discussion on Utilizing the New Mexico Finance Authority Local Government Financial Assistance Program to Accelerate Equipment and Fleet Purchases – Mike Hamman, CE/CEO and David M. Fergeson, Secretary-Treasurer.**



Memorandum

To: MRGCD BOARD OF DIRECTORS and MIKE HAMMAN, CE/CEO

FROM: David Fergeson, Secretary-Treasurer

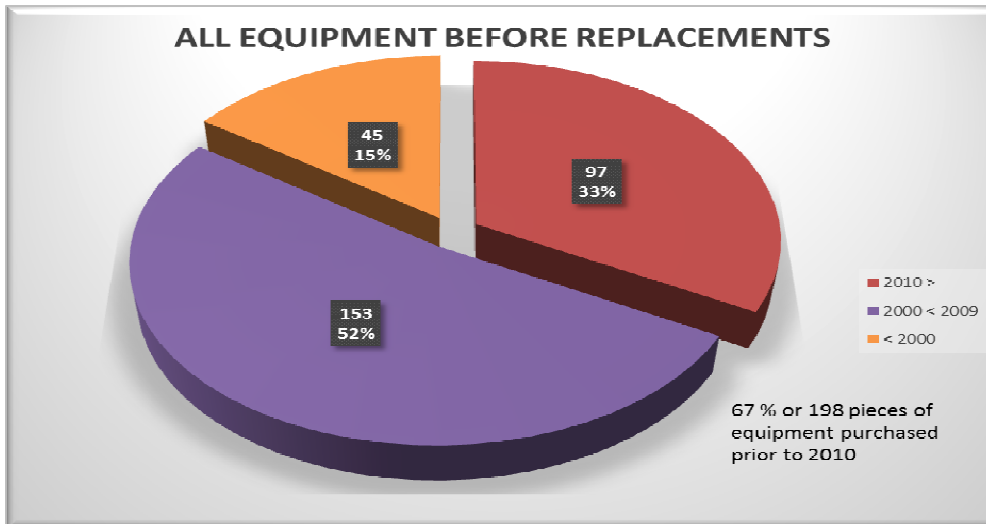
Date: February 12, 2018

Re: Acquisition of Equipment

As has been discussed, the District faces a tough challenge in finding ways to replace its aging fleet of vehicles and equipment. In reviewing our heavy, medium and light duty equipment it was determined that only 33% is newer than 9 years in age. This means that two-thirds of our equipment has passed its useful life unless it happens to be a specialty item that gets limited use but is needed for unique tasks. The following analysis used an approach that separated ages of all equipment into three categories: 'pre-2000', '2000 – 2009', and '2010 and after'. This breakdown was used due to

the wide range of years of equipment and as a starting point to analyze the equipment to help make acquisition decisions.

The following chart represents the current makeup of all the equipment analyzed. It does not include trailers and some smaller equipment like batwing mowers, etc. The chart shows that 15% of the equipment was purchased prior to 2000 and that another 52% was purchased between 2000 and 2009. The significance of this analysis is that we have to find a way to replace the older equipment that is costing the District excessive amounts in repairs, down time and inefficiencies.



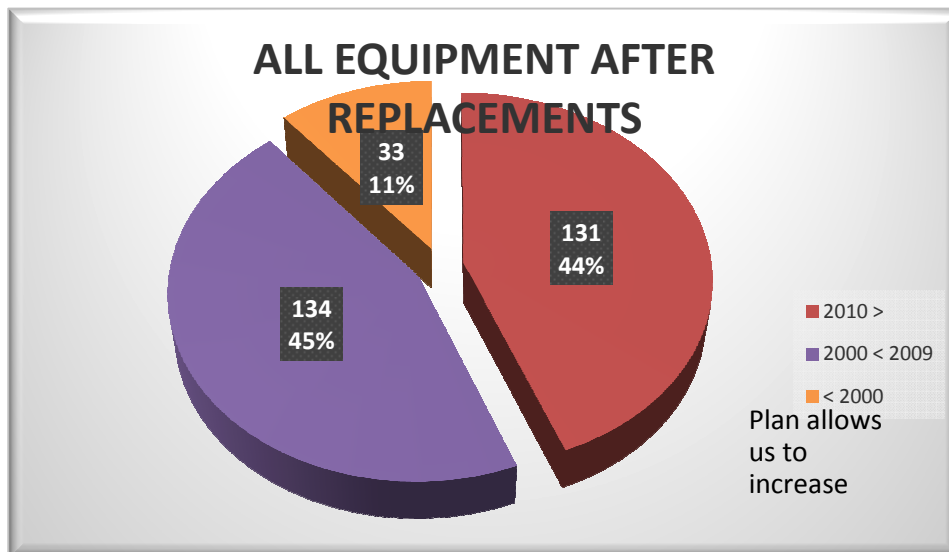
The challenge facing the District is how to replace the aging equipment with newer equipment without having the equipment purchased since 2010 becoming the same high maintenance cost equipment before the fleet situation has been stabilized. For example, if it takes 8 years to replace the pre-2000 and the 2000 – 2009 equipment, then the 2010 – 2015 will now be aged out and the District will still be hostage to the same cycle of “catching up” equipment to stay in business.

