

SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY  
(SSCAFCA)

MINUTES OF FEBRUARY 17, 2012  
BOARD OF DIRECTORS REGULAR MEETING

CALL TO ORDER.

The regular meeting of the SSCAFCA Board of Directors was called to order by Donald Rudy, Chairman, at 9:00 a.m.

ROLL CALL OF DIRECTORS.

Directors in attendance were Mark Conkling, James Fahey, Steve House, and Donald Rudy. John Chaney was noted as absent. Charles Thomas, Executive Engineer, Bernard Metzgar, SSCAFCA's attorney, and members of the public were also present.

PLEDGE OF ALLEGIANCE.

The Board was led in the Pledge of Allegiance by Donald Rudy.

APPROVAL OF AGENDA.

Mr. Rudy stated that SSCAFCA had recently made a change to its policy regarding copies in order to save paper.

A motion was made by Jim Fahey to approve the Agenda as presented. It was seconded by Steve House and passed unanimously.

ANNOUNCEMENTS.

Announcements were made by Donald Rudy that all electronic devices needed to be turned off during the meeting.

STAFF REPORTS:

*Executive Engineer:*

1. Finance Plan Update.

Mr. Kevin Powers, of RBC Capital Markets, had a slide presentation and distributed a report of a financial plan update and overview of long-term planning for SSCAFCA. He stated that SSCAFCA utilizes a bond cycle approach for its capital improvement financing program which relies

on two things to generate bonding capacity. One is retirement of old debt. Bonds are issued on a fairly short retirement schedule, as well as growth and assessed valuation in the tax base. That has been the driving factor behind SSCAFCA's finance plan over the last ten years. The tax base in Rio Rancho has grown dramatically. However, an about face is being seen on that growth which will impair SSCAFCA's ability to incur additional debt. The Board has been committed to maintaining the debt service tax rate at .87 mils. This year, the tax rate exceeded that due to the fact that the tax base actually contracted by 5%.

He stated that interest rates have remained low. Many interest rate prognosticators have been calling for the rates to increase, but they keep going down. This year they have hit a historical low for municipal bond rates. This has helped mitigate some of the declines in the assessed valuation. He has been working very closely with the county assessor's office in recent months due to the drop in valuations and has obtained some information from them on average home values in the area and median home values. The average value is about \$153,000.00, which would result in a taxable value of about \$51,000.00; the median value is about \$136,000.00, which results in about a \$45,500.00 taxable value. A taxpayer with a median house is paying about \$1,650.00 per year in property taxes. Out of that money, about \$85.00 goes to SSCAFCA for both operations and debt service. They just did a little chart that shows the current tax rate at 1.867 for everything. They looked at what might happen to somebody's tax bill if the Board decided to try to bump the debt service component up by 1/4 mil. The tax bill would generate about \$96.00 to SSCAFCA. Every 1/4 of a mil that the tax rate is increased it generates about \$625,000.00 of additional revenue each year that could be used to pay debt service. This could be one way to generate additional funding for projects, right-of-way acquisition, etc.

Mr. Powers stated that property tax rates are typically stable. When they were in the first stages of the economic decline, entities that relied on property taxes did pretty well because the base was fairly stable and it is a lagging tax source. When it was growing, it took a year to two years to actually get that revenue from those houses. That works in reverse when you start to see values go down. There were some periods of time in 2007, 2008 and 2009 where growth rates were pretty strong. In 2007, it was almost 50%. In 2010, that growth slowed down to nothing and in 2011 there was a decline. Based on their discussions with the county assessor, it's entirely possible to see another decline in 2012.

Mr. Powers showed a graph that showed the different ranges of the tax base available to SSCAFCA in future years. The graph shows it will be considerably less than the projected 5% growth rate. They should have an inkling by July 1st of what SSCAFCA's tax receipts might be. The reappraisals the County prepared were very negative and cost SSCAFCA a lot of tax base. He is seeing a trend of declining values and increasing tax rates. There is a protection in the tax code

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called yield control. In the years where SSCAFCA was seeing high growth rates in the tax base due to reappraisal, those yield controls were cutting back the tax rates to protect taxpayers. When values go down, it will drive the rates back up again to cover the shortfalls. Assuming the remaining \$7 million is issued, between 2005 and 2017, SSCAFCA will have issued about \$34 million in bonds.

