

WATER / WASTEWATER STUDY REVIEW MEETING MINUTES
CITY OF TRUTH OR CONSEQUENCES, NEW MEXICO
CITY COMMISSION CHAMBERS, 405 W. 3RD St.
WEDNESDAY, MARCH 25, 2026

A. CALL TO ORDER:

The meeting was called to order by Mayor Rolf Hechler at 9:00 a.m., who presided and Angela A. Torres, City Clerk-Treasurer, acted as Secretary of the meeting.

B. INTRODUCTION:

1. ROLL CALL:

Upon calling the roll, the following Commissioners were reported present.

Hon. Rolf Hechler, Mayor
Hon. Amanda Forrister, Commissioner - absent
Hon. Destiny Mitchell, Mayor Pro-Tem
Hon. Ingo Hoeppner, Commissioner - absent
Hon. Chaz Glines, Commissioner

Also Present: Gary Whitehead, City Manager
Traci Alvarez, Assistant City Manager
Angela A. Torres, City Clerk-Treasurer

There being a quorum present, the Commission proceeded with the business at hand.

2. PUBLIC HEARING:

A. Present key findings and recommendations from the rate study:

City Manager Whitehead: It's good to be with you here today. We accepted the rate study in January that was presented to us, and agreed that as we moved through this process, we would take more public comment, try to have public meetings, and work to understand what we need to do; do we need to raise rates, etc. Kind of an overview of the process. So what I will say today is, it's really just kind of a casual meeting today to take in what I think the rate study tells us, how I think we should approach it, what the weaknesses are, what the opportunities are that we have, kind of put some numbers on. I think we could look at the report, obviously it's a lot of pages, but in my opinion the consultants did a really good job understanding what we have been doing, what our net costs are, etc. So the biggest item to take on is, what percentage would we want to raise rates? I think that's an easy one to look at. Their proposal were three styles: The first is to stay at a 3% rate, which is what we currently do, every year our rates are going to go up at a 3% rate for the residents, 5% for the consumer. The next option would be to go to a 6% rate increase with an 8% on the consumer side – that was obviously the recommendation from the

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

consultant, to accomplish what the target was. I think it's fair to assume that for all of you that have been doing this for a while, your focus has been on the debt. The debt service continues to mount. We have three current loans with the USDA, that seems to be the program that brings us the most debt, they require somewhere between 30%, one of them is 40% on those debts, and those payments are high. So we're going to talk about that when we get there. Let's start with the PowerPoint presentation you can find within your packet. On slide 11, you can see the current city water rates. Right now, we charge a rate of \$19.48 to every resident. That will go up by 3% next year. What that does for the citizens is puts water at your door. We're going to charge you a base fee to say, "Whatever you want to do with the water from this point forward, we're delivering it to you and we have a cost to do that." What I've learned from the electrical side of the house is, you really ought to assess that fee on what your flat costs are, not really to grow the system, not to buy capital, not to pay debt, but what does it take every day to make sure that the citizen or the business has water at their door, that's kind of what that base service fee should be. If you look down the list here, you can see that we charge everybody exactly the same fee, whether you're a commercial customer or you're a residential customer. Only an industrial customer pays a higher amount here for monthly billing. The next thing you would be looking at is called the volumetric rate, that's what we would charge a consumer that uses. So we charge you \$19.48 to have our water, and if you do nothing with it, you're going to pay us \$19.48. On the volumetric side, we allow you up to 2,000 gallons. I think I understood from the consultant and in communications with the utilities director, that was in relation to saying the rates on the base rate had kind of gone up so significantly that they wanted to find an offset, so they allowed this to be where you would get 2,000 gallons for the \$19.48. So if you're really solid in your water management, if you're very conservative in what you do, you effectively could get water from us for \$19.48 a month, and keep it under the 2,000 gallons, and you'd be okay. Then we move up, as you can see, we start charging by 2,000 gallon increments. Tier 1, 2,001 gallons – 7,000 gallons: you would pay us \$3.41 per 1,000 gallons. If you use 3,000 gallons, it will be \$3.41. If you use 7,000 it'll be \$22 and some change. But that's how it goes, so you would click up per 1,000 gallons on usage. Effectively, we're charging everybody the same base rate, and then we're collecting money based on your usage. One of the things we learned from the consultant is that systems across the country try to use volumetric charges to create conservation practices, so the more you charge for the water you use, hopefully the more the resident or the user says, "I better conserve water." the cheaper it is for the water, the less that they're likely to use it. That should be something we take into consideration.

