

**SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CONTROL AUTHORITY
(SSCAFCA)
MINUTES OF SEPTEMBER 29, 2006
BOARD OF DIRECTORS SPECIAL MEETING**

CALL TO ORDER.

The special meeting of the SSCAFCA Board of Directors was called to order by John Chaney, Chairman, at 9:00 a.m.

ROLL CALL OF DIRECTORS.

Directors in attendance were John Chaney, Mark Conkling, Steve House, Donald Rudy and Dub Yarbrough. David Stoliker, Executive Director, 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 John Chaney.

APPROVAL OF AGENDA.

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

ANNOUNCEMENTS.

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

EXECUTIVE DIRECTOR'S REPORT.

1. **Action/Discussion of a 2006 General Obligation Bond Election.**

Mr. Stoliker stated that the Budget Committee met this last week and wanted to bring the possibility of a bond election to the full Board. He stated that the Budget Committee had approved a motion for an \$18 million bond election to be held as soon as possible to address recently identified deficiencies in area wide flood protection and that the Board include a 1 mil increase in the debt service fund to provide sufficient funds, and that the bond election be by mail-in ballot.

He stated that the Budget Committee had requested that he put together the list of projects in this area that was handed out to the Board members today. The list is for \$51 million and includes what he believes are important infrastructure improvements necessary for about a ten year period given the rapid growth. The second handout is a copy of a draft election resolution prepared by Bob Strumor. Mr. Chaney stated that the Executive Committee had also met and discussed the Budget Committee's proposal. Mr. Stoliker stated that there was extensive discussion by the Executive Committee similar to that discussed by the Budget Committee. The Executive Committee believed that a tax increase was not necessary at this time because if there was a failure of the bond election due to a tax increase, it would be the worst thing that could happen for the public. Several members of the Executive Committee felt that SSCAFCA should hold to the same rate it's at right now without a tax increase and try to get whatever it can in the bond election. The amount of

funding the Executive Committee thought it could get without a tax increase was \$10.5 million. Mr. Chaney stated that the Executive Committee also discussed what might happen if the bond election failed even without a tax increase. Mr. Stoliker stated that a bond failure would delay SSCAFCA through at least the next monsoon season as SSCAFCA would not be able to get any improvements done in the next year.

Mr. Kevin Powers, of RBC Capital Markets, the financial advisor to SSCAFCA, stated that they recently began an annual process of looking at the finance plan that is in place, updating it, and looking at various assumptions made in the finance plan. In that process, they looked at some of the interest rate assumptions, some of the assumptions for the assessed valuation growth rates, and determined that they had been using a growth rate that looked pretty good and was accurate a few years ago, but didn't hold in today's environment. They also reviewed the interest rate assumptions and made some adjustments there. Another thing they did was to go back and look at what the original finance plan was in 2004. The last time SSCAFCA went for a bond election was in November 2004. After that election, the plan was to sell \$3 million of bonds in 2005 and to sell another \$3 million in 2007. What actually occurred was that \$3 million of bonds were sold in early 2005 and \$3 million were sold in late 2005. That was due primarily to the growth in assessed value and the interest rate environment. This was not completely absorbed by the lower interest rates and higher assessed value, as they used up some capacity early.

Mr. Powers stated that based on the new finance plan, and based on the same tax rate over the time frame being looked at, SSCAFCA would be able to generate \$1.5 million more than was planned in 2004. There is a definite increase in dollars. Mr. Chaney asked if the growth rate continues at its present level, how it would affect SSCAFCA's ability to issue the bonds being contemplated. Mr. Powers stated that it would certainly increase SSCAFCA's capacity. Last year's growth rate was 16%. That may be a bit of an aberration. He doesn't think that this amount is sustainable. He believes that 10% might be a more accurate number over the next four to five years. In their figures, they used 8% because they believe this is a more reliable figure.

