



AGENDA

BUCKMAN DIRECT DIVERSION BOARD
MAY 02, 2024 AT 4:00 PM
COUNCIL CHAMBERS
CITY HALL
200 LINCOLN AVENUE



PROCEDURES FOR BUCKMAN DIRECT DIVERSION BOARD MEETING

Written Public Comment: Members of the public may submit written comments by clicking on the comment bubble to the right of the meeting on the public portal at <https://santafe.primegov.com/public/portal> three hours prior to the start of the meeting.

The agenda and packet for the meeting will be posted at <https://santafe.primegov.com/public/portal>.

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **APPROVAL OF AGENDA**
4. **APPROVAL OF MINUTES**
 - a. Approval of minutes from the March 7, 2024 Buckman Direct Diversion Board Meeting.
5. **PRESENTATIONS & INFORMATIONAL ITEMS**
 - a. Monthly Update on BDD Operations. (Randy Sugrue, BDD Operations Superintendent, rcsugrue@santafenm.gov, 505-955-4501).
 - b. Report from the BDD Facilities Manager. (Rick Carpenter, BDD Facilities Manager, rrcarpenter@santafenm.gov, 505-955-4507).
 - c. Presentation of the 2022 BDD Audit, and an update of the proposed schedule for completion of the 2023 BDD Audit. (Eric Spurlin, Partner, Carr, Riggs, & Ingram LLC; and Emily Oster, City Finance Department Director, ekoster@santafenm.gov, 505-629-3411).

- d. Report from the City Finance Director, Emily Oster, Regarding the Status of the BDD Settlement Funds Investment Strategy, and the Separation of Accounts for BDD. (Verbal) (Emily Oster, City Finance Director, ekoster@santafenm.gov, 505-629-3411).
- e. Presentation of Rio Grande Water Quality Calendar Year 2024 Workplan pursuant to BDDB Resolution No. 2022-2. (Rick Carpenter, BDD Facilities Manager, rrcarpenter@santafenm.gov, 505-955-4507, Kyle Harwood, BDDB Legal Counsel, kyle@egolfaw.com, 505-986-9641, Jay Lazarus, BDDB Consultant/Glorieta Geoscience Inc., lazarus@glorietageo.com, 505-983-1625).

6. ACTION ITEMS: DISCUSSION AND ACTION

- a. Request to approve Budget Amendment Resolution (BAR) in the amount of \$234,000.00 to reallocate projected expenditures for FY24. (Rick Carpenter, BDD Facilities Manager, rrcarpenter@santafenm.gov, 505-955-4507, Monique Maes, BDD Contracts Administrator, mmmaes@santafenm.gov, 505-955-4508).
- b. Citizen Member and Alternate Citizen Member appointments to the BDD Board. (Nancy R. Long, BDD Legal Counsel, nancy@longkomer.com, 505-982-8405)

7. MATTERS FROM THE PUBLIC

8. MATTERS FROM THE BOARD

9. NEXT MEETING: Thursday, June 6, 2024 at 4:00 PM

10. ADJOURN

Persons with disabilities in need of accommodations, contact the City Clerk's office at 955-6521, five (5) working days prior to meeting date.

MINUTES OF THE
THE CITY OF SANTA FE & SANTA FE COUNTY
BUCKMAN DIRECT DIVERSION BOARD
MEETING

March 7, 2024

1. CALL TO ORDER

This meeting of the Santa Fe County & City Buckman Direct Diversion Board meeting was called to order by City Councilor Carol Romero-Wirth, BDD Board Chair, at approximately 4:00 p.m. in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

2. ROLL CALL: Roll was called and a quorum was present as shown:

BDD Board Members Present:

Councilor Carol Romero-Wirth, Chair
Commissioner Anna Hamilton, Vice Chair
Councilor Jamie Cassutt
Commissioner Anna Hansen
J.C. Helms, Citizen Member
Tom Egelhoff, The Club at Las Campanas [non-voting member]

Member(s) Excused:

None

BDD Board Alternate Members Present:

Justin Greene, County Commission Alternate

Others Present:

Rick Carpenter, BDD Facilities Manager
Nancy Long, BDDDB Legal Counsel
Bernardine Padilla, BDD Public Relations Coordinator
Delfin Peterson, BDD Administrative Assistant
Randy Sugrue, BDD Operations Superintendent
Jesse Roach, City Water Division Director
Peter Hunt, Glorieta Geoscience, Inc.