Mayor Hechler: Regarding the volumetric rates, we're starting between 2,000 and 7,000 at \$3.41. Now from 7,000 to 15,000, we move to \$3.86. We don't go \$3.86 from 2,000 to 15,000? It's broken apart.

City Manager Whitehead: That's correct. You're going to pay \$3.41 for 1,000 gallons of water, up to 7,000 gallons. Then the system says, "Now I'm going to charge you \$3.86 per 1,000 gallons for everything over the 7,000, up to 15,000." Then it'll go up to the \$4.34. Our system is always calculating that new rate as you go up. You can see that the cost

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

gets higher and higher i.e. that was an idea to try to create conservation. It doesn't take up the whole bill.

Mayor Hechler: Okay, thank you.

City Manager Whitehead: Moving onto Wastewater, slide 13. You can see that we charge pretty much the same fee, the access fee. Wastewater is a little bit different, there's no way to really measure, you don't have a meter at the end of your property calculating it, so we calculate wastewater off of what your water usage is, and it's capped for the residents. You're only going to pay us so much limit on your wastewater, I think that's 7,000 gallons is the top, I could be wrong there, but you're not going to pay for every gallon of water you use. For our residents, we do a calculation in the Winter months so that we can figure out – when people are using less water, we kind of set that base line, and then that tells us what your rates would be set at for wastewater. But it's absolutely tied to water. If you have a water meter on, you're going to pay the city for wastewater. If you continue to slide 15, we can look at the scenarios. Scenario 1 would really be to stay status-quo, continue following the CPI. The norm across the system is to say that the consumer price index rises at 3%. That's really not the case, there are multiple consumer price indexes, we could pick a utility price index, but this is across general and sometimes it's 2%, I think right now it's a little below 3%, but on average, what we're doing is using 3% as a base line. Every year, you're just going to go up 3%. So even though it does say "annual CPI" we're not taking into account a particular day, looking at what CPI is and saying, "That's the next year's base line for raising rates." Because if you did that, at some point, when we came out of COVID, when CPI went up to 9%. If we were using that strategy, you would have gone up by that much on an annual basis. So scenario 1 would be to continue doing what we're doing.

Kathleen Sloan: You have been charging an actual CPI, it was almost 3%.

City Manager Whitehead: I'll go back and review that, understood. So, scenario 1 would be staying with that strategy. Scenario 2 would be staying at 3% and then raising the commercial side to 5%. The other items that the consultant identified that we could potentially do to create more revenues would be to phase in equivalent meter rates. As you saw, we're charging \$19.48 whether you have a ¾-inch meter, or you have a 4-inch meter. The consultant pointed out that if you had a 4-inch meter, you have 25 times the amount of volume you could draw from our system, as opposed to a resident that only has a ¾. So that would be an area where we would consider saying, "The larger the meter that you have on your property, the more your base rate would cost, because we're producing and providing you more dollars." Another item identified by the consultants would be to phase out the 2,000 gallon rule, so that every meter, if you stayed at that rate, no matter what, we would start charging you at 0 for the water that you begin to use. So if you started at \$3.41, it would start at 0, once it passed 2, you'd go to the next limit, and so on. They've proposed that we increase the rate for the outside users, this would take in Williamsburg at a 1.25% multiplier, so we would effectively charge anyone that we would sell water to outside of our city boundaries, we would add a 1.25% multiplier to those bills, and then just standardizing all minimum bills. The second scenario they've

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

recommended then would be to go to a 6% residential increase, and an 8% commercial increase, and then maintain all those same conditions. Different for the phase in for the meters, eliminate free water to 2,000 gallons. I'll move onto slide 16, this is the chart that they presented, so you can see on a 4-inch meter, we effectively can deliver you 25 times the water that you get if you have a ¾-inch meter. On slide 17, you can see the revenues from our water system going forward. They created a test year, they took a look and pulled out our debt service, and the item where we set aside capital, and they came up with their base revenues on what we would be collecting from those, and then they came up with their revenue requirements. This chart will show you, in 2026, their projection, if we stayed doing exactly what we are now, we would need to dip into our cash reserves about \$179,000 to maintain the status quo on that. Then it will just continue to climb if we do nothing, if we stay at the same base rate based on the cost going up at that 3% factor. Effectively, we would be dipping into our full cumulative cash flow at the end of the cycle. If you'll look at the cost estimates I've given you from our analysis, you would see that these trends don't necessarily hold consistency. Our maintenance seems to fluctuate up and down, our labor costs fluctuate as we struggle to keep a full staff on, so you would have years like right now, where we're two positions short, you also have times when you don't have everybody taking full compliment of PERA or health insurance, so there are fluctuations that would go with that. This would be staying fairly consistent. Now going to slide 18, labeled Scenario 1, where we stay at a 3% and a 5% commercial rate. You can see for FY 2029, the overall cumulative effect to our cash reserves would be about \$650,000 less. It costs us about \$378,000 of our cash reserves cumulatively, over the four years, and then ultimately, if we did go to the 6% rate increase, and the 8%, we would start seeing positive cash flow in 2029 of \$173,000 and we would still maintain our cash reserve, we would only dip in about \$22,000. With that, Mayor, I will stand for any questions on the basic concepts of the rate study.

