

**MINUTES OF THE
THREE THOUSAND ELEVENTH REGULAR MEETING
OF THE
BOARD OF DIRECTORS OF THE
MIDDLE RIO GRANDE CONSERVANCY DISTRICT
JULY 24, 2017**

Directors having been duly notified, Chairman Kelly called the regular meeting to order at 3:02 pm at the MRGCD General Office. The following Directors and Staff were present:

DIRECTORS:

| | | |
|------------------|------------|--------|
| John P. Kelly | Chair | |
| Glen Duggins | Vice-Chair | |
| Joaquín Baca | Director | |
| Karen Dunning | Director | |
| Derrick J. Lente | Director | Absent |
| Beverly Romero | Director | Absent |
| Valerie Moore | Director | |

STAFF:

| | |
|---------------------|------------------------------|
| Mike A. Hamman | Chief Engineer/CEO |
| Tanya Scott | Chief Water Counsel |
| Lorna Wiggins | General Legal Counsel |
| David M. Fergeson | Secretary/Treasurer |
| Jeanette Bustamante | Administrative Officer |
| David Gensler | Water Operations Manager |
| Ray Gomez | Engineer Supervisor |
| Sarah Avallone | Assessment Officer |
| Jason Casuga | Engineer I |
| Sloan Washburn | Belen Division Manager |
| Christine Nardi | Human Resource Director |
| Joe Brem | Albuquerque Division Manager |
| Becky Burnham | Budget Analyst |

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

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|----------------------------------|-------------------------------|
| Jeff Willis, AMAFCA | Viola Sanchez, BIA |
| Cody B. Walker, Pueblo of Isleta | John Thompson, MRGCD Lobbyist |
| Gary Stanisfer, OSE | |

AGENDA ITEM NO. 1 – PLEDGE OF ALLEGIANCE

Chairman Kelly requested that Jeanette Bustamante 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 July 24, 2017 AGENDA AS MODIFIED**. Director Moore seconded the motion. The **MOTION CARRIED** unanimously.

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

- a. Consideration / Approval of June 2017 Invoice for Law and Resource Planning Associates

Chairman Kelly called for approval of the June 2017 invoice for Law and Resource Planning Associates. There were no questions from the Board on the invoice.

Director Moore made the **MOTION TO APPROVE THE JUNE 2017 INVOICE FOR LAW AND RESOURCE PLANNING ASSOCIATES**. Director Duggins seconded the motion. **The MOTION CARRIED unanimously.**

b. Review of FY17 4th Quarter Financials – David M. Fergeson, Secretary-Treasurer

Mr. Fergeson provided the Directors with a detailed binder of the 4th Quarter Financials. The following is a brief summary of the financials: Going into Fiscal Year 17, the District budgeted for deficit spending of \$330,573, and the District did not have to draw from reserves at the State Treasurer as originally thought. Revenues were higher than anticipated and expenditures were also less than anticipated which resulted in a favorable budget to actual variance.

Mr. Fergeson indicated that in the first section of the financial binder is entitled comparison of FY 16 to FY 17 Actual Revenues & Expense that compares the revenue and expenditures of FY 16 to FY 17 by category with explanations of some of the variances. In addition, schedules have been provided to illustrate where the increases or decreases occurred. Section two will be the FY 17 Budget to Actual. This section compares the original FY 17 budget to the final expenditures. This section is required by the NM Department of Finance and Administration as part of our 4th quarter reporting. The important part is that the District did not exceed the total budget of \$20,104,528.

Comparing FY 16 to FY 17 revenues increased by \$679,550 while expenditures increase by \$34,463.

Interest on Investments more than doubled this past FY from \$41,777 in FY 16 to \$85,994 in FY17.

Personnel and Benefits are relatively flat when compared to FY16. The net of Personnel Services Salaries and Benefits is actually down by \$18,945.

