ITEM:

Approve the minutes of the Public Utility Advisory Board for July 17, 2017.

BACKGROUND:

None.

STAFF RECOMMENDATION:

Approve the minutes.

Submitted by: Renee Cantin, City Clerk-Treasurer
Meeting date: 09/27/2017
Regular meeting of the Public Utility Advisory Board of the City of Truth or Consequences, New Mexico to be held in the City Commission Chambers, 405 W. Third, Truth or Consequences, New Mexico, on Monday, July 17, 2017 at 5:30 P.M.

INTRODUCTION:

PRESENT:

George Szigeti, Chairman
Jeff Dornbusch, Vice-Chairman
Ron Pacourek, Member
Glenn Avejar, Member – Arrived @ 5:36 P.M.
Randy Ashbaugh, Member

ALSO PRESENT:

Juan Fuentes, City Manager
Scott Griffith, YESCO
Alex Montano, YESCO
Robbie Travis, Building Inspector
Melissa Torres, Finance Director
Bo Easley, Electric Division Director
Arnie Castaneda, Water/Wastewater Department Supervisor
Traci Burnette, Grant Project Coordinator
Sonya Williams, Utility Office Manager
Tammy Gardner, Electric Division Administrative Assistant
Angela A. Torres, Deputy City Clerk

APPROVAL OF AGENDA:

Klaus Witten - It is his understanding that the board was handed a document that is not in the public record at this moment, but it is in your hands. He feels the public has a right to know what the board is reviewing. He requested that the Chairman rule that he be provided a copy of the document, and be given 15 minutes to review it.
City Manager Fuentes- That is not on the agenda. It is a record that can be made available, but the information is for the board members to review and consider. Therefore, he would recommend that we proceed forward.

Chairman Szigeti- He would have to agree with that. We are here for discussion only. There is not going to be any action taken. He knows he will need more time to review this document as well.

Vice Chairman Dornbusch moved approval of the agenda.

Member Pacourek seconded the motion. Motion carried unanimously.

APPROVAL OF MINUTES:

Regular meeting of Monday, June 19, 2017:

Chairman Szigeti—Prior to the meeting passed along a few editorial comments to Deputy Clerk Torres.

Vice Chairman Dornbusch moved approval of the June 19, 2017 minutes with the changes made.

Member Pacourek seconded the motion. Motion carried unanimously.

COMMENTS FROM THE PUBLIC:

Klaus Wittern – It is very difficult to comment on an agenda that is incomplete because the packe: was selectively omitted. He reserves the right to comment on the presentation and it not to be counted against his 3 minutes.

RESPONSE TO COMMENTS FROM THE PUBLIC:

There was no response to the public.

Discussion/Update: Sanitation Department – Andy Alvarez, Sanitation Director:

There was no update for the Sanitation Department at this time.

Discussion/Update: Electric Department - Bo Easley, Electric Division Director:

Electric Department Director Bo Easley reported the following:

- The Tesla project has been completed.
He will meet with the Hospital tomorrow to discuss the groundbreaking.

The High School Fitness Center project will start in the late part of August, and they will be building a 3 phase line.

Contractors are currently working on the Animal Shelter by the Armory.

They have been replacing poles around town.

Member Avelar - Asked if they have been replacing anchors.

Bo Easley – Yes, and he has also been meeting with the cable company and Windstream to have them also replace their anchors.

Vice Chairman Dornbusch – Asked if the testing for the poles has been approved, and do we have a good supply of poles.

Bo Easley – Yes, we have been approved, and we have plenty of stock.