Mayor Pro-Tem Mitchell: So, it looks like we can eventually get out of being in the red.

Mayor Hechler: So, this is absent of any mitigation efforts on our part to reduce fees other ways, whether it's through grant funding or other initiatives to try to avoid having to increase the fees for the public?

City Manager Whitehead: That's correct. If we continue to operate as we're operating, we do everything that we're doing, these would be the numbers.

Mayor Hechler: For instance, on the wastewater side, we've got several things that we're doing now to mitigate some of those costs.

City Manager Whitehead: That's correct. Later in this presentation, we look at the wastewater side.

Mayor Hechler: And if I'm out of turn, we can go over that later.

City Manager Whitehead: Well, you brought up a question, we can look at it now. The debt service on the wastewater side is about \$100,000 or \$107,000 annual. We don't

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

have a lot of debt service on that side. One of the questions I asked coming in, understanding that the wastewater plant was in trouble; the headworks is broken, the weirs are broken, not sure where we were going to get those funds, I basically said, "Can you tell me what it would cost us if I had to borrow \$5 million? How could I repay those loans?" so that is absolutely the scenario that you see in this, where they proposed that we could raise rates at 15% for three years, or 25% for three years, to get to a higher baseline, and then go back to a CPI recommendation. The nice part about that is we've been pretty successful this year, we've raised almost \$2 million right now, which will go into fixing the weirs and the headworks, it would appear that we're reasonably in line to receive some water trust funding for the wastewater plant at another \$2.6 million. If we could get those two pots of funds, effectively, the wastewater plant could be back in pretty healthy conditions for – I keep saying 10 years – but if the headworks is functioning, it's going to function forever if the weirs are doing their job, we only need two and we have a backup system, so we would just be effectively looking for a place to get to new technology for what we call the racetrack, the biofield, in the future, so we would be pretty healthy with that, so we can get by without having an increase there.

Mayor Hechler: So on the wastewater side, we're looking better. If we can do some things to mitigate those costs, then perhaps we can either delay any increases, or cut back the increases, dependent upon once we know what's coming in.

City Manager Whitehead: That's correct.

Mayor Hechler: On the water side, as far as our reoccurring debt that we've accumulated because of our success at getting grants of various types, as you know we're processing over \$50 million worth of grants, almost every grant that we receive comes with a loan component and a cash component, and that's what's depleting our cash reserves, right?

City Manager Whitehead: Or it will start to.

Mayor Hechler: And those are some of the issues that we have, so what's happening is it's mitigating our opportunities to go out and apply for more grants on the water side. So we have to be very cognizant of what we're doing because of our reoccurring debt. What is our reoccurring debt now that we're in it for the long haul?

City Manager Whitehead: It's \$473,000 currently under the study, but the study did not take into account the two current USDA projects – WSPI-1 and WSPI-2. So when I calculate the two payments we'll have on an annual basis, we'll be at \$755,000 annual debt payment for the water side.

Mayor Hechler: And do you have a general philosophy as far as cash reserves and what you think we ought to try to work ourselves towards? As far as applying for additional debt, or trying to figure out a way to mitigate some of these costs?

City Manager Whitehead: The general fund is required to have 1/12 of its operating budget it reserve. I've not studied the utilities to see what kind of cash obligations we

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

would have at any one moment to recognize that you should have a reserve. But there's definitely going to be some there. We operate at about \$1.7 million at the water side, \$1.4 million at the wastewater side. It's at a 50% factor; so you'd want to have \$800,000 at minimum cash at all times in those accounts. I would think it's some number like that.

Mayor Hechler: And the other philosophy part is that we just want to run this as a business. Eventually we want to get to the point where we're at least breaking even, and breaking even means we're paying our bills, we're buying our equipment, and we're not having to dip into other funds or other areas in order to augment the Water Department or the Wastewater Department. Is that okay to say?