In researching how to develop a replacement plan, it came to our attention that the New Mexico Finance Authority will finance governmental entities like the MRGCD at lower interest rates than what can be found in the private sector as well as self-financing options. They issue large bonds under the state bonding authority and loan funds to government entities at lower rates than agencies can get by independently issuing a bond. NMFA is authorized to finance vehicles for 5 years and heavy equipment for up to 10 years for local governments.

When the FY2018 budget was presented, staff was asked to look at combinations of leasing equipment, lease/purchase of equipment or outright purchasing of equipment in order to address this matter. It was decided by the Finance Committee and approved by the Board to allocate \$1 million for these options. To date, the District has purchased two 20-yard dump trucks for a total of \$355 K, a rubber tired excavator for \$233 K and two welder trucks for \$50 K each or \$100 K total. These purchases left us with slightly over \$300 K for the remaining 2018 budget.

After discussion with the Finance Committee on January 31st, it was recommended to investigate loan funding up to \$2.5 M and to use the remaining \$300 K to determine how much equipment could be initially replaced to help accelerate the fleet replacement plan.

Further analysis revealed that a total of 11 pieces of heavy equipment and 22 new trucks could be replaced this year. Adding this to the 3 pieces of equipment that has already been ordered, would add 36 new pieces of equipment. This will bring the post 2010 equipment to 44% as shown on the following chart.



Borrowing funds from NMFA will require the District to dedicate some of the Water Service Charge or other reserved funds to guarantee debt retirement. The District currently has a small amount of these funds dedicated to paying off the Water Trust Board loan of \$150 K.

NMFA has estimated that borrowing \$750 K will require payments for 5 years of approximately \$210 K paid once annually while borrowing \$1.75 M for 10 years will require annual payments of about \$230 K.

Taking this action will allow the District to pursue other means of replacing equipment in the coming years so if approved by the Board this would provide the opportunity for the District to make a significant stride toward improving the fleet this year and thereby increasing productivity at reduced cost. Staff will continue to analyze the needs and purchasing options and will bring those to the Finance Committee and Board as the FY2019 budget is considered.

To borrow these funds, the New Mexico Finance Authority requires a Board resolution authorizing the District to enter into loan(s).

Chairman Kelly asked clarification on the proposal. This loan program will be within this current year's budget cycle, and the first year's payment of \$440,000 is already covered within our equipment budget, when will the payment be due?

Mr. Ferguson responded the first payment will be due in November.

Chairman Kelly stated that the District is expecting \$500,000 in expenditure savings, making the decision right now is budget neutral for this year. The Board at some point will review and approve two loans, one for \$1.75-million dollars for heavy equipment for a term of 10-years and another one for \$750,000 for vehicles, light trucks for a 5-year term.

Chairman Kelly advised the Board he has been on the Board for six years and has watched this equipment fleet budget range from 600,000 to almost 1.4 million in one year, depending how pieces of equipment hit, and expressed he likes the flat line where you take a million dollars per year and then find ways to do it either via loans and early acquisition. The Chairman also liked the idea of keeping half-million budget available for year-to-year needs that might not be anticipated right now.

Director Moore is concerned if you purchase a lot of this new equipment, but in the coming years the cycle is going to repeat itself, will there be money to buy some other stuff later on, instead of having to get into these big loans?

Mr. Ferguson stated that was correct, and in two/three years may have to come back and discuss looking at another loan. He will continue to analyze this equipment and see how we can get the equipment that is needed without committing the District long term to a 5-million dollar payment every year. The District can't afford that. For him it is a way to start analyzing it, and make some strides and start moving this forward. If not, all that red is going to end up back in the purple and orange and we won't accomplish anything.