Mr. Fergeson provided additional detail regarding, Other Revenue, Contracts with Government Entities, Operation and Capital Grants, Field Expenses, General and Administration expenses, and Special Projects.

c. Consideration/Approval of Resolution BA-07-24-17-73 Fiscal Year 2017 Fourth Quarter Unaudited Financial Report and Unaudited Cash Balance Review as of July 1, 2017

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE MIDDLE RIO GRANDE CONSERVANCY DISTRICT
FISCAL YEAR 2017 FOURTH QUARTER UNAUDITED FINANCIAL REPORT AND
UNAUDITED CASH BALANCE REVIEW AS OF JULY 1, 2017**

BA-07-24-17-73

WHEREAS, in accordance with Section 6-6-2 NMSA 1978, the State of New Mexico Department of Finance – Local Government Division (NMDFA-LGD) has examined the proposed (Interim) Fiscal Year 2017 budget of the Middle Rio Grande Conservancy District; and,

WHEREAS, in accordance with Section 6-6-2 NMSA 1978, the NMDFA-LGD granted the Middle Rio Grande Conservancy District approval and certification for use of the Fiscal Year 2018 budget pending its Board of Governance review and approval of the fourth quarter Fiscal Year 2017 unaudited financial report including unaudited cash balances as of July 1, 2017; and,

WHEREAS, on July 24, 2017 at its regularly scheduled Board of Directors meeting, the Secretary/Treasurer of the Middle Rio Grande Conservancy District presented to the Board of Directors, the fourth quarter Fiscal Year 2017 unaudited financial report including unaudited cash balances as of July 1, 2017; and,

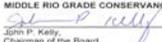
WHEREAS, the Secretary/Treasurer of the Middle Rio Grande Conservancy District hereby certifies that the content of the fourth quarter Fiscal Year 2017 unaudited financial report, including unaudited cash balances as of July 1, 2017, to be true and correct to the best of his knowledge;

NOW THEREFORE BE IT RESOLVED THAT:

The Middle Rio Grande Conservancy District's Board of Governance hereby approves the Fiscal Year 2017 fourth quarter unaudited financial report including unaudited cash balances as of July 1, 2017 and respectfully requests final approval and certification from the State of New Mexico Department of Finance – Local Government Division of the Middle Rio Grande Conservancy District Fiscal Year 2018 budget in accordance with Section 6-6-2 NMSA 1978.

RESOLVED in session this 24th day of July 2017.

MIDDLE RIO GRANDE CONSERVANCY DISTRICT

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|---|---|
|  Jim P. Kelly, Chairman of the Board |  Glen Duggins, Vice Chairman of the Board |
|  Valerie Moore, Director |  Joaquin Baca, Director |
|  Derrick J. Lentz, Director |  Karen Dunning, Director |
|  Beverly Dominguez Romero, Director | |

ATTEST:

David M. Fergeson CPA, CGMA
Secretary/Treasurer

Director Moore made the **MOTION TO APPROVE RESOLUTION BA-07-24-17-73 FISCAL YEAR 2017 FOURTH QUARTER UNAUDITED FINANCIAL REPORT AND UNAUDITED CASH BALANCE REVIEW AS OF JULY 1, 2017**. Director Baca seconded the motion.

Chairman Kelly requested a roll call vote:

| | | | |
|------------------|-----|----------------|-----|
| Director Dunning | Yes | Director Baca | Yes |
| Director Duggins | Yes | Chairman Kelly | Yes |
| Director Moore | Yes | | |

The MOTION CARRIED unanimously.

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

- a. Consideration / Approval of Minutes for Regular Board Meeting – June 26, 2017

Chairman Kelly called for approval of the minutes for the Regular Board Meeting June 26, 2017.

Director Dunning made the **MOTION TO APPROVE THE MINUTES OF THE REGULAR BOARD MEETING JUNE 26, 2017**. Director Baca seconded the motion. The **MOTION CARRIED** unanimously.

- b. Consideration / Approval of Minutes for Regular Board Meeting – July 10, 2017

Chairman Kelly called for approval of the minutes for the Regular Board Meeting July 10, 2017.

Director Dunning made the **MOTION TO APPROVE THE MINUTES OF THE REGULAR BOARD MEETING JULY 10, 2017**. Director Duggins seconded the motion. The **MOTION CARRIED** unanimously.