City Manager Whitehead: I think that's okay, I think you can't look at it – you and I have had this conversation – you can't look at it and simply say, "We need to take in a revenue, it needs to have a cost, and whatever that is, we get to 0." Because the system has to move, it has to grow. One of the concerns I have is we're doing really well with these grants, right, we're going to put almost \$60 million in the ground in the next three years, that's going to fix 40%-50% of the water system, which means we still have 50% that needs to be fixed. At some point, I've got to take the crew, and they have to become not only a crew that can go deal with an emergency water leak, and solve water that goes down the street, but we have to be able to start constructing 500 feet of water line in neighborhoods, it needs to be something that's ongoing. Right now in the Electric Department, we are putting up new poles, we're putting in a new conductor, we're fixing the system, taking stuff that's old and antiquated and replacing it, so you have to have all those components in place within the system. I've not had an opportunity to really assess from that perspective, of how much revenue you should have in there that you can effectively put in the ground on a yearly basis within our crew without having to hire a contractor. We can't do a lot, the challenge you have with today's work crew, no disrespect to them, but it's a Monday-Friday 8-5 job, you have days on, days off, sick days, you have a lot of challenges that say, coming in and building 10 blocks of water isn't going to happen in 5 days, it's going to take a little time. Those would be my thoughts on how the system should grow.

Mayor Hechler: And I think the public should be aware that every grant that we apply for, every funding source we work for, we try to avoid having to pay a loan component or a match component. We jump on the Colonias aspect of our community, we let them know that we're a poor community, we let them know that by getting all these grants, we're sating to leverage our future, because we're having this reoccurring debt that we have to pay every year, and it's kind of affecting the decisions we have to make to seek more grant funding. We're cognizant of that and we're going to have to try to find some other ways, other than just tax relief, to mitigate some of these costs.

City Manager Whitehead: Yeah, I would think so. The other component on doing the match, it looks like the Water Trust Board for the state of New Mexico is really working to become a source for dealing with water. I think the governor's 50-year water plan is important, they're working to do that. That particular fund is always going to come with a 10% match and a 10% loan component. But if we know that that's the way it's going to

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

be, we can build the system out to say, "Let's accumulate enough cash to be able to apply for \$5 million more, and you have \$50,000 in your match fund to be able to do that." so you're not like you guys were at this point, kind of with your back against the wall, and you're just applying for everything you can get, and when it comes with a loan component, you have no options. I think that's another component where you're building out, and you have enough to match, you match that to your next project and your next plan.

B. Allow the public an opportunity to ask questions and provide input:

Kyle Smith: I live here in town. I'm going to communicate to you why I don't have faith in you guys to interpret this for us, and why I don't think you should do any increase at all. Our city is currently hemorrhaging money to people who are not qualified for the jobs that they have, and because they are not qualified, they don't know how to disperse the money that they're getting. No offense, Mr. Whitehead, I respect you a good bit. No offense, but you are not qualified as much as the other guy that applied for the job. It was a dereliction of y'all's duty, not [Commissioner Glines] you're good, to hire Mr. Whitehead because he's a local, over the guy that was the vice president of the second largest electric co-op in the country, with a masters degree from North Western, and decades of work for one of the largest growing metropolitan areas in the country, Austin, Texas. The City Commission decided, in it's infinite wisdom, not to hire this guy who wanted to retire here, who's been visiting here for decades. No offense, Mr. Whitehead, honestly if you read the two resumes, you logically go, "He's more qualified than me." No big deal. But our continuing nepotism in this city is causing these problems. You want \$179,000 to cover the difference? What about our airport contract, Ms. Alvarez? I understand that your son Kyle works there.

Mayor Hechler: Mr. Smith, we're talking about water, and the water report. Please keep your discussion to that.

Kyle Smith: We could get the money for the water from the broken contracts that the city signs, for instance, the airport, that we signed over to a private company. When we owned it, personnel costs were less than \$100k a year. That was in 2019, you can dig up the minutes, I emailed them to Frances Luna. Now they're over \$300,000 a year, a little over \$20,000 a month, for personnel costs to an entity that should be open to IPRA but it is not, now it is a private company, so we can't figure out who works there, I had to call and ask by name to find out that one of y'all's kids worked there.

Mayor Hechler: I'd like to, again, draw you back to the water and wastewater study.

Kyle Smith: This goes back to water, if we didn't hire felons in the city and all that, to manage our money, we might actually get a little more bang out of our buck. Because currently, we have some felons, don't we, Mr. Hechler? Some people that stole from parks in Las Cruces.

City Clerk Torres: That doesn't have anything to do with this public hearing.