Discussion/Update: Water/Wastewater Department - Jesus Salayandia, Water/Wastewater Director:

Water/Wastewater Supervisor Arnie Castaneda reported the following:

- They planned on having well #7 back up last week but they fell into a couple of snags. Hopefully they will get it back on line this week. Right now we are only getting about 450 gallons per minute. It was incrusted with lots of iron bacteria, and if we continue to scrub the bottom of that casing we are going to wear it down so thin that it will become useless.
- The blowers at the Treatment Plant have been repaired and/or modified.
- They have a meeting with Smith Engineering at the Wastewater Treatment Plant on Wednesday at 10 a.m. to discuss ongoing projects.
- They did some work on the Cook Street booster pumps. They finally got the second pump up and running, so now both pumps are up and running.
- They have a pressure reducing valve on Pershing Street that has been giving them some problems and it affects the pressure on some of the lower zones in town. They are working on it, and trying to maybe find a repair kit for it. They don’t want to replace the whole valve quite yet because the cost of that will be anywhere from $10,000 to $12,000.

Discussion/Action: Automated Meter Reading Project for Electric and Water System - Yearout Energy Services Company:

Mr. Griffin reviewed the Automated Meter Reading Project for Electric and Water System which included:

- The project description
- Water/Sewer Utility
- Baseline Utility Data
- Meter Project
Chairman Szigeti – The flow ratings in our packets don’t agree with yours.

Scott Griffith – The document we provided you with today has the actual information. We had to change some of the data based upon some of the final information they received.

Member Avelar - You mentioned that the Electric Department would be able to shut down the system? He thought that this was just going to be meters.

Scott Griffith – The Electric Department will be able to understand what the electric meters are doing. The system will flag problems immediately so you can shut the meters off remotely.

Member Avelar – How often do you think these meters will have to be checked?

Alex Montano – Their plan is to check them annually.

Member Avelar – Will the warranty be up in 20 years?

Alex Montano – Yes, the warranty on the meters is 20 years. However, these meters will have a life span longer than 20 years.

Scott Griffith – These meters will last anywhere from 30-35 years and the batteries have a 10 year warranty.

Member Ashbaugh – Which statute does this fall under?

Scott Griffith - Section 6-23 which is in the document that was given to you prior to the meeting.

Member Ashbaugh – It would be nice to see more than a $1 a year savings. You put in all these costs, and based it on our savings, and it just balanced out in our cost on what we are going to save.

Alex Montano - Projects can run anywhere from 10-25 years, and so for what we are trying to do, 20 years is the sweet spot for the cost of capital, and so we try and look at how that is going to run over that savings.
Member Ashbaugh— He understands what you are doing here, but it would be nice if we saved $100,000 or $200,000 a year. What is your anticipated upside savings that we are going to have for accuracy, and things like that.

Scott Griffith – Your anticipated upside is not built into those numbers. All of the upside on the commercial meters goes into the pocket of the city.

Member Ashbaugh – You don’t have a figure on that.

Scott Griffith- We can certainly provide that.

Member Ashbaugh – It would help him personally to show additional savings as well as any other fees.

Vice Chairman Dornbusch – On your appendix G – Meter Test Results: What are the dates these were read?

Scott Griffith – They had crews out here about 8 months ago.

Vice Chairman Dornbusch – So it was quite a while ago when you did this meter testing. Where did these percentage numbers come from that are on the meter accuracy testing results page. And why were we given this if they are not the same percentages that are in the actual meter analysis. This bothers him because this makes it look like there is going to be a big revenue increase.

Scott Griffith - The information is being constantly gone over, so we gave you the initial numbers that were a broader spectrum, and then we got them down to the exact...

Vice Chairman Dornbusch - These results were done before this was given to us. So why was this even given to us? The meter testing results don’t reflect these numbers at all. So where did these numbers come from?

Scott Griffith - If you look at the meter testing results there is a lot of variables that go into this.

Alex Montano – There was a mistake last time if you recall, and it may have not gotten the updated. He transposed the percentage accuracies the wrong direction and he apologized for that the last time. He made an update to the version that got sent out afterwards, but it may have not gotten reflected on the one that was delivered yesterday. However, the numbers have not changed. It was a transposal of numbers going the wrong direction on the paperwork.

Vice Chairman Dornbusch – When you have 46 out of 68 doing better than 97%. What’s going on with that?