Mr. Powers stated that there have been some bills proposed in the State Legislature that deal with tax lightning. There won't be any change next year, but his belief is that there will be some changes. It has passed the Senate the last three years, but goes nowhere in the House. There is a reason for that, but with the changes in the House next year, something may happen with respect to this next year.

They have also looked at some other options to relieve the pressure on the capital program. Issuing bonds in 2013 and 2015 and keeping the tax rate at .87 is highly unlikely. One option could be to remove the .87 mil levy mandate and try to increase the tax rates. The other is to look at the outstanding debt for opportunities to refinance and restructure. They have done a couple of those over the last few years which have done very well. Refinancing in today's market does well if you have bonds that are optionally callable. If they are not optionally callable within a year, you lose a lot of the economics. You end up with a negative arbitrage in the escrow account. The 2005 and 2005A bonds are definitely refinancing candidates, but their call date is not until 2014. Refinancing and restructuring costs money. If it can be held off for about a year and rates stay the same as today, there is a savings. The closer you get to the 2014 call date, it gets even better. The interest cost in today's market is about \$825,000.00, which is conservative. Any increase in rates would bump that interest cost up.

Mr. Powers stated that, based on SSCAFCA's bond cycle approach, there would be no sale of bonds until 2015 unless changes are made to the finance plan. Keeping the interest cost down, allows the principal to be paid off faster.

In answer to a question from Mr. Fahey, Mr. Powers stated that if the interest rates start to go up and continue to go up, the structure of the 2005 bonds is fairly short. If they went up and stayed up for three years, the chances are that they couldn't be restructured at all. There is a sweet spot and they can look at that. They have a program that looks at what it takes to get to the perfect escrow where there is no negative arbitrage. There are a couple of things that could occur in the interest environment as well. There could be a flattening of the yield curve which would help in and of itself. As we get closer to the 2013 date, there is probably a place where if the rates are the same, you just sit, but if they start rising, it should be done then because the further it goes, the opportunity is lost. Once rates start to go up, it will not be smooth. Timing the market is a difficult thing and you can try, but a lot of times it doesn't work. Mr. Fahey asked if the program can be set

to consider the .87 mil restriction. Mr. Powers stated that restructuring could increase SSCAFCA's long term bonding capacity if the debt service payments are kept where they are today. The debt service payments where they are today are resulting in a tax rate that is over .87. It can be restructured to get back to .87 but SSCAFCA will not have any bonding capacity, or it can be restructured at some other bond tax rate, which would get SSCAFCA some bonding capacity.

Mr. Conkling stated that, his understanding is, the 1/4 mil increase would generate roughly \$625,000.00 to SSCAFCA. This would generate much more than \$2 million and would definitely allow SSCAFCA to sell \$7 million worth of bonds and have adequate funds to cover the debt service and by investing wisely at the lowest economic conditions for 1/4 mil increase. This would push the .87 mil to 1.15 mil. Mr. Powers stated that SSCAFCA could also temporarily increase the rate and bring it back down later. He doesn't recommend that because he'd like to get to a sustainable level.

In response to a question, Mr. Powers stated that SSCAFCA would certainly be subject to volume hitting the market. However, because SSCAFCA is a smaller issuer and because it does the bank qualified bonds, it is not as impacted as some would be.

2. Overview of Property Acquisition Methods.

Appraiser Gene Cavallo, of Eugene Cavallo & Associates, gave his background of experience of land valuation in Rio Rancho Estates. He went through his handout to the Board which gave the Board full data regarding land prices in Sandoval County.

Mr. Cavallo discussed the advantages, disadvantages, appropriateness and creative approaches of land purchases. All definitions are contained in his handout. He gave examples of various sales scenarios. A great tool for the Rio Rancho market is the Albuquerque ALS; this is where many of the sales are documented. He then discussed leasing property and the different types of leases and the advantages and disadvantages to leasing.

Mr. Conkling stated that SSCAFCA's key objective is to have control of the water flow. The risk of leasing without the ability to purchase the property on the other side is because leases always end at some point in time. Another practical advantage of having a first right of refusal is because others have done the work for you.