3. APPROVAL OF AGENDA

Councilor Cassutt moved to approve the agenda as published. Commissioner Hamilton seconded and the motion passed by unanimous [5-0] voice vote.

4. APPROVAL OF CONSENT AGENDA

7. ACTION ITEMS: CONSENT

- a. Request for approval of annual payments to the Bureau of Land Management, Taos Field Office (BLM), in an amount up to \$77,409.82 for Right-of-Way rental fees**

Commissioner Hansen moved to approve and Commissioner Hamilton seconded. Upon unanimous [5-0] voice vote the consent item was approved.

5. APPROVAL OF MINUTES

- a. Approval of minutes from the February 1, 2024 Buckman Direct Diversion Board Meeting**

The following corrections were noted:

Page 3: “MR. SUGRUE: One hundred thousand to excavate and it’s not a ductile iron [inaudible] pipe...”

Page 3: “On the BDD rebuild project, the technical working group is working with City Procurement in developing the RFQ/RFP process...”

Page 5: Kyle Harwood: “So that’s why the annual report says 2022~~3~~ because it was printed late last summer...”

Commissioner Hansen moved to approve the minutes as corrected. Councilor Romero-Wirth seconded and the motion passed by unanimous [5-0] voice vote.

5. PRESENTATION/INFORMATIONAL ITEMS

- a. Monthly Update on BDD Operations**

RANDY SUGRUE (BDD Operations Superintendent): Madam Chair, members of the Board, this is the BDD report on operations for the month of February 2024. Our raw water diversions averaged 3.38 million gallons per day. Our production out of Booster Station 4A/5A averaged 3.12 million gallons per day. Tom did not divert any water from Las Campanas that month. Our onsite storage variation was .17 million gallons per day. The City or BDD provided around 51 percent of the water supply.

On the graph, we had almost exactly average for the last 12 years in February of 104.75 million gallons. Regional water demand for the month of February was approximately 6.5 million gallons per day. The Rio Grande flows about 674 cubic feet per second. That is now increasing slightly. Storage at Nichols and McClure combined were about 68 percent of the capacity with an inflow at the time of about 1.8 million gallons per day. There is a slight change with SJC storage in Abiquiu now at about 8,660 acre-feet. There has not been any water yet allocated to City and County but I think SJCP will get in contact sometime in April with the first estimated allocation for 2024.

The El Niño/Southern Oscillation Summary dated February 20th is essentially the same with a transition from El Niño to ENSO neutral likely around April/June. I stand for questions.

CHAIR ROMERO-WIRTH: Questions from the Board. Commissioner.

COMMISSIONER HANSEN: I was just going to make a comment. Does that mean it's going to be hotter this summer?

MR. SUGRUE: Last year was La Niña conditions and so that's generally warmer and dryer so we're a little more in a positive direction this year where one hopes, perhaps, a little cooler and a little wetter. But they're hedging their bets by saying it may be neutral. I'm a positive thinker.

COMMISSIONER HANSEN: I'm going to go with your positive thinking.

CHAIR ROMERO-WIRTH: Any other questions or comments. Thank you.

MR. SUGRUE: Thank you.

b. Report from the BDD Facilities Manager

CHAIR ROMERO-WIRTH: We'll go to Rick Carpenter and also, Happy Birthday. I hope you're doing something fun after this since you have to spend a couple of hours with us.

RICK CARPENTER (Facilities Manager): Thank you. I am happy to spend those two hours with you and hoping my wife has dinner ready for me when I get home.

CHAIR ROMERO-WIRTH: And a cake!