AGENDA ITEM NO. 5 – ITEMS FROM THE FLOOR

There were no Items from the Floor

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

- a. Reports from the US Department of Interior – Jennifer Faler (NOT IN ATTENDANCE)

Following is the BoR Water Report 07-24-17

1. Heron Summary

Content = 195,496 ac-ft (7/20)
 Azotea tunnel: 100-150 cfs
 Total SJC inflow year-to-date: 149,543 a.f.
 Currently releasing 200 cfs
 Current MRGCD storage: 20,900 ac-ft

2. El Vado Summary

A. Total storage (all contractors and natural) in El Vado as of 7/6:
 131,575 ac-ft.

B. Native in El Vado
 114,437 ac-ft.

- C. MRGCD's SJ-C storage in El Vado
25 ac-ft.
- D. P & P: 14,115 ac-ft
- E. EDWA: 0 ac-ft
- F. All other SJ-C contractors: 2,998 ac-ft

Current release is 600 cfs RG Inflow is 150-200 cfs

3. Storage in Abiquiu

Content = 143,301 ac-ft (7/20)
MRGCD's SJ-C storage= 30,382 ac-ft

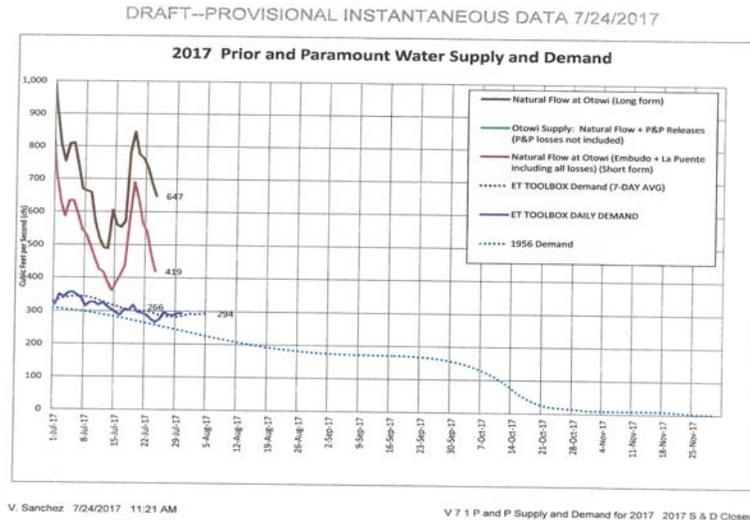
Total water released for minnow to date in 2017: 5,603 ac-ft

Snowpack Data:

All SNOTEL sites melted out

b. Reports from BIA Designated Engineer, Viola Sanchez

Ms. Sanchez provided the Board a hand-out of 2017 Prior and Paramount Water Supply and Demand, and Ms. Sanchez discussed the specifics of the graph with the Board.



AGENDA ITEM NO. 7 – BOARD MEETING SCHEDULE THROUGH OCTOBER 2017 – Mike Hamman, MRGCD CEO

Mr. Hamman discussed at the last Board Meeting about one-meeting a month process to improve the efficiencies of the way that we do business, not only as a board but also the staff support and other things that go on. In talking with Chairman Kelly in terms of being as efficient as possible with the way we conduct our business Mr. Hamman proposed a three month trial basis the following for Board Meeting. On the first meeting of the month concentrate all the business items of the Board, i.e., attorney's invoices, ratification and other financial matters that would need to be addressed such as any kind of equipment acquisitions or anything like that at a set time every month where we deal with the billing and invoices. Instead of having two cycles every month of this process. That would be also an opportunity for

informational items and any draft legislation that we would want to be setting up for the second meeting of the month.

It was also discussed where the public can come in at a time that's more conducive for them to attend and address the Board. This could be altered under emergency conditions, but we would do all of our Board business, Board action, adopting any new policies, adopting any new operating strategies or anything like that that would require Board action on the second board meeting of the month. This second meeting of the month would start at 4:00 p.m. meet for an hour, take a break and reconvene at 5:30 or 6:00 whatever the pleasure of the Board is.

There was a great deal of discussion regarding the start and ending time for the second meeting. Chairman Kelly directed Mr. Hamman and Ms. Wiggins, legal counsel to review and detail this out and report back to the Board with the final resolution.

AGENDA ITEM NO. 8 – REPORT(S) FROM THE CHIEF ENGINEER - (Mike Hamman, MRGCD CEO/CE)

a. Water Report – David Gensler, MRGCD Water Operations Manager

Mr. Gensler reported its monsoon season and raining at various areas of the District. The last of couple of weeks have continued to be up and down, and using a lot of water out of El Vado. We used about 8,000 ac. ft. of storage release which is not too bad for mid-July. There have been previous years we were using 25,000-30,000 ac. ft. so the District is doing pretty good.

