

**BRAZOS MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION, INC.
2008 Annual News Letter**

! PLEASE READ ENTIRE LETTER !

During the past year (May 2007 – May 2008) the BMDWCA Board of Directors has continued their tireless efforts to maintain and operate the water system to ensure every member has an uninterrupted supply of potable water. Their efforts have resulted in maintaining the current system, planning and projecting ahead by developing the plans for an alternate source of water (new well), reconciling old recorded data to determine and implement corrective actions in areas that were discovered to be deficient. Several changes have occurred through the year that will have an impact on the functionality and continued existence of our current and future water supplies. I will attempt to delineate and explain some of the changes and actions taken by the BOD in this newsletter. I have no doubt that there will be unanswered questions from the information contained in this newsletter; therefore, I invite you to attend the BMDWCA Annual Report Meeting scheduled at 10:00 AM at the Cliff View Restaurant on May 25, 2008.

The following are the current Board of Directors (BOD):

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
• Michael R. Valdez, MD	President	May 2008
• Vacant position	Vice-President	
• DeeJ Banister	Secretary	May 2009
• Rubel Martinez	Treasurer	May 2009
• Ron Stafford	BOD*	May 2008
• Rex Sewell	BOD**	May 2010
• Tom Petersen	BOD	May 2010
• T. J. Allard	BOD	May 2010
• Irv Lindemuth	BOD	May 2009

I would like to emphasize to everyone that the Board of Directors voluntarily donate their personal time to manage the resources that provide you with a usable water supply.

*Certified water operator

**Trained water operator

There have been changes in two positions since last year's annual report meeting. Carolyn Barron who had been serving as Secretary resigned because she and her husband Ray are no longer residents in the Brazos. DeeJ Banister who volunteered to take the secretarial duties replaced Carolyn. David Sainz who had been serving as President recently resigned because of increased personal work commitments, and the President's position is currently being filled by Michael R. Valdez, MD until the expiration of his term.

We also have two additional support personnel:

<u>Name</u>	<u>Position</u>
• Levi Sandoval	Maintenance operator (under contract)
• Gretchen Denman	Bookkeeper (under contract)

The major subjects that the BOD feels need to be shared with everyone are the current status of the water system, the financial status of the organization, the issues that have been addressed

during the past year, the plans for a new well, the changes in dues that are directly tied to the projected budget, up-coming elections and the immediate concerns/actions.

Current Status of the Association

The BMDWCA established a website prior to last year's annual report that has important information for the entire membership. The home page has a "news flash" section that captures immediate new information about which members should be aware. Other drop-down menus route you to contact information, monthly meeting schedules, meeting minutes and financial reports. We strive to provide efficient and effective communication to the members, and through the website you can access topics of general information and frequently asked questions. The web site address is www.brazoswaterinc.com

The business address remains the same. It is a Chama address that makes it easier to conduct business where the Association is located. Listed below is our mailing address:

BMDWCA
HC 75 Box 178
Chama, NM 87520

Our banking is done with Community Bank, which has offices in Chama, Espanola, Santa Fe, Los Alamos and Albuquerque. This allows us to access our assets and conduct business from Chama and Albuquerque. Our investment accounts are with Solomon Smith Barney in Albuquerque.

Water Supply and New Well Plan

We continue to obtain our water from three sources: Two wells (referred to as Well #1 and Well #3) and a surface (spring) water collection gallery. During the late summer months the spring diminishes, and unless we have significant rain, the gallery is not productive. In the winter months the gallery freezes and all of our water must come from the two wells. New regulations require that we treat the gallery as surface water, and there is a requirement for pre-treatment. Levi Sandoval has ensured that appropriate levels of Chlorine and required filtration are introduced into the system at that collection point. We presently store water in two tanks that hold a total of 92,000 gallons.

Well #1 and Well #3 are essentially producing the quantities that they were last year (an average of 2312 and 2254 gallons per day, respectively) for a total output of approximately 4566 gallons per day. However, this total does not account for leaks in the system that are estimated at 15% of production, thereby yielding approximately 3881 gallons of available water per day.

The well production in the last two years is a significant reduction from previous production (about 6,000 gallons/day) and is a continuing major concern.