Scott Griffith – That’s because they were newer meters.
Vice Chairman Dornbusch – If we have newer meters, then why not just put newer meters in at $35 a piece rather than $130 a piece? Then we’d see a huge revenue increase right away and we wouldn’t have to borrow a bunch of money to do it. Are these real meter readings or just fictitious numbers?

Scott Griffith – Those are actually what your meters read.

Alex Montano- A group of them, plus a couple of organizations reviewed the numbers, and they all came up with the same results.

Member Ashbaugh- His main concern is all of the fees, after this is put in. It just needs to be a simple sheet of what it is going to cost over and above, and what they are going to make a payment on. Just make it as simple as possible please.

Chairman Szigeti- Asked that the Water Department breakdown the ages of the meters that are installed and compare that breakdown to this.

Scott Griffith – We have that information on another document.

City Manager Fuentes – Please remember that one of the benefits of this project is that it pays for itself through the savings. We are going to be recovering some revenue whether it is significant or small, there is going to be some revenue gains. There will be some customer service gains also because people will have access to their data. The Utility Office will have one billing cycle and it will be billed from the office, and rather than having two meter readers we may end up having one meter reader. So there are other benefits that we may or may not have. This project has been going on since 2015, and some of the issues we had in the past have been that we’ve had issues with meter reading. He has personally observed meter readers going in sometimes, lifting the lid and taking off. So whether or not these reading are being done accurately, who knows? So please keep that in mind that there are benefits other than dollar amounts. We are looking at creative ways to see how we could do things differently.

Vice Chairman Dornbusch – He does appreciate all of the benefits that would come with a totally automated system. However, what concerns him is the revenue of replacing meters that are 100% efficient. What is the occupancy rate of this community? How many of these meters are going to go in front of a house that nobody is living in, at how many dollars per meter? It’s nice to have good service, but we are a very low income city. He is looking at an increase in his own bill if this goes through, and he can’t really afford that. The basis of all of this revenue is going to come from more accurate meters, but when these numbers come up that is giving him pause, it makes him question every other number that comes after this. He would recommend that they look at this, versus the cost of the system being put in, versus the cost of doing it “in house.” We may not be able to do it the way they do, but if we pull the meters out that are inefficient, and just replace inefficient meters with new mechanical meters, that would generate the city a ton of revenue without the cost. If these numbers are accurate, then we have a heck of a lot of line loss which means we should be focusing all our money on replacing our mains, ancillary lines, and taps. If our meters water is only losing 5% that means there’s 21% going out into the dirt, and he thinks we should address that need first before we start playing with new ways to collect data.
City Manager Fuentes – He understands that, but he doesn’t think that your addressing the challenge that staff deals with every day, and not just us as a municipality, every single municipality everywhere. They ask where you found the money to replace that line. And he can tell you that you’re not going to find it anywhere for free. There is no free money. We are very fortunate to have a partner like USDA to give us that grant money. But if we didn’t have that partner then guess what, we wouldn’t have improvements in the Wastewater Treatment Plant and we wouldn’t be working on the application for the water side. So yes, he understands that there is a lot of need in the system, and that’s why he cringes and has issues when we start talking about reducing rates, because there is so much need. And where is the revenue? This is only being funded by the water side, but on the electric side we’ll pay for part of this debt, which means that whatever the electric side pays, that’s freeing up additional money for the water side which in turn will go back into the system to make improvements. This is a proposed project and if the Board does not endorse it then it goes to the Commission with no endorsement, and the Commission will decide whether to proceed forward or not.

Member Ashbaugh- They’re guaranteeing these numbers, and they will pay if the numbers are wrong but he understands Jeff’s concerns because they had a study done, and they said it’s going to take $26 million dollars to upgrade our water system. He wants to know what the fees are, and what they are, over and above our payment for the next 20 years if we do the job.

Arnie Castaneda- He can tell you, as an operator, and being out there looking at these meters, they are older meters. A new meter is 98% to 99% accurate, and a majority of the meters that are out there are not.

Vice Chairman Dornbusch - That’s why he doesn’t think the numbers are accurate.