MR. CARPENTER: Thank you, Madam Chair and members of the Board, good evening. I have a brief memo in your packet. There are three topics in that memo. Update on Major Repair & Replacement Fund, the Facilities Manager is required to report activity on that. This month there has been no activity and there are no items to report. Next is the BDD re-build project progress, the Technical Working Group is working with Procurement to develop the RFQ/RFP process. And I'll give updates as available in future Board meetings. I understand that you, Madam Chair, will make a few verbal comments on that topic as well, and, an update on current vacancies. They consist of journeyman electrician, automation security technician, accounting supervisor, water operator intermediate and water system operator basic. And with that I will stand for questions.

CHAIR ROMERO-WIRTH: Questions. Commissioner Hamilton.

COMMISSIONER HAMILTON: The accounting supervisor that has been published, right? Is that the term?

MR. CARPENTER: Madam Chair and members of the Board, yes, it was advertised. We received a short list that had two candidates on it. We've interviewed one of those candidates and the other candidate we will interview early next week.

COMMISSIONER HAMILTON: Great, so that is some progress.

MR. CARPENTER: We are making progress.

COMMISSIONER HAMILTON: Great. Are any of the other positions posted yet or is it still in HR?

MR. CARPENTER: They are posted and those are the ones that I read. There's one we are working on which is warehouse planner tech and we hope to get that posted very soon.

COMMISSIONER HAMILTON: Great, thanks. Thank you, Madam Chair.

CHAIR ROMERO-WIRTH: Yes, Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Madam Chair. Do we know when we will get the RFQ and the RFP to be published?

CHAIR ROMERO-WIRTH: I have some information to give you.

COMMISSIONER HANSEN: Okay, thank you. I'll defer.

CHAIR ROMERO-WIRTH: Any other questions on the facilities manager report?

c. Update from the Technical Working Group

CHAIR ROMERO-WIRTH: Since we have some new members, I think most of you are aware and for new folks, we do have a Technical Working Group and it was formed to address certain aspects of the repairs and renovations necessary at the BDD facility and of course we're using the settlement funds from the litigation. We have a number of members, myself, the Vice Chair, the Facilities Manager, the Board's attorney or attorneys because we have Dan Frost and Nancy Long, the Las Campanas representative Tom Egelhoff, the consulting engineer Wayne Lorens and representatives from the City and County's utilities and water divisions. We have been meeting regularly for more than a year from the focus of the group's work since bringing the consulting engineer onboard has been the development of the appropriate procurement process for the repairs and renovations in conjunction with the City's Procurement Office.

The project is proceeding as a design-build procurement. It will be a two-phased process with the first phase being the RFQ, request for qualifications, phase seeking firms to submit their qualifications to execute the repair project. And then as a result of the RFQ process it is anticipated that three firms will be selected to submit detailed technical proposals as the second phase of the procurement.

So to Commissioner Hansen and I'm sure everybody is interested in when that might be issued, we had originally heard possibly today. The latest I'm hearing is that procurement met with staff earlier this week and that staff is currently doing a final review of the document. It won't be issued today but it is very close and Travis in our Procurement Office is estimating that it could be issued as early as tomorrow or perhaps Monday. So we are getting very close which is good news because we're been doing this for awhile.

What else do I want to tell you about that? The Technical Working Group has prepared an RFP as well for an owner's representative to assist in managing the design-build process and assuming no delays from or issues with Procurement, that RFP is expected to be released this spring in order to get the owner's representative in place to assist with the design-build procurement and then during the design and construction process. The work on the RFQ has been complex and detailed with a great deal of input from interested parties and it's the result of many, many hours of work by the Technical Work Group, Dan Frost and the City Procurement Office and really being thorough about what's the right path and making sure that everybody is comfortable with how we are proceeding. That has taken some time but it's on the horizon. So that's good. Nancy, did you want to add anything or Rick or anybody?

NANCY LONG (BDD Board Counsel): Yes, Madam Chair, we did, as you noted in your report, have a meeting, Dan Frost and Rick and I with Procurement earlier this week. We got their document. They put the RFQ into the City's format and made some other changes. They had worked on it extensively. Dan Frost, as late as last night and this morning, has some additional revisions that he has made and run by Rick and by me. And we will get those suggested revisions to the Procurement office most likely tomorrow

morning. So I don't know that it would be released tomorrow but I'm hoping that we can get it straightened out and get it ready to go next week.