Mr. Powers stated that they developed the new finance plan at the current tax rate, and after meeting with David Stoliker and Perry Baird, Mr. Stoliker presented a sheet of capital improvement needs that totaled \$18 million. Mr. Powers looked at his numbers and saw that SSCAFCA was looking at something in the neighborhood of \$10 million over the next six years and thought that there was a bit of a mismatch. He suggested that they look at what they could do if the tax rate was raised by 1 mil. It just so happens that the 1 mil increase generates \$18 million of new money in 2007 and 2009. Somebody who wanted to create problems for the bond election could tell people that SSCAFCA is raising its taxes by more than 110% because it's going from .87 mils to 1.87 mils. This would not be an inaccurate statement. However, they also demonstrate in the handout that the total rate that SSCAFCA imposes for operations and capital is 1.63 mils, when the total tax rate in Rio Rancho is about 31 mils. When you look at a 1 mil increase on 31 mils, it's really not 110%.

Mr. Powers stated that he has seen a lot of pictures and news accounts of flooding and damage in the Rio Rancho area over the last few months, and he has been over at the City with regard to its bond issues, and has seen a lot of the public at these meetings asking for help. He thought that this tax hike might be the way to provide some of that help. The long range projections show that with the 8% growth in assessed value, they show that SSCAFCA could have an election immediately for \$5 million, sell \$2.5 million in 2007 and \$2.5 million in 2009. Then, SSCAFCA could have another election in 2010 at the general election and sell \$2.5 million in 2011 and \$3 million in 2013. SSCAFCA could then go back in 2014, which would take it back into a four year cycling program. This is a decision that the Board has to make that hinges on what SSCAFCA thinks its chances of success with a no tax increase election versus an election with a tax increase.

Mr. Conkling suggested that it might be a good idea to go back to the voters in the next general election and propose a tax increase at that time, which would give SSCAFCA much more time to present its Watershed Park ideas and to show the overall public how SSCAFCA could benefit them from a tax increase, rather than trying to speed everything up where SSCAFCA is much less likely to be able to inform the public what it intends to do with the additional money. Mr. Powers stated that SSCAFCA could, indeed, do this. SSCAFCA has a bonding capacity of \$30 million, which is a statutory number. This is not a restriction that SSCAFCA is running into right now. The factor that is restricting SSCAFCA's ability to issue bonds is the .87 mil levy and the amount of money that generates and the amount of money that SSCAFCA has to repay to retire its outstanding bonds. SSCAFCA can get authorization from the voters to issue bonds in any amount, but how they are sold is the real key. If SSCAFCA authorized bonds this year in an election and only sold a portion of it and then went back in two years to get more authorization before it had sold the previous bonds authorized, there might be some confusion on the voter's parts.

Mr. Conkling stated that to avoid that confusion, SSCAFCA could ask for less than \$10 million. Mr. Powers stated that SSCAFCA could go out this time and say that it has had an opportunity and has accelerated its program from the prior bond election and that this sale is more of a short term fix and let people know that there will be another election in two years, which will be the long term fix. He stated that if SSCAFCA was going to have an election today for no tax increase, then it has two options: one would be to have an election for \$5 to \$6 million, which is what he thinks that SSCAFCA can reasonably expect to sell in the next two years; the second would be to go for \$10.5 to \$11 million, which would be about a four year cycle through 2013. That way if there was a problem in 2008, there would still be bonds already authorized in reserve to sell and keep a base line set of projects going. If growth continues at a high rate, Mr. Powers believes that the 2009 sale could be moved into 2008 and be bumped up in size a little bit. SSCAFCA has a clear shot at issuing \$5 million over the next two years, 2007 and 2009.

Mr. Conkling asked what would be involved with regard to issuing an increase in SSCAFCA's bonding capacity from \$30 million. Mr. Metzgar stated that SSCAFCA would have to go to the Legislature and ask for it. Mr. Conkling stated that, given the storms, and the need, and the growth that people would understand this request. Mr. Powers stated that SSCAFCA can do the 1 mil increase and stay under SSCAFCA's \$30 million capacity. The only constraint right now is the tax rate. He stated that SSCAFCA is issuing bonds on a cycling program which is set up to work within the constraint of the tax rate and one of the factors that makes that work is keeping the bond issues to a length where SSCAFCA retires significant amounts of principal each year as opposed to paying a lot of interest and deferring the principal to the future. Mr. Chaney stated that Placitas, Bernalillo and Rio Puerco would like to have SSCAFCA include them in SSCAFCA's jurisdiction. This would increase SSCAFCA's tax base.