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

Kyle Smith: No, I'm saying we don't trust because we have felons working for the city.

Mayor Hechler: If this line continues, I'm going to call for order, and ask you to be excused.

Kyle Smith: My point is this, we don't have qualified people working for the city, and this is a very important one, because I used to work for Water, and my first day I was in a cave-in, I'm fine, I'm not a litigious person, I got right back up, got to work, I had 5 feet of dirt fall on me, Jesus Navarro pulled me out of it by my hands. He said, "Man you're hurt. Go file a claim. I saw that happen." I said, "No, man I'm fine." A month later, I saw a guy almost die on a cave-in by Pelican Spa. A slab of pavement twice the size of this table almost fell on his head, would have killed him right away. 3 in the morning. This is very important, and it is not personal. Jamie Foreman, I'm sure she's a wonderful person, but when I started with Water, I was told that to get your operator license is an apprenticeship under an operator. It's not a memorization test. To put her in charge and give her the books, and let her pass those tests off of wrote memorization while not doing the work is putting the men and women in that line of work in danger. Do you understand that?

Mayor Hechler: Mr. Smith, confine your comments to the rate study or I'm going to have to ask you to be excused.

Kyle Smith: That is the Water Department, and the Water Department is in charge of keeping the wastewater, so how do I know that the wastewater plant – there's nobody capable of actually ascertaining what needs to be done there.

Mayor Hechler asks mic to be cut

Kathleen Sloan: I am at 708 Olivo, Village of Williamsburg. Most of my questions revolve around – I've been trying to track, for years, the engineering studies, I believe in 2019 we had a major water engineering study, and City Manager Swingle, at the time, said, "This is our blueprint." I can't figure out where we are in that blueprint, because it seems like there's been years of neglect, and there has been no estimate of how much it's going to cost to fix it overall; and how long it's going to take. When you do these rate increases, there was a 50% rate increase in 2019, and then it went to cost of living increase. The 50% increase was in October, I think, and then in July they instituted the cost of living increase right away, on top of the 50% within a little more than half a year, and I think that first one was COVID, and it was almost 10%, and then it was almost 6% in the next year, for cost of living, and then I think it was 3%, and then I lost track. Now we're talking about the worst case scenario for wastewater is 25%, significant. But they've gone up 5% every year since at least 2017. I think the people should be able to gauge if there were a master plan for water, wastewater, and roads, for fixing the crisis. Because we've been in crisis for 7 years now, we've had massive leaks since 2019, maybe before that. And there's never been an overall picture or master plan given that estimates the overall cost and puts it in a timeline so that you can even figure what grants you need, how much you need in your rates versus tax, you know, a GO bond versus likely grants given. So that's what I've really been looking for, for years now, and I've been asking for it too, at the mic, in articles that I've written, and to Mr. Whitehead and past city managers. Here, again, we

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

have this rate increase, and there's no end in sight and there's no overall picture, and there's no plan. I would really like – I think you're working on a wastewater major plan, I don't think there's been a major water overall plan since 2019. I'd like that overview. The other thing is, I have no idea how we've been paying, and how much we've been paying on average, for these crisis leak fixes. City staff can only address crises, and then we also have to pull in contractors, and there's not been any reporting on how much that is costing us, and I don't see it in this study. I understand from Mr. Whitehead that the scope of work was redefined for this study three times. In the first scope of work, this was under Mr. Swingle, the company, NewGen, they were going to interview department heads, they were going to get an idea of the state of the assets, and capital projects, and they were going to give this overview that I've been looking for. And then, under Angie Gonzales, it changes, and then under Mr. Whitehead, all the capital projects aspect were limited to \$5 million for wastewater. Did the company do that? Do we have that information?

City Manager Whitehead: On the capital –

Kathleen Sloan: Yeah, the first scope of work, because – and I'd like to know how much this study cost through all the iterations, because I think we paid –

City Manager Whitehead: I think I provided you with all the costs, it was about \$44,000 or \$48,000, for the four-year contract, I gave you.

Kathleen Sloan: I'm sorry, I looked over my past notes, I guess I took crummy notes.

City Manager Whitehead: If I didn't, I'll get you that. That was one of the questions you had asked me before.

Kathleen Sloan: Yeah, I did remember asking you and I couldn't find it in my notes what you told me. So you gave me the change in scope letters, but you did not give me – I asked if they went through that process of interviewing the staff, the capital projects, and all that stuff.