Because of the unsuccessful servicing of Well #1 last year, it is felt that this well has reached its useful life or the water table has significantly reduced diminishing our water supply. Last year the process was started to identify a new well site, seek sources of funding and contact well drilling companies for initial quotes. Through the efforts of Ron Stafford, we have secured a grant to fund the new well. We are presently awaiting assessments of the area by a hydro-geologist to determine the best location for the new well to be drilled. We hope to utilize the existing pump house; however, we will have to fund the connection to our current distribution system and the required pumping and piping. This will, of course, have a financial impact on our assets, but we

Unknown
Field Code Changed

feel it is absolutely necessary if we are going to have a reliable supply in the future. We were fortunate in 2007 to have sufficient rain that kept the gallery running longer than normal, so we were able to refill the tanks in order to have adequate supply on the weekends. Based on the average household consumption of 80-120 gallons per day per person, the average consumption continues to exceed the well production capability.

Many members have had their water turned off during the winter months. As you begin returning to your cabins and need to have the water turned back on, you may contact the following members: Ron Stafford (588-0158), Deej Banister (588-7816), Irv Lindemuth, after mid-May (588-7421). Some of the other members of the BOD who have phones in their cabins will also make themselves available when they are in the area: Tom Petersen (588-0073), T. J. Allard (588-0367) and Michael Valdez (588-0523).

BOD Liability Insurance

During the past year, the BOD has successfully acquired Errors and Omissions Liability Insurance for the directors. This was a lengthy process complicated by the fact that much of the financial data required by the insurer had to be compiled from the poorly kept records that had to first be obtained, then reviewed and followed by the reconciliation efforts mentioned previously.

Fire Hydrant Testing

Every year the Fire Department and the Water Board team-up to flush the water lines and test the fire hydrants. In prior years testing the water resulted in discoloration due to the mineral sediments gathering over the year. We recommend that you gather drinking water to support a couple of days of testing. It is also recommended that you refrain from washing clothes during this period. As always, do not hesitate to contact anyone of the Board of Directors if you have any questions. Because of the catastrophic event that occurred with the Brazos Canyon Volunteer Fire Department's fire station, the annual flushing of the water lines has not been scheduled. When the date is determined it will be appropriately posted.

Financial Status

One of the responsibilities of the Board of Directors is to manage the resources and share the financial status on a monthly and annual basis to the membership. In the last two years, the BOD has discovered some prior management and bookkeeping deficiencies resulting in great concern and anguish in getting them resolved.

The review initiated last year of all readily available financial and other records revealed that both State and Federal taxes had not been filed for six years. Attempts to reconcile this omission resulted in the Association incurring a substantial penalty from the IRS of approximately \$16,000.00. Fortunately, through significant efforts by our Treasurer, Secretary, Bookkeeper and a hired Certified Public Accountant, the IRS forgave the penalty and consequently saved the Association from having to pay. Some other omissions include the Public Regulation Commission annual report that had not been filed for the Corporation and the State Water Conservancy fees that had not been paid for numerous years. The State Water Conservancy fee delinquency triggered a NM State Taxation and Revenue Controlled Audit for the previous years. The result was a determination that the fees had not been paid since 2003 and the back charges were \$445.00, which the Association had to expend to settle that delinquency.

Because the review of the available records also revealed checks that had not been cashed or

deposited, bank accounts that were not reconciled for several years and amounts that did not match check numbers, a significant amount (approximately \$7000) simply had to be written off. Other issues seem to come up as we continue our investigation and reconciliation efforts.

Projected Budget and Increase in Annual Membership Dues

Ron Stafford has spearheaded the effort to establish a reasonable budget with fairly accurate projected expenses and income data to carry the Association into 2011. As a result of Ron's efforts and lengthy BOD discussions, it has been determined that there is a need to increase the annual user membership dues from the current rate of \$230 per year to \$430 per year. A brief summary of the reasons for the increase are as follows: 1) The assessment is coming to an end and we have loan payments out to the year 2012, 2) We have an aging water system and funds have not been set aside as a reserve to correct the deficiencies, 3) Old lines were not disconnected when the new lines were installed, possibly causing the approximate 15% leak that we are estimating and 4) Federal and State regulations are forthcoming to require removal of uranium and arsenic levels in our water systems. The increase is consistent with other rural water system membership in the State. The entire projected budget cannot be inserted in this newsletter, but it will be a topic in the Annual Report meeting agenda.