Mr. Stoliker stated that he recently attended a Planning and Zoning meeting for Sandoval County and they passed a resolution recommending to their commission that they immediately start the proceedings to have SSCAFCA expand into those areas. At that meeting, he told them that SSCAFCA was not going to petition the Legislature and that it would have to be done by another authority, but that SSCAFCA would watch the process.

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Mr. Conkling stated that SSCAFCA's plan to present this issue to the public comes down to how the public will react to a proposed tax increase. He stated that if SSCAFCA gets beat on a tax increase question, it can do nothing; or it can go out and get less money with no tax increase. Marilyn Salzman, City Councilor of Rio Rancho, stated that she does not see how her constituents would have a problem paying an additional \$5.50 per month based on a median house value of \$233,000.00 for flood control projects and believes that it would be a very reasonable yearly rate. Her area of Rio Rancho, Unit 17, bore the brunt of the damage from the summer storms. She asked how you would "sell" the tax increase to the people in a different part of Rio Rancho when the money will help people in a different part of town. There is no time to inform the public about what needs to be done and SSCAFCA should go for the lower amount and spend the next two years educating the public.

Kevin Jackson, Mayor of the City of Rio Rancho, stated that this is a regional issue and if the entities stand together collectively with one voice to address these needs, there can be success in a bond election. The schools can't go back for a bond election until 2008. He believes that right now is a great time for the bond election because the people are concerned. He supports going with a reasonable amount right away to address some of these concerns now. He believes the growth rate will be higher than 9% and the City stands ready to support SSCAFCA in this endeavor.

Phil Gasteyer, Mayor of Corrales, stated that there will be overwhelming support in Corrales for any support that SSCAFCA might have forthcoming for Corrales residents. He likes what he is hearing and he thinks the no tax increase, larger amount is his own personal choice.

Jim Fahey, Village Councilor, stated that it is important for all entities to speak in one voice and 45 days is not enough time to put the proposal together. He believes that SSCAFCA should go for whatever money it can get at this point without raising the taxes and then plan for another election in 2008 after it can inform the public.

Al Sena, from the Rio Rancho School District, stated that they are very much aware of the issues. This is an issue that is not isolated to one area. The School District supports SSCAFCA with its schools throughout the district.

Stephen Jerge, Town of Bernalillo Manager, stated that the Town of Bernalillo will not be considered in SSCAFCA's next bond election, however, the Town stands behind its efforts and they hope that SSCAFCA will extend its jurisdictional boundaries into Bernalillo in the future so that it can address some of its problems with flooding.

Mr. Powers stated that he wants to make it clear that if SSCAFCA goes for \$10 or \$11 million there will be a significant amount of bonds unsold, but authorized, at the time it goes back in 2008 for a bond election. The bonds could be unsold, but committed to projects. One of his concerns is that if SSCAFCA has detractors who will come out against a tax increase, they could cite the fact that SSCAFCA has unused authorization on hand and they could say that not only did SSCAFCA not need the tax increase, it doesn't need the election because there are still unsold bonds. This could be a drawback in 2008. If SSCAFCA has a project that needs to be done, they can push some bonds up a little bit, or defer bonds a little bit, so there is not a finite number. Based on the 8% growth, SSCAFCA is looking at \$5 million that would fit in nicely. He does not think there is any way to push \$10.5 or \$11 million out in the next two years, even with a 15% increase in the tax base.

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He stated that another consideration is that there might be a lot of growth in portions of Rio Rancho and there may be other parts of SSCAFCA's jurisdiction that aren't growing as fast. The growth rate may be affected by this.

Mr. Conkling stated that if SSCAFCA's jurisdiction expands in the next two years, all of these guesstimations would change. SSCAFCA's entire tax structure could change, and its income would increase and its costs would increase, but the entire bonding issue would be different. Mr. Powers is unclear how this would impact SSCAFCA's bonding issue because of the unknowns. There are some legal issues that would have to be resolved in this before they could give a solid estimate of what the impact would be.