Mr. Cavallo next covered purchases of easements and the advantages, disadvantages and appropriateness of this option. It is the most creative means of obtaining property because it

conveys use and not ownership. An easement can be permanent or temporary. He then discussed the relationship between market rent and market value.

Mr. Cavallo then moved into the valuation of property and estimating land values. He went over several examples of how to determine value and different valuation scenarios.

3. Action/Acceptance of Resolution 2012-5 to assist ESCAFCA.

Mr. Thomas presented Resolution 2012-5, which allows ESCAFCA to procure goods and services by utilizing SSCAFCA contract personnel and pursuing the investigation of a JPA for possible operations in the future. This allows ESCAFCA to “piggyback” onto SSCAFCA’s contracts and task orders, but saves ESCAFCA going through the cost for JPAs, etc. ESCAFCA is responsible for payment of all costs while using SSCAFCA’ contract personnel. A motion was made by Jim Fahey to approve Resolution 2012-5 as presented. It was seconded by Steve House.

Roll call vote: Mark Conkling, yes; James Fahey, yes; Steve House, yes; Donald Rudy, yes. The motion carried 4-0.

4. Action/Acceptance of Resolution 2012-6 suggested by the Mid-Region Council of Governments to support the Watershed based MS4 Permit.

Mr. Thomas presented Resolution 2012-6. This was provided to SSCAFCA by MRCOG and it was suggested that SSCAFCA adopt it. The resolution was submitted to every public entity within the permit boundaries of the MS4 Permit. This does not commit SSCAFCA to any elements within the permitting structure, it basically shows that SSCAFCA is supporting the planning process to come up with a permit that is acceptable to all entities. A motion was made by Mark Conkling to approve Resolution 2012-6 as presented. It was seconded by Jim Fahey.

Roll call vote: Mark Conkling, yes; James Fahey, yes; Steve House, yes; Donald Rudy, yes. The motion carried 4-0.

5. Action/Acceptance of the purchase of Unit 20, Block 133, Tracts H & I from AMREP.

Mr. Thomas stated that it is his hope that the purchase of these properties will alleviate the need to purchase three additional areas consisting of about 32 additional properties. The offer is an asking price of \$454,000.00 for the two combined properties, along with an associated donation of property from AMREP in the Calabacillas Arroyo of approximately 900.26 acres. He

recommended the purchase by SSCAFCA of these two tracts for the AMREP offer price which is between the two MAI appraisal amounts. The purchase of the piece in the Venada will allow SSCAFCA an almost continuous run of property all the way up to Mariposa.

A motion was made by Jim Fahey to approve the purchase of Tracts H & I, Block 133, Unit 20 from AMREP as presented subject to counsel's review of the documents. It was seconded by Steve House and passed unanimously

(Mr. House left the meeting at this time).

*Fiscal Services Director:*

1. Recognition/Acknowledgment of the Fiscal Services Report for January 31, 2012.

Deborah Casaus presented the Fiscal Services Report for January 31, 2012 in the Board's packets. She stated that after seven months of fiscal year 2012, SSCAFCA's operating tax collections are 10.2% higher than last year and the debt service property tax revenue is 2.2%. General fund expenditures are at 31.45% of the total budget, and SSCAFCA is currently 58% through fiscal year 2012. There were 19 single family residence permits issued by the City of Rio Rancho for the month of January. SSCAFCA's interest rate earnings are at .256% compared to .081% in the treasury bonds.

Ms. Casaus stated that SSCAFCA currently has an RFP out for appraisers. This will be due in March and will be brought back to the Board at that time.

The Fiscal Services Report for January 31, 2012 was recognized and acknowledged by the Board.

2. Adjustment of tax reporting for Board compensation.

Deborah Casaus stated that IRS has audited MRGCD and AMAFCA on how they were reporting their Board per diem compensation. IRS ruled that it should be W-2 income to the Board members. State law says that per diem is paid regardless. In light of its rulings, it has been determined that the per diem to Board members is income and W-2s should be issued on such income. Ms. Casaus stated that the best approach should be to start issuing W-2s and she commended the Board for its proactive approach to this matter.

