

Alto Lakes Water & Sanitation District

Advisory Referendum on Phase II of the Water Treatment Facility

As most of you know, the Alto Lakes Water & Sanitation District (“the District”) purchased the racetrack property on High Mesa across from Kokopelli for use in the expansion of our treatment process to improve the District’s potable water quality. The goal of this expansion project is to add an additional step in the existing treatment process that will remove most dissolved solids from the water supply thereby reducing the water hardness and eliminating the need for individual residential water softeners and RO systems. Since the property acquisition, the District’s Management and Board of Directors have been working to complete the engineering assessment, cost estimation, and funding options for this project. This letter serves to update you on the progress of this project as well as garner your opinion regarding the potential impact on you as a customer.

The District maintains a Preliminary Engineering Report (PER) which contains an assessment of the District’s priorities in relation to its mission and provides a priority list of projects along with initial engineering analyses and cost projections. This report is updated periodically with the most recent update occurring this year. The PER is available for review on the District’s website at altolakes.org in the “Links” section under “Improvements.” This latest version of the PER has identified a water treatment option for improving potable water quality. The selected treatment option is a nanofiltration process very similar to reverse osmosis. The implementation of this process will require enhancement of our existing treatment facility, construction of a brine equalization pond, an enhanced evaporation process to concentrate the brine, and drying beds to further concentrate the salt waste. Initial calculations projected the need for 20 acres of evaporation ponds that would be constructed on the recently purchased High Mesa racetrack land. However, the District, along with consulting engineers, has identified an innovative solution to eliminate the evaporation ponds needed for brine disposal. Details of this technology are available at ecovap.com. This advanced evaporation technology will require only a small equalization pond, leaving significant area for other purposes.

The following table illustrates the water quality improvements that will result from the Phase II project.

	Water now delivered	Water after home softening	Water delivered after Phase II
Total Dissolved Solids, mg/l	1500	2200+	< 500
Hardness, grain per gallon	52	1 to 10	< 6

The figure below displays the proposed brine disposal layout at the racetrack property.



The estimated cost of this project, including purchase of the land, is approximately \$12 million. To date, the District has completed purchase of the land and performed initial engineering design and analysis resulting in an investment of \$2.26 million. We are now working to find the remaining monies needed to fund this project through State and Federal sources. The district has applied for and has been granted a loan from the EPA under the Emerging Contaminates Program for \$1.9 million that will be utilized to expand the existing Iron and Manganese treatment plant. The loan comes with a 100% forgiveness of principal making it effectively a grant. The district has also asked for federal congressional allocation to help fund more of the project. We have received notice from both New Mexico senators that they have advanced our \$2.7 million request to the appropriations committee; however, with the current funding situation in Washington, the likelihood of approval is not high. The District has also applied for a grant under the Office of the State Engineer – Strategic Water Supply. Should either of these grants be approved, the project costs will be lower.

Given the uncertainty in obtaining additional Federal or State grants, the District Board and Management are conservatively assuming that the remaining roughly \$7.7 million in financing will be obtained through a Federal/State 2% loan with 25% principal forgiveness. With that assumption, the impact on residential monthly water bills has been estimated to be as follows:

Base Rate increase:	\$27.08
Consumption increase:	\$11.52
<u>Savings in softener salt:</u>	<u>(\$27.00)</u>
Net increase in monthly bill:	\$11.60

This estimate was calculated with the following assumptions:

- Debt service for \$7.7 million loan added to base rate
- Operation and maintenance increase for new treatment process added to commodity rate
- 1385 residential customers
- Average monthly water consumption of 2800 gallons
- Average monthly salt usage of 120 lbs at approximately \$9.00/bag (40 lb bag, includes sales tax)

Note that there may be additional savings for residents who currently use an RO system that will no longer be needed as well as decreased overall water consumption from elimination of the water use wasted during the regeneration cycle in residential water softeners. The estimate above is presented for the average user and will vary for each residence based upon individual water and softener salt consumption. There will be no increase in the rate charged for untreated water used for golf course irrigation or the rate charged to fire protection customers.

Based upon past surveys indicating water quality as a high priority of our customers, the District Board and Management believe this is a worthy project to continue despite the projected increase in monthly billing. This second phase of water treatment will reduce the high level of TDS in our water supply and the water quality will meet or be better than state and federal secondary standards. This would create several benefits for the District's customers including:

- Reducing or eliminating the need for individual residential water softeners and RO systems and their associated costs
- Reducing or eliminating the discharge of salty brine into the environment through septic systems during softener regeneration and wastewater disposal (1.5 – 1.9 million pounds of salts annually)
- Increasing longevity of the community distribution network as well as residential lines and appliances
- Reducing or eliminating mineral deposits on faucets and shower heads
- Reducing overall community water use by about 10% since the new water treatment plant will consume less than 10% of the production while water softeners with our hard water use 20% or more
- Providing an additional wildfire fighting water source. The brine storage pond will be designed to allow helicopter and tanker truck refilling.

Use of the ECOVAP system will be a showcase for advanced water technology within the state and, by reducing the land required, provide opportunities for recreational uses of the remaining land at the site. A recent survey by ALGCC and ALPOA on behalf of the District indicated a preference by club members for a walking trail and dog park as possible uses.

We should note that despite the many benefits to this project, financing a large portion of the cost by a loan rather than a grant will use up all or most of the district's financing capacity, thereby requiring any further infrastructure projects to rely solely on the availability of grant funding.

Based upon previous surveys, water quality is the highest priority for the District and it benefits all customers. We believe this second phase of the water treatment system will dramatically contribute to this goal. We are asking for your feedback on whether you think this Phase II project should be implemented. Please return the attached card designating your preference by November 30, 2025. We appreciate your input and are looking forward to your response.