Member Avelar- Are you using glass as opposed to plastic for the meters. And what is the test criteria they used for 10 to 15 years, as opposed to a couple of years for being able to read through the meters. Even though they will be read remotely, you’ll have to go in and check them every once in a while. How often will the test site be?

Scott Griffith – He spoke with the people from ITron and they no longer put glass on electric meters they use a very high quality version of polycarbonate, and they passed all of the standards for the enterprise utility size business.

Ron Pacourek – Had concerns regarding the life of the batteries.

Scott Griffith – The batteries are warrantied full value for 10 years. Because these meters may not be sending the same amount of information, it will flag, and tell you when the battery is low. They have to make sure the useful life of the product lasts beyond the term itself. The warranty for the batteries is 20 years.
Chairman Szigeti – We’re going to need some time to look over all of the information.

Scott Griffith – If you have any questions please let them know.

Discussion/Action: Code of Ordinances sec. 14-94-b-1 and sec. 11-14-1 – Ron Pacourek:

Member Pacourek- He believes as a Public Utility Advisory Board it is their responsibility to look at these rates every year. March would be a good time and if there are some rates that need to be changed, they can make that recommendation to the City Commissioners.

City Manager Fuentes- When those ordinances were adopted that was highlighted and it was made very clear that the intent was for it to increase 5% every year in order to stay consistent with the growth. As we mentioned in the past, when we made a presentation to funding agencies, one of the first questions they ask is, have you adjusted your rates to the customer CPI, and a lot of communities fail to do that. So when we did the Wastewater Analysis with USDA, we had a meeting at the Civic Center, and it was presented that they were adjusted. And it was a decision made by the Commission to say that we have to keep adjusting the rates each year, because they are not generating enough revenue in the Wastewater system or on the Water side. On the water side we were talking about the cost of the infrastructure that we need for improvements, and the cost to replace water lines. Right now, we also need a vacuum truck, and the vacuum truck is being split between the Electric and the Water Department. So if we do not continue to provide these departments with that revenue stream to replace some of that equipment, then how are we going to be able to provide that resource? There is no other funding source or grant out there to provide for water line replacements, for staff, equipment, or vehicles. The rates are what are helping fund that.

Member Pacourek – He is not arguing that fact. He is arguing that it is automatic. What is this board for? Shouldn’t we be looking at these annually, and discussing whether there should be a change.

Chairman Szigeti– He and Gil have been here longer than other members on this board, and they have heard some of these arguments in the past. Both the rate adjustment and the annual adjustment were all presented to the Utility Board. It was approved by this board, and that recommendation was sent forward to the City Commission for the reasons that the City Commission has outlined. And yes, it is our duty to look at those rates, and if there should come a time when the rate increases go above and beyond what the departments actually need, then it is the duty of this board to recommend making an adjustment to that.

Member Pacourek- The meaning of these two statements that he reads is applied to both the customer charge and the monthly rate. He does not see that. These were not written very well, so it needs to be corrected.

Chairman Szigeti - Does the base monthly charge change increase as well as the cost per unit?

Sonya Williams- Yes, it applies to both.
Member Pacourek - The only part it says in here is "fees" and so this is compounded every year, so where is the sewer and sanitation and how far are they in the red that they have to have this increased every year, both monthly rate and customer charge?

City Manager Fuentes - He can tell you right now that they are not in the red, because we make these adjustments. They are just starting to come out of the red, and they are putting money back into the system with the Wastewater Improvements, and they are looking into doing lift stations so they are putting money back into the system because they are not in the red anymore.

Member Pacourek - Then we need to be looking at these every year and making the adjustments accordingly.

City Manager Fuentes - He understands that is one members opinion, but like he said, he knows that the Commission, along with the endorsement of this previous board made those amendments for automatic increases.

Chairman Szigeti - If you are going to adjust the rates every year, then you will have to go through an ordinance, a public hearing, and the whole 9 yards. It's a cumbersome and tedious process. If you have what you believe to be a reasonable increase in the cost, to put it in the ordinance to put it that way and come back and review it regularly to make sure you are not going overboard with the increases that's fine.