City Manager Whitehead: What I would say to you is, they looked at the capital projects, but they only looked at them in debt, so if you take a look again at the debt schedule, they looked at every single project that we had on the books, and what was the debt associated with that capital project, and then they inquired for me, when they came in and briefed me on the project, they said, "That's what we're going to be looking at is your current debt load is, what your current revenues are." and then that's where I came up with the concept to say, "It's potential that we're going to need to borrow something to solve the wastewater plant." I was getting involved in March and April of last year, and finding out the challenges that we have there. It was just a generic concept to say, "How do I solve that problem and what would it cost me if I had to use debt as a potential solution?" and remember, we were under an administrative order at the time, too, that said, "You have to fix these problems, you are not compliant." You kind of take those two opportunities and say, "What's the fastest way for me to fix it?" well I have to borrow the money, if the environment department says they're going to shut it down. That's just a day by day

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

assessment for how I would operate any business, to figure out how to solve that problem. I think part 2, I think it's unfair to say that we don't have a cost for what we're spending to fix these leaks that pop up, because we do that in the budget. We do that within our confined budget. I pay staff, so you could go take a look at any year's expense, and you can look at what we buy under the line item non-capital items or field supplies, which will tell you what we're spending to buy parts from our suppliers to send the crew out, and then you can take the labor, and that will tell you what we're spending to patch the leaks. I would say, then I have to go take that budget and figure out how I convert that from a patching system to a repair system, so that I'm actually going out and extending water lines from the main to the meter, versus just patching that and moving on as fast as I can. So that's what the consultant would have looked at, and not looked at us and asked us to show us the account where we paid for that, because it's all within what we generate. You pay us your bills, it goes in the budget, we break the budget down, and with those budgets, we do our best to put those dollars back into the system to fix any ailing repairs.

Kathleen Sloan: And do you have a general budget for what you're going to pay the contractors for the crisis leads?

City Manager Whitehead: One contractor that we use is Jesse Cole, who is our wastewater technician, he's our 4x4. He is the item we use to be compliant. He is charging us somewhere between \$300 and \$500 for leak repair that we have within that, if you go back and look at the contract we just awarded him, we pay him \$75 per hour, plus a reasonable – so if I gave him a list to repair, like we did in December, 15 orders, he came back and said, "I can fix those." And it was \$5,000 or \$6,000. So it's not a significant, like \$8 million for what J&H or Smithco would be doing.

Kathleen Sloan: So it's cheaper than Smithco?

City Manager Whitehead: Well I think it's a little bit cheaper than calling them to do those type of repairs, absolutely. It's also quicker, he's a smaller nimble crew and we only assign tasks that would be considered small water leaks. Unfortunately for us and our system, we have to evaluate, if we pull up on a leak and it's flowing down the street, I'm usually calling in and saying, "We need to get here and get this fixed." If it's seeping down and it's 200 feet down the road and it's been running for a few days, we can say, "Let's call in for locates." And put that on a schedule. That's kind of the way we tried to manage ourselves through to keep the crews going.

Kathleen Sloan: So with these increases, which have been significant over the years, what is driving the cost even higher?

City Manager Whitehead: I would say, first of all, and I know because I've had the pleasure of sitting on state boards that also assess, there's not a board that you go to that doesn't ask you to tell them what your rates are. So I think it's really unfair for the public to assume that this is a Truth or Consequences only problem that we want to raise rates. You cannot go to any state board that sits on a board of Commissioners that are going to grant us money that do not ask us, "When was the last time you did a rate study?" and

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

"What are your current rates?" and I would only assume that when this water leak problem started, the manager at the time, Mr. Swingle, was out trying to raise pots of money, that they were looking at those rates and saying – if these are our rates now and they're still low, I can't imagine in 2017 /2018 –

Kathleen Sloan: It was USDA.

City Manager Whitehead: That's right, and the USDA, they have a baseline cost. These are things that you just can't share with everybody because it doesn't make a lot of sense, they have a baseline cost that they look at an average rate per system, and if your rate is below that average, they're going to say, "Your rates are too low, and if you want to borrow this money from us, you're going to have to raise your rates to be in compliance." Because the USDA, even though it's a government organization, they're lending us the money. They are a bank. The documents that we look at, review, and sign, it's a bank. I would have to go back and look, but if that was the case and they were raising them, I would still say that they were probably not raising them based on CPI, they were probably raising them at a rate to try to get current, so USDA would say, "Oh you've met the threshold, now we'll start moving forward too."

Kathleen Sloan: It was USDA, also, that instituted the 5% per year sewer increase.