Updated Bylaws, and Rules and Regulations

Ron Stafford and Irv Lindemuth have also led the effort to revise the Bylaws and the Rules and Regulations. Again, the BOD has held extensive discussions in the line-by-line review and revision of these documents. At present, we feel that the Bylaws are ready to be presented to the membership for approval. The Rules and Regulations have been approved and adopted by the Board of Directors on April 6, 2008. These documents are available on the web site and hard copies will be available at the Annual Meeting. Any comments and discussion will be addressed at that time.

Special Thanks

Ron Stafford and Rex Sewell continue to be the representatives to the New Mexico Rural Water Association where members from across the State meet and review current and future subjects that address distribution, safety and opportunities for rural water systems. In addition, information is shared about financial services that are in-place to assist water systems, e.g., low interest rate loans and State & Federal grants.

Carolyn Barron deserves a thank you for her efforts to bring our membership list current. She tirelessly continued to serve while knowing that she and Ray would be leaving the Brazos, and then she conducted a systematic and methodical turnover with DeeJ Banister who has carried on the work started by Carolyn. DeeJ has spent countless hours to attempt to get the records in order and to get the membership list correct. She has assisted in finalizing the Bylaws and the Rules and Regulations, and she has edited and formatted these two documents to make them consistent.

Rubel Martinez, as Treasurer working with the bookkeeper Gretchen Denman and the CPA, was instrumental in securing the letter of penalty forgiveness from the IRS. His actions resulted in saving the Association substantial funds that can be directed to supporting the drilling of a new well.

We wish to thank David Sainz for the effort that he has undertaken over the past two years as President to correct many of the past deficiencies and operate this organization in a professional manner. Thanks Dave for your input and efforts.

Levi Sandoval, a certified water operator, continues to monitor and maintain the water system. Levi has provided needed service during emergencies and the required general maintenance to keep the system operating through the weeks when the majority of the BOD is away from the Brazos.

We would also like to thank Maggie Terrazas for graciously allowing the BMDWCA to hold the annual report meeting in the Cliff View Restaurant. Thanks Maggie for your generosity and community spirit.

Election 2007-2008 BOD

As in previous years, we have three BOD vacancies to fill. A separate attachment is included with this newsletter that shares biographies of the candidates who are running for election and/or re-election this year.

Immediate Concerns and Required Actions

Listed below are the immediate concerns and actions that we are currently working:

1. Assessments: The BMDWCA has in the past obtained several loans to drill wells, install new lines and purchase necessary equipment (meters, meter cans, connections, etc.). In 1990, a waterline replacement assessment was established to aid in the repayment of a major capital improvement loan. This assessment could be paid off in one lump sum of \$1246.20 or in 20 payments of \$100 for a total of \$2000.00. In reconciling the assessment payments from 1990 to present, we found that amounts owed on the assessment vary from member to member. This could mean that not all assessments will end in 2009.

The records kept on this assessment prior to 2000 are questionable, and we are attempting to review all records available to us to reach a point of accuracy. We are willing to discuss this with anyone on an individual basis. Please contact Ron Stafford if you have any questions. We hope that you will allow us some time to attempt to validate and recover the necessary records.

The original loan was refinanced and increased in 1993 at a reduced interest of 3% and again in 2003. The final payment of this loan is now 2012, rather than the original final payment in 2009.

2. We have discovered that many of the original or old water lines were not disconnected when the new lines were installed. This means that we still have the old lines and valves connected to the new existing lines. Many of the older galvanized lines are rusting, and we need to attempt to locate appropriate locations to disconnect these lines and valves. This process will begin this summer.
3. We have inherent leaks that are resulting in wasted water. We will begin to determine location of any leaks with a contractor this summer or fall.

Annual Report Meeting, Sunday May 25th 10:00 AM, Cliff View Restaurant

Michael R. Valdez, MD
President

On behalf of the Brazos Mutual Domestic Water Consumers Association