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A motion was made by Jim Fahey to accept the adjustment of tax reporting as recommended even if IRS has not audited SSCAFCA. It was seconded by Mark Conkling and passed unanimously.

*Administrative Services Director:*

1. Action/Acceptance of Resolution 2012-7 to update the Personnel Policy.

Ms. Catherine Conran presented Resolution 2012-7 which incorporates past updates in the Personnel Policy. The Personnel Committee has approved the Personnel Policy changes. A motion was made by Mark Conkling to approve Resolution 2012-7 as presented. It was seconded by Jim Fahey.

Roll call vote: Mark Conkling, yes; James Fahey, yes; Donald Rudy, yes. The motion carried 3-0.

*Field Services Director:*

1. Gateway Pond Project Update.

Mr. Jim Service stated that the only thing left for SSCAFCA to do is the graffiti coating and the artist placing the panel on the walls. She is looking to get out there between the 14th and the 28th of March. It might be possible to have a partial unveiling at the March meeting or the Board can wait until the April meeting to unveil the structure. Mr. Conkling stated that the Executive Committee had discussed getting together with the hospital and the City and having one ceremony. Mr. Thomas stated that there has been some discussion regarding changing the drainage characteristics of the park. That has not been decided yet. Mr. Conkling stated that the pond was put in the wrong place. The staff is pursuing this with great diligence. The problem lies between the consultant and the City.

CHAIRMAN'S REPORT.

None.

BOARD OF DIRECTOR'S COMMENTS.

None.

COMMITTEE REPORTS.

None.

ACTION/APPROVAL OF THE MINUTES OF:

1. NOVEMBER 18, 2011;
2. DECEMBER 21, 2011;
3. JANUARY 3, 2012;
4. JANUARY 20, 2012.

A motion was made by Jim Fahey to approve the minutes of the meetings of November 18, 2011; December 21, 2011; January 3, 2012; and January 20, 2012 as presented. It was seconded by Mark Conkling and passed unanimously.

ATTORNEY'S REPORT.

None.

PUBLIC FORUM.

None.

PROPERTY MATTERS.

1. Wilpett Pond Plat was signed on February 3, 2012 dedicating four ponds in fee simple, with a total of 12.38 acres, to SSCAFCA.
2. Quitclaim Deed for approximately 10 acres previously donated to SSCAFCA by AMREP:
  - a. 8.08 acre parcel designated as "ARROYO" between Block 71 and 72, Unit 21.
  - b. 2.00 acre parcel designated as "ARROYO" within Block 36, Unit 21.

FOR YOUR INFORMATION:

1. Corrales Comment Article, "Funding Sought to Correct Channel Bridge Flood Danger" (January 21, 2012).
2. Rio Rancho Observer Article, "Choosing to Dispose of Pet Dog's Droppings or Not" (January 21, 2012).



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3. Rio Rancho Observer Article, "Pick Up After Pets and Keep Waste Out of River Water" (February 4, 2012).

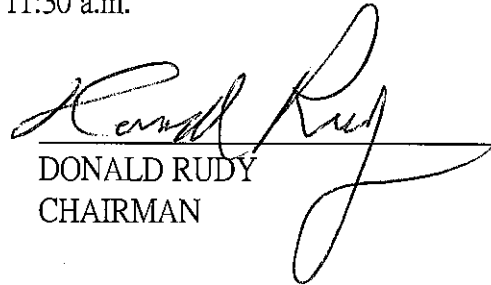
**OTHER BUSINESS.**

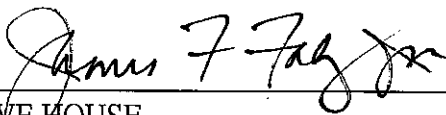
- Next Regular Board Meeting is on Friday, March 16, 2012 at 9:00 a.m.

Mr. Thomas stated that, as it stands yesterday, the final capital outlay bill did contain an allocation for SSCAFCA of \$383,000.00 for the Harvey Jones Channel.

**ADJOURNMENT.**

A motion was made by Jim Fahey and seconded by Mark Conkling to adjourn the meeting. It was carried unanimously. Meeting adjourned at 11:30 a.m.

  
DONALD RUDY  
CHAIRMAN

  
STEVE HOUSE  
Secretary

DATE APPROVED: 4/20/12