

Presentation by
Bob Allen, ALG&CC Director



Alto Lakes Golf and Country Club

Town Hall Meeting

July 14, 2007



Items to be discussed

- Why sell the water and wastewater systems?
- Terms of ALWC Acquisition Agreement
- Benefits of the Agreement



Why Should the Club Sell the ALWC

- Much of the water system is 40 years old
- Cash flow has been in decline for two years
- Potential sources of funding for improvements are limited
 - Operations do not yield sufficient cash to fund capital improvements
 - Borrowing power is limited by the ability of the Club to guarantee loans
 - Member equity funding is not a desirable alternative



Terms of the Asset Sale and Purchase Agreement



Financial Terms of Agreement

- ALWSD will pay ALG&CC
 - \$900,000 for equity
 - \$1,600,000 +/- to pay off outstanding ALWC loans
- ALWSD will lower ALWC proposed 20% rate increase to 12.5%



Financial Terms of Agreement (Continued)

- ALWSD will borrow \$4,000,000 from the New Mexico Finance Authority which will be repaid from revenues
- ALWSD plans to remove the existing mil levy in July of 2008



General Terms of Agreement

- Water and wastewater assets will be purchased from the Water Corp.
- Solid waste & maintenance yards will be purchased from the Club.
- All Water Corp staff will become employees of the District at comparable compensation and benefits
- A binding referendum of all property owners is required –
 - Before any question, other than election of the Board of Directors, is put to a vote of the electorate.
 - Before implementation of a community wide sewer system

Other Features of Agreement

- Club will retain ownership of its water rights
- Club water rights will be leased at \$1/year for 40 years with option to purchase after 20 years and a right of first refusal if another offer is received
- Transfer will not occur until:
 - Approved by referendum of District property owners
 - Approved by vote of Club membership
 - Approved by state agencies; PRC, NMED, OSE



Benefits of the Agreement



Benefits to Club/Members

- To Club:
 - Realizes approximately \$900,000 cash
 - Water rates reduced by \$24,000 the first year
 - Club assets released as collateral
 - Released from responsibility to provide water service to the community or for irrigation
- To Water Customers:
 - Water rates reduced by \$56,000 the first year
 - Meaningful/significant system improvements



Presentation by
Earl Adamy, ALW&SD Director



Alto Lakes Water & Sanitation District

Town Hall Meeting

July 14, 2007



Items to be discussed

- Overview of District
- Capital Improvements
- Financial information
- Benefits of the purchase



What is the ALW&SD?

- Quasi municipal government
 - Many but not all powers of a municipality
- 5 Member Board – all members of the Alto Lakes community
 - Earl Adamy, President
 - Part of this effort since early 2003 when Harry Gevertz, Mark Clark and I began research on how to protect our water system from control by Ruidoso and finance needed system improvements
 - Dan Knorr **PE**, Vice-President and Treasurer
 - Headed El Paso office of Parkhill, Smith & Cooper engineering consultants
 - Joined Water Corp Board in 2002, served as President 2003 to 2005
 - Important part of this effort since early 2004
 - David Winans **PE**, Secretary – Exxon Pipeline as joint interests manager
 - Warren Barrington - Aramco in project quality control management
 - Gary Parker - Texaco and Shell in marketing
- Voting in District Elections
 - Alto Lakes property owners registered to vote anywhere in NM can vote in District elections (about 40% of our property owners)
 - Agreement provides for referendum of all property owners on issues requiring a vote except Board elections before submitting issue to voters.



Purpose of District

- Improve aging water system
 - Upgrade/replace existing distribution system
 - Add centralized water treatment to reduce waste and improve water quality
- Improve drought resistance of water supply
 - Improve existing wells and drill new wells into deep aquifers
 - Participate in regional water planning
- Re-use what water we can
 - Use treated wastewater and WTP reject for golf course (5% of irrigation water will come from recently upgraded sewer treatment plant)



District's Advantages

- Readily finance capital improvements
- Finance projects at much lower cost
 - 2% for up to 20 years: NM Drinking Water Fund
 - 3% for up to 40 years: NM Rural Infrastructure Program
 - 4%+- for up to 20 years: NM Finance Authority
- Participate as peer in regional water planning
- Benefit from state and federal grant programs
- Use public rights of way
- Survives annexation
- Prevents taking of water system by Ruidoso