Member Ashbaugh - He likes to simplify things. We could have a review maybe in March, April, and May or even before the budget so we could look at the rates and see how much money the Water, Sewer, and Electric Departments are producing, and what capital expenditures they want to do. We can basically run it like a business, but it does need to be reviewed. A 5% increase may be too much. It's the ordinance right now so we can leave it at 5%, but it should be reviewed.

City Manager Fuentes - With all due respect, this is not a business in the sense that we have really expensive items that we have to take care of, in regards to the Water system, Wastewater and Electric system. We are going into an ICIP process that identifies the study that was done on the water side of $26 million dollars in improvements that needs to be done. Arnie in Water & Wastewater is looking for a winch truck to be able to pull the pumps. If you have not seen the equipment the employees have, then he really suggests you all look at what they have, because the fees and the revenue that this system is providing. The Wastewater that came out of the red about two or 3 years ago is generating some revenue to be able to buy some of this equipment, but we have lift stations that need to be repaired, sewer lines that need to be replaced, and a hot spring ditch that needs to be fixed. There is a tremendous need for the infrastructure in this City. Anytime that you start reducing that revenue source for the system to be able to replace, we have way too many needs, and that's the only caution he would have. Again that's why a lot of communities do this automatically, because there is never a will to increase.

Chairman Szigeti - A 10% annual increase would probably not be enough to take care of all of the infrastructure needs.
Member Pacourek – That is not what I’m discussing.

Member Ashbaugh- The fees do need to be reviewed, and keep it simple where we could understand it.

Chairman Szigeti – He has no objection with that.

Member Pacourek – He really believes that the meaning of these two statements in the code do not apply to the customer charge. His feeling is for the unit of a 5% increase.

Member Ashbaugh- suggested that the City Attorney review the ordinance.

Member Pacourek- How do we do that?

Chairman Szigeti – We make a request that this be forwarded to the City Attorney for a review on the wording.

City Manager Fuentes – If this board wants to make a recommendation to the Commission then they can certainly do so.

Member Pacourek made a motion for the City Attorney to review the wording of the Code of ordinance, sec. 14-94-b-1 and sec. 11-14-1, and requested that it be more specifically detailed.

Motion seconded by Randy Ashbaugh. Motion carried.

Discussion/Action: Electric Rates - Ron Pacourek:

Member Pacourek – The Electric Department produces something well over $1 million dollars annually, and he is thinking that if that is doing that well, then maybe we ought to be reducing that rate. That is something we should be doing right for our community, and the people who pay their utility bills every month.

City Manager Fuentes- He understands that. However, please keep in mind of what would be defunded from the General Fund and other sources that the city provides. He thinks that something you fail to recognize is what the Electric Division is funding and supporting. If the other services are not in the other utilities, you will not have enough revenue to support that. The income has to come from somewhere.

Member Ashbaugh– How much are they exactly taking out of the Electric Department and spending in the General Fund, because that is a hidden tax. And with the income levels in this town, that is a very regressive tax.
City Manager Fuentes- He doesn’t think the city understands exactly how much the Electric Department covers the rest of the departments, and he thinks if they really knew what the Wastewater, Solid Waste, and Water Departments would have to increase to hold their own, they wouldn’t like it what so ever.

Member Pacourek – He feels it’s the responsibility of the Public Utility Board to review these rates on an annual basis.

COMMENTS FROM THE BOARD:

There were no additional comments from the Board.

COMMENTS FROM STAFF:

There were no additional comments from staff.

ADJOURNMENT:

There being no further business to come before the Public Utility Advisory Board, George Szigeti, Chairman, declared the meeting adjourned.

APPROVAL:

PASSED AND APPROVED this 21st day of August, 2017, on a motion duly made by Ron Pacourek, seconded by Gil Avelar, and carried.

George Szigeti, Chairman
Public Utility Advisory Board