City Manager Whitehead: And again, we've presented at the Water Trust Board last year for this. Question 1, 2, or 3 was "Tell us what your rate study is." and we were able to say, "We are in a current rate study." And would propose those. Funding and grant agencies are not going to help us if we're not going to help ourselves.

Kathleen Sloan: So we have to increase rates regularly, they have to be market level, and you have to do regular rate studies.

City Manager Whitehead: You'd have to do something within some cadence that shows you are trying your best to keep up with it. If we implemented a plan off of this rate study, this rate study would last us 10 years. We would say that we had a 4-year plan to get to this threshold, and we're continuing to raise on it. But it would not be unreasonable to say in 4, 5, or 6 years, we should contract another \$50,000 and go get another rate study to come and make sure that, again, I am not an expert in every single field that I come across, but I'm going to hire somebody that can give me a baseline data, that I can understand, and say, "I should implement these things along these lines." It's the same thing with all of our projects. Every single project we build is built by an engineer, we're paying considerable money that we get in trouble for, you pay too much for engineers, but we're hiring the experts to come in and assist us and make sure that we're building out a better system for us across the board.

Kathleen Sloan: Did this study look at, say, the USDA market rate?

City Manager Whitehead: Not at all, again, this study only looked at:

- What are we charging today?

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

- What is our revenue that we're bringing in the door?
- What are the rates that we're charging?
- What's our debt load?
- What's it going to take to get ourselves to be a positive cash flow under those normal conditions?

City Manager Whitehead: So they didn't assess, like if you change and want to add more debt or you want to add a different department, or you want to add 10 more employees, etc. I didn't ask them, or they didn't assume I wanted that information. I wanted to say, "What am I doing today? What's the revenue? And how can we cover and pay for this \$750,000 worth of debt we're fixing to have?" and at that point it was only \$473,000, in fairness to the study. How do we pay for that? And paying for it one way is by raising rates.

Kathleen Sloan: Okay, so what's driving these rates beyond the increases we've already instituted, would it be fair to say that it's the new debt we're going to take on?

City Manager Whitehead: 100%. That's my primary focus, would be how we are going to be able to cover that debt load that we're already under. Part 2 of that would be to recognize that we are probably maxed on that number as well. Not to say also, "Oh great I can just keep raising rates and go borrow more money." It's to say, "We're probably at the top end in taxing the system if we do something like this and now we've got to find – after this \$60 million we spend – we need to find a better tool to raise grant money if we're going to be able to fix the system."

Kathleen Sloan: Okay, so just an aside, it's really \$70 million. I added up what Traci gave me at the February meeting with all the water and wastewater projects, and it's like \$68.9 million, so it's really closer to \$70 million with the projects you have on the books for water and wastewater. Will the city ever present an overview so that we know where we are to fix – you said something earlier that once we get through all these \$70 million worth of projects, we're going to be around 50%. So, we're facing another –

Mayor Hechler: Don't we have about \$120 million in engineering projects?

City Manager Whitehead: What we could do, because we do have a water study, right? I think, again, Kathleen, it's unfair for you to say that we don't have a plan. The city did adopt this plan, it was created by Wilson. Wilson is working that exact plan and that exact strategy. But to your point, I think I probably ought to step back for a minute and go look through that report and find to say, we've checked this box. I can grant you that, to say, that's probably a reasonable step, but we're in the forward in trying to get the projects done. But we have a plan in place, which identified that the overall cost to fix the system would be about \$120 million. That was in 2017, so that means if we make reasonable estimates, we're probably at \$150 million. And then I give you that assessment by saying this: The critical water line project that we're going to put in, which is around \$17 million, should replace every water line and every meter in what we call the Steel Streets, from the Veterans Center all the way to the boundary of Williamsburg, that's what the map

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

shows that we're going to replace. New water lines, new extensions, new water meters, and new fire hydrants in that entire area. Then, the water projects that are going on now, are bringing main trunk lines in and putting pressure relief valves everywhere else throughout the system. So if you just look at the map, and you take all the streets that don't have a water extension through them, you can pretty much come up with a reasonable ballpark percentage where I can say, "We're probably got 50% of the city covered, and the other 50%, we've not looked at from doing a water line extension." But the main work is creating a new loop and a new main foundation system that we can start connecting to, and then building projects off of. That's where I'm coming up with that 50%, and that's just looking at a map with colored lines on it. It looks like with this first \$60 or \$70 million of water projects, we're going to get somewhere between 50% of our water covered.

Mayor Hechler: I think it would be fair to say that once these projects are in the ground, we're going to have to make a reassessment of if we need to spend the other \$50 or \$60 million. We will have to re-evaluate where we are to see what's left to be done. I know we're going to try to do the worst of the worst first, right?