Mr. Chaney stated that it is anticipated that if other jurisdictions do come within SSCAFCA's boundaries, that SSCAFCA will ask the Legislature to fund their infrastructures to at least try to bring them up to the same level that exists in SSCAFCA's boundaries now, and he believes that the Board would recommend that.

2. Action/Consideration of Resolution 2006-16, Bond Resolution.

A motion was made by Dub Yarbrough to pass Resolution 2006-16 in the amount of \$10 million with no increase in the mil levy rate. It was seconded by Steve House.

It was the consensus of the Board that the election be held as a mail-in ballot.

Roll call vote: John Chaney, yes; Mark Conkling, yes; Steve House, yes; Donald Rudy, yes; Dub Yarbrough, yes. The motion passed 5-0.

Mr. Stoliker stated that staff would like the different communities to form a bond projects committee that could identify the projects they would like done to be taken to the Board at the next meeting. He stated that there are three dams in the Black Arroyo that will be needed. Staff thinks that the Black Arroyo area will be fully developed and impacted in the next five to ten years. The Lisbon Dam also needs to be completed, and this has been on a project list before. 19th Avenue Dam is about 2/3 of the way done and there is a possibility that if SSCAFCA can work with the City, the developer may be able to fund the rest of the project for SSCAFCA, which could be a cost savings. SSCAFCA has the right-of-way for most of Sunset Dam and all of Sugar Dam; they simply need to be built.

Mr. Stoliker stated that the most pressing would be Lisbon Channel improvements. The channel is starting to eat away at the sides and is taking out people's back fences. This improvement is estimated to cost around \$1 million. The next most pressing project is the Cabezon Channel. The Channel is within about 1,000 feet of Southern. There is an auto repair shop that will fall into the channel if this is not taken care of. The next project is the Montoyas. SSCAFCA needs to get a dam in the area. There is a possibility that with the next major subdivision that AMREP comes in with they might be able to build the dam for SSCAFCA. The next is a main branch drop structures, which is east of the Sportsplex Dam. Corrales Road/528 in the Alberta and Rio Oso area, along with the Campeche and Christopher Point area. Staff has shown \$1 million for each one of these areas to put a main line storm sewer through there. SSCAFCA would contract with the City of Rio Rancho to have these improvements done.

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Mr. Stoliker stated that the Barrancas is the next area which is rapidly developing. Staff has identified five possible dam sites that should be done within the next five to ten years. It's possible that the developers can help. Dam 4 to 1 has an outlet to the Montoyas. The problem is that there are still some issues to the east of the area with erosion. He put in \$2 million for Harvey Jones Channel improvements. This would include a model for the Harvey Jones Channel. The Calabacillas/Rainbow Watershed and the Venada are not on any of the projects list because staff did not expect much growth in these areas right now. Mr. Stoliker stated that the prime area of focus right now is Unit 17.

Mr. Chaney left the meeting.

A listing of the different entities who should be involved in the decision making process should be made. Mr. Stoliker stated that a meeting of these entities would not be a public hearing, due to the time constraints and the decision should be made by the entities as soon as possible. Mr. Rudy stated that it would be best to ask the members of the group to go to their constituents and bring that information to the Board.

A motion was made by Steve House to have David Stoliker form a group to set priorities for the bond issue to bring the priority list to the next Board meeting. It was seconded by Donald Rudy and passed unanimously.


Mr. Conkling stated that he would like to frame the work in such a way that SSCAFCA pays some attention to the quality of life issues that are associated with these projects and that SSCAFCA's Watershed Park is featured in many of these projects. Mr. Yarbrough stated that the Board needs to be careful about allocating money for recreational purposes because it is not in SSCAFCA's charter. Mr. Metzgar stated that a recreational purpose cannot be a primary focus of a SSCAFCA project. Mr. Rudy stated that SSCAFCA is designing facilities for public safety but it can receive a secondary benefit from the quality of life issues.

PUBLIC FORUM.

None.

ADJOURNMENT.

A motion was made by Donald Rudy and seconded by Steve House to adjourn. It was carried unanimously. Meeting adjourned at 10:13 a.m.


STEVE HOUSE
Secretary
DATE APPROVED:

JOHN CHANEY
Chairman