Cochiti is about 920 cfs, 75 for fish, 70 for the Water Utility Authority (WUA) and the remainder about 775 cfs for the District. The biggest news is the change in the WUA diversions; they had a pretty erratic daily cycle, up and down with their diversion in a 24 hour period, to maintain compliance with the letter of their permit. The District, WUA and State Engineer (OSE) met to discuss this, and how it was affecting our operations at Isleta. Mr. Hamman and Mr. Stomp, of WUA agreed to an alternate constant rate of diversion and Mr. Stanisfer of OSE graciously allowed a 30 day test period to see if it helps stabilize flows at Isleta Dam. Mr. Gensler advised the Chairman the problem is their physical infrastructure, its being in compliance with their permit. There is a provision in their permit that requires them to match their diversions with what their treatment plant outflow does.

The river started drying just south of Highway 380, unknown of the total river miles dry, possibly on the order of six or seven. Reclamation is operating pumps down south. We are diverting about 140 cfs up at Cochiti, 120 Angostura Dam, roughly 420 at Isleta and 110 at San Acacia.

b. Hydropower Potential with MRGCD Facilities Investigation – David Gensler, MRGCD Water Operations Manager

Mr. Gensler wanted to talk to the Board about a pipe dream of a 20,000-foot view of a possible future for the District. About six years ago Mr. Gensler prepared a report for the U.S. Committee on Irrigation and Drainage on hydropower potential for the District. At that time Mr. Gensler discovered that other people had prepared similar reports. In 1981 Dr. Richard Hagen prepared a hydropower report. Mr. Hagen was working for the District at the time as a consulting engineer, and even further back in time MRGCD Chief Engineer Burkholder spent a substantial amount of time examining hydropower potential in the project, that he was then designing. Burkholder found significant useful potential at several location and suggested that the potential should be utilized. Mr. Gensler states at that time, they had the ability and the thought to generate electricity from the irrigation canals, but they simply realized that in 1930 there weren't enough people living here to buy the power.

Mr. Gensler expressed we live in a changed world where renewable and green are as much a concern as simply making electricity. Understanding the concerns about the greenness of hydropower when you are changing the system, in the District's case we already have a system

that is constructed to put water in conduits, and it's moving somewhere for some intended purpose, and in the process a lot of energy is expended, which could be easily captured and converted into electricity.

With hydropower, you can run a rated capacity effectively 24/7, outside a planned downtime for maintenance. It is reasonable to expect something like 80 percent operating time on this system or better. So what does the District have. Bernalillo pumps at Albuquerque Main Canal probably 75 kilowatts in capacity, 640 Feeder another 440 KW, Belen Highline at Tibo Feeder roughly 80, and Belen Highline at Feeder 3 maybe 200 kilowatts, and on various sites on the Socorro Main ranging from 40-60 kilowatt in their present configuration. In Cochiti the flows are relatively small, and everything that we divert there comes right back to the river before we get to Albuquerque. We operate Cochiti and other canals around the District at less than capacity because we don't have enough use to justify operating at capacity. It is hard to justify running a canal at 100 CFS when only 15 is actually going to be used, and that why I refer to "present configuration."

What if, in addition to delivering water to irrigators, district canals were operated specifically for power generation? We could then justify operation at canal capacity; it would be a beneficial use of water. Another thought would be to operate 365 days out of the year. It would be a lot of benefit to operating year-round. Certain things that the District does would become less of a problem if we didn't have a winter shutdown period and operated the canals at very constant rates of flow. So encouraging the District to take up hydropower it is also being suggested some fundamental changes in the District operations. Mr. Gensler then provided a diagram of Cochiti and it outlined nine potential sites for the hydropower. There was much discussion regarding on much energy would be produced and the associated cost. Mr. Gensler stated a few years back a source from Arizona estimated \$300,000 per site based on projects on the order of 20, 30, 40, 50 kilowatts, with additional cost for infrastructure changes which would also add money.

If the District can generate electricity from our canals, it can only be a good thing, and brings up the idea of partners like PNM, and include our Pueblos as partners. You may notice that all these sites are located near the three northern Pueblos. Mr. Gensler looked up the DOE's Office of Tribal Energy and found two existing grants to develop solar energy project on New Mexico Pueblos.

Director Dunning commented that Gary Esslinger from EBID paved the way by getting Congress not to require a Federal Energy Regulatory Commission (FERC) permit.