Capital Improvements - Process

- District conducted a survey 18 months ago which gave us guidance on community priorities
- Process provides for community participation
 - Public meetings to get community input on needs
 - Preliminary Engineering to define scope/cost
 - Public meetings to get community input on cost/benefit
 - Prioritize improvements against available funding
 - Close funding
 - Construct improvements



Capital Improvements - Distribution

- Distribution system (**long-term project**)
 - Preliminary Engineering - grant/ALWSD
 - Rehabilitation and upgrades (**begin 2008**)
 - Rezone – maintain/improve water pressure
 - Line replacement – adequate water flow for residential and fire fighting
 - Looping lines to eliminate standing water
 - Additional water storage



Capital Improvements - Quality

- Water quality (**begin '08, complete '09-'10**)
 - Engineering, land acquisition, and permitting
 - Seek grants from 2008 Legislative Capital Outlay program and/or Water Trust Fund
 - Treatment plant to provide “city” quality water
 - Possible “turn-key” plant with Army Corps of Engineers (25% share)
 - Construct plant with Rural Utility funds at 3%



Capital Improvements - Supply

- Water supplies meet current needs
- Objectives
 - Improve drought resistance
 - Serve new construction (600-700 homes)



Financial - Loans

What we will borrow

- \$4 million borrowing from NMFA, blend of
 - 2% Drinking Water Revolving Loan Fund
 - 4%+- State Revolving Loan Fund

Where we will invest it

- \$0.9 million to purchase system from Club
- \$1.6+- million to pay off existing debt
- \$1.5+- million for improvements
 - Solid start on needed improvements
 - Additional funding will be required in future



Financial – Water & Sewer Rates

- Water rates
 - ALWC has applied for 20% increase on water and connection fees
 - ALW&SD can reduce increase to 12.15% increase representing CPI adjustment Dec '03 – Apr '07
 - Water rates should fund operations and some improvements with periodic CPI adjustments
- Sewer rates
 - ALWC has applied for 50% increase plus a gallonage rate
 - No change with ALW&SD. We believe that the full increase is needed to cover operating costs



Financial – Mil Levy

- Has always been Board's intention to fund operations from revenues, however had need for income to fund operations and acquisition until acquisition of the Water Corp completed.
- FY ending June 2006:
 - Legislative Grant paid all operating and legal costs
 - entire \$39K into savings
- FY ending June 2007:
 - \$10K for expenses (accounting/audit, legal, insurance)
 - \$35K into savings
- FY ending June 2008:
 - \$45K in income + (\$37,500 grant from NMFA)
 - \$110K operating (\$11K, acquisition costs (\$70K), and Preliminary Engineering (\$66K) for distribution system improvements
- FY beginning July 2008:
 - plan to discontinue mil levy, revenues from operations



Benefits to our Club

- Realizes \$900,000 cash
- Eliminates encumbrance of Club assets
- Irrigation cost reduced by \$24,000 the first year



Benefits to our Property Owners

- Modest reduction in first year water rates
- Long-term program to improve system
 - Improve water quality, eliminate need for water softeners
 - Provide water flows required for fire protection
 - Provide more uniform pressure
 - Accommodate growth
- Improvements accomplished with low cost loans and grants ...saving you money



Benefits to Community

Management and control of the water and sanitation system which serves the residential community, Club, and golf course; will remain in community hands
ensuring your investment is protected



Presentation by
Bob Allen, ALG&CC Director



Voting Process

- Ballots and Q&A to be mailed within two weeks
- Ballots must be returned within 60 days from mailing date
- One ballot will cast votes both as property owner and Club member
- Property owners will have one vote for each lot owned
- Club vote will be in accordance with by-laws, two votes for golf members, one vote for social



Voting Process (Continued)

- Ballots indicate golf (blue) or social membership (pink) and multiple lot owners (tan)
- The ballot will ask two questions
 - Should the Club sell the Water Corp to the ALWSD?
 - Should the ALWSD buy the Water Corp from the Club?
- Mark yes or no to the questions and return to the Club in the envelope provided.



Should the Club sell the Water Corp to the ALWSD?



YES



NO

Should the ALWSD buy the Water Corp from the Club?

Tentative sample ballot Layout!