Chairman directed staff to prepare a draft resolution/agreement for their review and input for the February 26, 2018 Board meeting, and final approval of the resolution will be on March 12, 2018.

g. Report – El Vado Dam CAS and Stakeholders Meeting, January 31, 2018 – Mike Hamman, CE/CEO

Mr. Hamman stated this was a two-step meeting where the District had a one-on-one with Reclamation regarding the process of getting the El Vado Corrective Action Study completed and discussed the final decisions. Reclamation already knows what they are going to do at the spillway and the emergency spillway channel, and that is a \$27-million dollar piece of the puzzle that has already been determined.

They are down to two alternatives. One is to put something on the face of the dam that's tied into the foundation, cover some other leaky parts of the outcropping; or not too much to the face of the dam except cathodic protection and some back-filling behind the dam, and also put a bentonite clay or some type of trenching device that will trench through the middle of the dam and put a positive water barrier. These are the two alternatives they are looking at. One is more difficult construction wise because of sediment problems and water issues when you drain the dam. They will be analyzing it, but it is real pricey to do that highly technical trenching and placing of cement or bentonite clay.

Those were the pending issues discussed, and they also talked about financing and what is going to happen between the MRGCD and Reclamation. The MRGCD will have to enter into a repayment contract, but language will be written into that contract with a bail out clause. This will be if a future Board decides they want to get out from underneath this, there would be an option to do that.

The second part of the meeting was a stakeholder meeting that brought in a broader group of folks. There was representation from Department of Transportation, Forest Service, Los Alamos County, Tribal representative and the rafting industry.

Board members that attended were Chairman Kelly, and Directors Moore and Dunning.

Mr. Hamman indicated it was a real good discussion, and the public also had questions on the impacts.

The National Fish and Wildlife Foundation are developing a Water Leasing Program and they were there briefly discussing this program and will be further discussed at a March meeting. Director Dunning indicated a memorandum of understanding might come to the District to show how this will work going forward. At this meeting they were just there to introduce themselves and talk a little bit about the program.

Director Moore stated the prepayment options are very attractive, providing they designate all the water that goes through there as irrigation water and get zero percent interest rate on a 5-year term.

Mr. Hamman made it known that there are other parties that need to allocate some money for this project. There is also the bridge over the spillway structure that serves State Road 112; there is some work to do with Department of Transportation to be sure to work in part of a repayment. There are a lot of agencies including DOT that need to allocate funding for this project.

Director Moore also had concerns that the spillway being totally inoperable, if completely compromised and they are not going to start doing any repairs until 2020.

Mr. Hamman advised Director Moore that was the earliest they could actually begin.

h. Report – MRG Pueblos Coalition Meeting, February 1, 2018 –Mike Hamman, CE/CEO

Mr. Hamman stated the topic of discussion was regarding the dry conditions. They set up the agenda that included the BIA, MRGCD and Reclamation and was combined topics, water supply, P&P operations and El Vado Dam. They were interested in an update and the whole Coalition got a briefing from Mr. Hamman on the El Vado Dam situation.

There was discussion about the PBU process with the State Engineer.

The Coalition advised Mr. Hamman that the District is in its third year of a five-year contract with BIA for operations and maintenance. There was a commitment to start discussion sometime in August to get the ball rolling on negotiations.

i. Appointment of the MRCOG Water Resources Committee Member and Alternate - Chairman Kelly

Chairman Kelly appointed Director Baca as MRCOG Water Resources Committee Member and Mike Hamman will be the alternate.

j. Washington DC Trip – April 9-13, 2018 – Mike Hamman, CE/CEO

Mr. Hamman advised the Board that he received request from Board members and one alternate that are considering traveling to Washington DC on April 9-13, 2018, and that can jeopardize not having a quorum at the Board meeting April 9, 2018.

Chairman Kelly and the Board agreed and changed the April 9th meeting to Monday April 2, 2018 at 3:00 p.m.

Mr. Hamman advised the Board that meetings with the Congressional delegation are scheduled the month preceding the dates we are scheduling to meet, so Mr. Hamman advised the Board he will contact their office in March. He will also be contacting BIA and Reclamation to schedule meetings.

k. Approved Licenses for January 2018 (For Informational Purposes Only)



**MEMORANDUM
ENGINEERING DEPARTMENT**

TO: Mike Hamman, Chief Executive Officer
 FROM: Alicia Lopez, Engineer
 DATE: February 8, 2018
 RE: MRGCD Licenses

The following license requests were approved by staff for the month of January 2018.