Chairman Kelly stated the District has to find out what the regulatory issues we would need to deal with, and suggested using our on-call engineer to find somebody to help out with the technical matters.

The Directors asked questions and Mr. Gensler responded to each of their questions

c. Update on Corrales Siphon Repair Project – Jason Casuga, MRGCD Staff Engineer

Mr. Casuga discussed the two (2) proposals from AUI, Inc. provided for the repair of the Corrales Siphon. Proposal 1 @ \$132,958.00 and Proposal 2 @ \$232,714.00. The difference in the cost in proposal 2 is in the event of an emergency repair prior to the irrigation season ending, AUI would have to do by-pass pumping from Rio Grande River to MRGCD Siphon and divert Corrales Main Canal to the Riverside Drain which justifies the increased cost. Mr. Casuga requested approval and award to AUI, Inc. for Proposal 1 in the amount of \$132,958.00 plus gross receipt tax. Mr. Casuga also advised the Board that this procurement will be through CES Cooperative Agreement as per NMSA 13-1-135. There was discussion and questions, and Mr. Hamman and Mr. Casuga responded accordingly to each.

Director Dunning made the **MOTION FOR APPROVAL TO PROCEED WITH CES CONTRACT FOR AUI, INC. FOR CORRALES SIPHON REPAIR.** Director Moore seconded the motion. The **MOTION CARRIED** unanimously.

- d. Preliminary Discussion with NM Game & Fish on Permitting Elk Hunting on MRGCD lands – Mike Hamman, MRGCD CEO

Mr. Hamman advised the Board that the Game and Fish officials are interested in eradicating elk along the Rio Grande corridor in southern Valencia and Socorro Counties, and submitted a proposal to allow the District as a land owner to have our own permits, that would allow for “Bow” hunting permits to be issued directly by us to willing participants, which would be a revenue source for the District. It would also allow the District to assist those farmers that are having concerns as far as impacts to their crops from various elk herds that have established themselves along the Rio Grande Corridor. Directors had questions, comments and also some feedback regarding this matter. Mr. Hamman stated he will keep the Board updated as things progress regarding this permit process from Game and Fish.

- e. Report on Chama Trip July 13 & 14, 2017 – Mike Hamman, MRGCD CEO

Mr. Hamman reported that 14 people made the tour that consisted of five Board Members, senior staff and staff. They saw several key locations in the Rio Chama basin that illustrated some engagement and use on operational strategies and processes that we engage with multiple parties on the Rio Grande and Chama to make sure that our water is delivered to us from El Vado and the San Juan Chama Project. We toured Abiquiu Dam, and were able to go down into the Bell Chamber Tunnel. We were able to see the gate as it operates at Abiquiu Dam, then moved north to Cooper’s Ranch for lunch and discussed some issues between the rafters and the fisherman at that site. We drove around the backside of El Vado, then toured Heron and got a flavor on how the San Juan Chama Project stores its water at Heron Dam. After dinner we had a nice conversation around a campfire and it was fun to have that interface between the Board and staff. The next day went to our USBR Chama office to see how \$700,000 of annual expense is utilized, and it is fairly bare bones operation and not an elaborate and luxurious office. They are facing very similar situation as the District in terms of the age of their equipment. Then we drove to OSO Diversion Dam which is the largest diversion dam in the San Juan Chama Project. Last stop was the outlet of Azetee Tunnel when running full it is somewhere around 1,000 cfs. That day it was running close to 350 cfs.

Chairman Kelly thanked Mr. Hamman for coordinating the tour and commented it was quite valuable, and all the board members concurred and really saw how important and seeing what the infrastructure needs are when they talk about it at the meetings now they know what the conditions are.

- f. Report on Law Seminars International Presentation – Using Hydrology as Proof in Water Cases, July 17, 2017 – Mike Hamman, MRGCD CEO

Mr. Hamman reported that he was invited to participate in this seminar and the topic is to speak on Ground Water Surface Water Interface. There were supplemental wells drilled in the '50s, and many of the farmers back then did drill supplemental wells under the District’s permit 0620. He spoke a little about water right permits and water resources available to the District and how the river runs. Several farms have pre-1956 supplemental wells that they utilize on a conjunctive use basis. He explained that several owners of ground water rights that actually acquired them through retirement of pre-1907 water rights into their wells.