City Manager Whitehead: I would think so.

Mayor Hechler: Yeah, and if we do that, then we'll make another assessment after that's completed, to see what's next. Perhaps it won't take \$120 million, we don't know. Perhaps it'll take more. But if we tackle the worst of the worst first in line, I think we'll be okay.

Kathleen Sloan: Do you have an estimate – you just did it for water, what about for wastewater?

City Manager Whitehead: Again, as you know, last year in Colonias, we received a \$200,000 grant to do a PER. The mayor's position was, we've taken care of the water to you, now we have to solve the water coming back to us. I think we will know as soon as we get that PER done, kind of what those costs are.

Kathleen Sloan: When do you think that'll be done?

City Manager Whitehead: Well, we're ready to go, the funds are in. We will go to bid here pretty soon on that. To be fair, we really haven't sat down and said, "Okay let's get the PER out." We've been focused on WSPI-1 and WSPI-2.

Kathleen Sloan: Oh, I know you have been working very hard, I acknowledge you and you have saved us a lot of money, you've been quick on your feet, your planning and strategizing has been terrific. I really am grateful for you.

City Manager Whitehead: Well I'm appreciative, it's a team effort, and I really do mean that. Everybody steps up to the plate, and the work was done, I'm just driving the car right now, that's it.

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES

Kathleen Sloan: Well I mean, COVID and construction costs threw a massive wrench into this. That's all I need, thank you.

Mayor Hechler closed the public comments.

Mayor Hechler: Any final comments from Manager Whitehead, did you want to finish the report?

City Manager Whitehead: If you could take a look at the budget numbers for the last three years, that's a real dollar, that's a cash projection of what we really spend. I think it's reasonable to say that this year, for the budget, we will not be recommending a 15AA% rate increase for sewer. I'm feeling very confident that we're going to receive the money we need. The sewer should be surviving on its 3% cost of rate, should go. I feel like re-studying, re-evaluating, I think we ought to look at some of the components from the rate study, i.e. charging different rates for different meter size, I think that's one way we would be more consistent. I think, in a couple years, for the water that we use, might work. So we might survive at 3%, and go to 3% and 5%, and pick up a little more from the commercial customers. We have 500 commercial customers, we have just under 3,000 residential customers, so again, even if we do raise rates a little bit on the commercial side, it's not going to glean a lot. Then we just have to start looking to see if we can be more cost effective. But I think we've got to figure out that third piece, which is, how do we build a system that allows us to construct lines from our team? How can our water crew go out and build a couple thousand feet of water line every year? Because that'll save us in the end, too, where we can start taking ten city blocks and solving our problems. I think it's a work in progress and we should have one more hearing, as we come up with what we feel like we should charge for the budget, we could do that. And certainly, I'll take the time to look at the PER, and evaluate it against where we are. I think our engineer could help us, he will really help me put that together, and we can definitely do that.

Mayor Hechler: Thank you so much, and thank you all for your participation. In conclusion, I would like to say one thing. We are all water users too, we all pay city bills, none of us are rich or millionaires, we get by, and we don't want to raise rates on ourselves if we can help it. We're all in the same boat, so to speak, in that situation. We're going to work diligently and hard not to have to raise rates, but we want to run this city like a business so that it runs smoothly, so that we have the tools we need for our staff, and so that our staff can serve the public, which is important. We'll be cognizant of that and we'll work toward that end.

I. ADJOURNMENT:

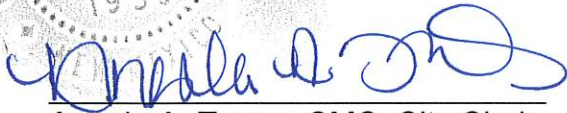
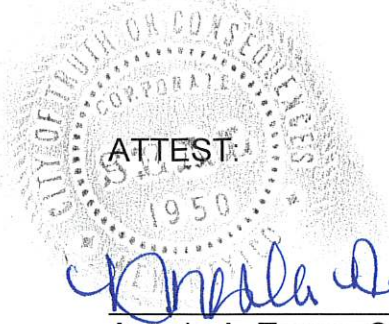
Mayor Hechler adjourned the meeting at 6:25 p.m.

Passed and Approved this 8th day of April, 2026.

CITY COMMISSION MARCH 25, 2026 WATER/WASTEWATER RATE STUDY REVIEW
MEETING MINUTES



Rolf Hechler, Mayor



Angela A. Torres, CMC, City Clerk