1. License 2-121-2017—License with Comcast to install and maintain three 2”Ø HDPE conduits within the Arenal Main Canal right of way

2. License 2-115-2017— License with the Village of Corrales to encroach upon a portion of the Corrales Main Canal right of way with a new fire pump station and fire protection improvements
3. License 2-143-2017— License with the Village of Corrales to install and maintain an 8”Ø fire protection line and fire hydrants parallel to the westerly outer 5’ of the Corrales Main Canal right of way
4. SP-044-2017 – License with SunZia transmission LLC to conduct soil surveys for the SunZia Transmission line project within the Rio Grande Bosque, Socorro Acequia, Socorro Main Canal, Luis Lopez Interior Drain. Socorro Main Canal, and The Socorro East Side Riverside Drain right of way
5. SP-054-2017 – License with New Mexico Underground to construct a 8”Ø waterline within the Barr Main Canal and the San Jose Drain right of way.
6. SP-055-2017 – License with AUI, INC. to extend an existing 84”Ø culvert crossing and install a storm drain and waterline within the Arenal Main Canal right of way
7. SP-001-2018 – License with the State Land Office to access the Rio Grande Bosque for research in planning for the Rio Grande Bosque South Valley Invasive Species Removal and Vegetation Implementation project
8. SP-003-2018 – License with Woodridge Productions LLC to film a scene of the television series “Better Call Saul” within the Rio Grande Bosque
9. SP-005-2018 – License with Desert Fox LLC. to bypass pump water and to construct a 72”Ø culvert crossing within the Tome Interior Drain right of way
10. SP-007-2018 – License with Sichler Construction LLC. to reconstruct two Desawa diversion box structures and a concrete check along the Bosque 1 Lateral right of way
11. SP-008-2018 – License with Lewton Construction to install a 1.5”Ø waterline and 4”Ø sewer line parallel to the Lane Lateral and the Albuquerque Main Canal right of way

AGENDA ITEM 9 – REPORT(S) FROM THE MRGCD ATTORNER(S) – Chief Water Counsel and General Counsel

- a. Update on Klamath Falls Case and Amicus Brief – Dr. DuMars, Chief Water Counsel

Dr. DuMars advised the Board that the Klamath Brief is continuing, and the Amicus Briefs in support of the particular brief that is going to be filed. The Association of California Irrigation District, will be filing the Amicus Brief.

The only issue being focused on is understanding the nature of the adjudication process. The federal claims court judge said, can you in these kinds of cases, can you simply accept a determination by the Bureau of Reclamation as to the federal enclave quantity of water rights or should we have to do that through the water rights adjudication.

There are numerous parts of that decision.

AGENDA ITEM 10 - REPORT(S) FROM THE MRGCD BOARD OF DIRECTORS

- a. Report on Finance Committee, January 31, 2018 – Chairman Kelly and Directors Moore & Romero

Chairman Kelly commented that the Finance Committee has discussed the meeting discussion on several other agenda items, and requests a motion for approval.

Director Dunning made the **MOTION TO APPROVE THE FINANCE COMMITTEE MEETING, JANUARY 31, 2018.** Director Baca seconded the motion. The **MOTION CARRIED.**

- b. Report on El Vado Dam CAS and Stakeholders Meeting, January 31, 2018 – Chairman Kelly and Directors Dunning & Moore

Board members discussed this under Item 8g

Director Duggins made the **MOTION TO APPROVE THE REPORT ON EL VADO DAM CAS AND STAKEHOLDERS MEETING, JANUARY 31, 2018.** Director Baca seconded the motion. The **MOTION CARRIED.**

AGENDA ITEM NO. 11 – EXECUTIVE SESSION

- a. NMSA 1978 Open Meetings Act Section 10-15-1-(H)2
 1. Threatened or Pending Litigation

Executive Session discussion of Annual Performance Evaluation of Chief Executive Officer was deferred to the March 12, 2018 Board Meeting.

With no further comments, questions or concerns, Director Baca made the **MOTION TO ADJOURN THE MEETING.** Director Moore seconded the motion and the **MOTION CARRIED** unanimously.

The meeting was adjourned at 5:42 p.m.

Approved to be the correct Minutes of the Board of Directors of February 12, 2018.

Attested:

David M. Fergeson
Secretary/Treasurer

John P. Kelly,
Chairman, MRGCD Board of Directors