We have a semblance of ground water surface water utilization, it’s highly regulated by the State Engineer’s Office so that we don’t necessarily increase any net depletions in the valley. Mr. Hamman also talked about the potential for the District to engage in aquifer storage and recovery on a small scale in certain areas, and other types of creative use of ground water and surface

water options that could be implemented in preparation for long term drought. Obviously there are permitting issues, but those are things that can be explored as part of our Drought Management Plan.

- g. Report on Meeting with Rio Grande Trail Commission at the Whitfield WMA on July 20, 2017 – Mike Hamman, CEO

Mr. Hamman had reported on this in more detail at the last meeting. There is a panel of various people that are on the Trail Commission, and also a couple of legislators that sit on that panel. They had a quarterly meeting held at the Whitfield Wildlife Management Area and Mr. Hamman and Ms. Najmi attended. They heard reports from the various subcommittees; The Alignment Committee reported that they will be looking at various options of the Rio Grande Trail. The committee laid out a schedule that in November they are hoping to have some preliminary alignment starting to go out to the public for review. They also talked about the public outreach process. They hired a facilitator, Rosemary Romero that has teamed up with the general contractor. The plan is to take a look at not only alignment but also connections to existing trail systems and existing hubs of interest and cultural resource sites and various things that are within the Middle Rio Grande Corridor. It's a big hill to climb, but everybody has a lot of enthusiasm and interest. They will be working very closely with the District since much of the trails would probably utilize part or much of our facilities.

- h. Notification of 2017 Water Service Charge Reclassification Hearing per NMSA 73-18-8.1– September 11, 2017 – Mike Hamman, MRGCD CEO
- i. Chairman Kelly advised the Board that he is no longer working with Tetra Tech and this removes any potential conflict of interest, whether perceived or actual as his role as the Chair of the Board.

AGENDA ITEM 9 - REPORT(S) FROM THE MRGCD BOARD OF DIRECTORS

- a. Report on the Chama Trip, July 13 & 14, 2017 – Chairman Kelly, and Directors Duggins, Dunning, Baca and Moore.

Director Dunning made the **MOTION TO APPROVE THE REPORT ON THE CHAMA TRIP, JULY 13 & 14, 2017**. Director Duggins seconded the motion. The **MOTION CARRIED** unanimously.

- b. Finance Committee Meeting, July 24, 2017 – Chairman Kelly and Directors Moore, Director Romero participated via teleconference.

AGENDA ITEM NO. 10 – EXECUTIVE SESSION

- a. NMSA 1978 Open Meetings Act Section 10-15-1-(H)2
 - 1. Threatened or Pending Litigation – Report on the O'Connor Litigation Meeting July 18, 2017 – Lorna Wiggins, General Counsel

Chairman Kelly requested a motion to move into Executive Session at 5:23 pm.

Director Duggins made the **MOTION TO MOVE INTO EXECUTIVE SESSION PURSUANT TO NMSA 1978 OPEN MEETINGS ACT (SECTION 10-15-1(H)7)**. Director Moore seconded the motion.

Chairman Kelly requested a roll call vote:

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| Director Dunning | Yes | Director Baca | Yes |
| Director Duggins | Yes | Chairman Kelly | Yes |
| Director Moore | Yes | | |

The **MOTION CARRIED** unanimously.

Chairman Kelly requested a motion to move back into the regular Board meeting.

Director Dunning **MADE THE MOTION TO MOVE BACK INTO REGULAR SESSION.** Director Duggins seconded the motion.

Chairman Kelly requested a roll call vote:

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|------------------|-----|----------------|-----|
| Director Dunning | Yes | Director Baca | Yes |
| Director Duggins | Yes | Chairman Kelly | Yes |
| Director Moore | Yes | | |

The **MOTION CARRIED** unanimously.

Chairman reconvened the regular meeting at 5:27 pm.

Chairman Kelly said for the record that only discussion was had and no action was taken.

Director Moore made the **MOTION TO ADJOURN THE MEETING.** Director Baca seconded the motion and the **MOTION CARRIED** unanimously.

The meeting was adjourned at 5:29pm.

Approved to be the correct Minutes of the Board of Directors of July 24, 2017.

Attested:

David M. Fergeson
Secretary/Treasurer

John P. Kelly,
Chairman, MRGCD Board of Directors