CHAIR ROMERO-WIRTH: And I think one other thing to note is that the entire process, both phases of this RFQ, the phase 1 and phase 2 submittals will be concluded near the end of this calendar year when the contract award is the goal. So there's still some work and some time ahead but it's getting closer.

COMMISSIONER HANSEN: So you don't see it being finished until December?

CHAIR ROMERO-WIRTH: I think that's what we heard.

COMMISSIONER HANSEN: A year and a half, two year process.

MS. LONG: Madam Chair, we're trying to shave off as much time as we can on the procurement calendar. We were working on that yesterday. But we've got the first and then a selection of the finalists and then RFP will issue and firms will need adequate time to submit very detailed technical proposals along with costs and we want serious bid proposals, that's going to take several months. And then that evaluation committee will meet again to review those. So it is a long process but we're doing our best to shave off any time where we can.

CHAIR ROMERO-WIRTH: Other questions. Yes, Mr. Helms.

MR. HELMS: Could you talk a little bit about the owner's rep and that position. What kind of person or company do you have in mind?

CHAIR ROMERO-WIRTH: Do you want to answer that?

MR. CARPENTER: The way it is currently being foreseen by us on the Technical Working Group is that the owner's representative will be an expert in delivering design-build projects and most likely a PE, civil engineer, and will guide the technical parts of getting this project off the ground and completed on time, on budget and making sure that the design makes sense and is what the Board wants. And overseeing the construction phase as well.

MR. HELMS: As you mentioned, is this more of engineering and would be an individual rather than a company? And as you say, it will probably be an engineer but would he also or she have manufacturing background or operational background or is this a standalone engineer?

MR. CARPENTER: It hasn't been determined whether it would be an individual or a firm. That entity would have to have engineering expertise as well as project planning and the various phases such as product acquisition and things like that.

MR. HELMS: Does this position go out for bid or do we pick someone on our own?

MR. CARPENTER: It would go out to bid as an RFP.

MR. HELMS: Thank you.

CHAIR ROMERO-WIRTH: Other questions. Okay.

d. Information and Discussion on proposed additional of \$55,000 per year to BDD Budget for partial funding of a new Operations Superintendent position working part time at BDD

CHAIR ROMERO-WIRTH: Welcome, Jesse.

JESSE ROACH (City Water Division Director): Thank you. Thank you, Madam Chair, members of the Board. Since I came to the City almost five years ago there have been different efforts to try to provide expertise from the Canyon Road Water Treatment Plant to BDD and vice versa and prior to then we had instituted a sort of informal operator exchange where – especially we were sort of going from the bottom up, entry level and basic operators would spend time at one plant and come back. This current proposal that I want to talk to you about this evening relates to a higher level attempt to create capacity in the entire Public Utilities Department.

The City of Santa Fe staffs three different treatment plants. Two are for potable water and one is for wastewater. And in each of those plants there are a number of operators. So the idea here is essentially to create one more position which is the same as the position that Randy holds but that position will move through all three plants. So the idea is likely – the current thinking is that that position would spend the winter months at the wastewater treatment plant, so November, December, January, February. And then spend the spring runoff months at Canyon Road, March, April, May, June. And then spend the monsoon season, high demand months at BDD, July, August, September, October. However, also, when vacancies come up, that person would also be in a position to fill that vacancy fulltime until the position is backfilled.

And one of the key ideas to this is the creation of capacity and understanding of all of our facilities to essentially train future facility managers. I will read one sentence verbatim from the memo and then I'll stand for questions. "In an effort to provide backup, cross training, idea transfer, and experienced employees with good understanding of Public Utilities Department treatment plants who are positioned well to step in to manage any of the three facilities either temporarily or as candidates when those positions are vacated, Public Utilities Department has added a floater Operations Superintendent who will spend approximately four months per year at each plant and can provide supervision at any plant when the primary Operations Superintendent at that plant is absent."

This is an informational item but the \$55,000 estimated cost for this, one-third of this position, is included in the budget that you will be considering later in the agenda. With that, I will stand for questions.

CHAIR ROMERO-WIRTH: Commissioner Hansen.

COMMISSIONER HANSEN: Madam Chair, Dr. Roach, thank you. So I think it's really important to have backup. I've used words here that people don't like and I'll try and stay away from those words but capacity building is a good word. So what I'm concerned about is let's say the operator at Canyon Road is gone for six months and then what happens if this operator can't fulfill their role at BDD? Is it then not taken out of our budget? Is there a way to track this that he will be or she will be at the BDD for those three/four months that we're paying for?

DR. ROACH: Madam Chair, Commissioner Hansen, I think that is an excellent question. And to be honest with you, this is new ground for us having multiple divisions within the Public Utilities Department pay for a single staff member. So my intent would be exactly as you said is that we would like approximately one-third from each plant to cover this position. But in a situation where BDD doesn't use the position or BDD uses the position for six months, we would want each plant to pay their fair share. That would be the intent and I don't know exactly how the mechanics are going to work out.

COMMISSIONER HANSEN: I understand. I think there is a way to track where the person is and make sure that the appropriate agency is being responsible for that additional staff.

DR. ROACH: I believe so.

COMMISSIONER HANSEN: So I think that that's an important part of the agreement. Thank you.

CHAIR ROMERO-WIRTH: Commissioner Hamilton.

COMMISSIONER HAMILTON: From a slightly different point of firm but on a similar line of question, it seems like you're doing one logical thing which is picking times when you assume the demand, the need for the extra coverage would be greatest at each facility. And that makes sense. I have no problem with that. But do you envision a certain amount of flexibility? I'm just wondering if, like during the fixing process there are times when double coverage at BDD is also useful or some similar things at other facilities. So you get my point, right. And you wouldn't want to run a person ragged but would they have the flexibility to operate for you to have them operate on a different time schedule?

DR. ROACH: Madam Chair, Commissioner Hamilton, that also would be the intent and I think it makes sense that if they would be a third of their time at each facility if all three facilities were fully staffed and nothing exceptional is happening at any facility. But absolutely the intent of the added position would be building capacity and understanding of the full system and also providing extra help when it is needed at a particular plant.

CHAIR ROMERO-WIRTH: Other questions? I'm a little worried about the administrative nightmare that could be created by having to track time. It's one thing if it is like months but if we're getting into – starts being portions of it. Really, it is about developing depth across the system which we all benefit from. So I guess I would disagree a little bit about the tracking by the hour or the month or day or whatever. It's a benefit to the whole system and I think that's what you're trying to build is to think of it as a system and having the depth and expertise across the system. And, again, I do worry about the administrative requirement of trying to track and how that breaks down. If we get into – if they're not there a full month, if it's only three weeks and then how do we deal with that. And if we have to breakdown to the days and the hours; I don't know. It seems like a slippery slope. I don't know if you'd had any thoughts about that.

DR. ROACH: Madam Chair, I think this is a little bit cutting edge and a little bit experimental and we'll have to see how it works and come back to the Board for ideas. I do think that there will be some explicit tracking. I think because the supervisor of this person will change. I think by default it will be Rick for four months of the year and then source of supply facility manager for four months and then the wastewater so we would probably set that up by default. But if it looks like this person needs to be on special assignment to BDD for a month or to wastewater for four months, at the end of the year we could change the supervisor accordingly at the end of the year and we would have that method of tracking. But your point is well taken. Even if everything is working well there is probably going to be a day when they're reporting to Rick where they might go to another facility. Tracking it down to the days, certainly the administrative burden would be too much and we're going to have to find the middle ground there between making sure the different facilities are paying their fair share and benefitting their fair share and that we're not overwhelmed by the administrative task of keeping track of that.

CHAIR ROMERO-WIRTH: Yes, it's a balancing thing. Oh, that generated comments. I'll go to Mr. Helms and then I'll circle to you and go on down.

MR. HELMS: I guess I'm going to be weighing in with Commissioner Hansen's point about tracking. I've had to track time, allocate time all my business life. You know, are you working on this project? Are you working on that project? Who's doing this and who's doing that? I do it all day long and I've done jobs on the basis where I had to keep track of this or that. And it seems to me that every single day you can have a sheet of paper and say, I allotted so many hours to this and so many hours to that. It might take 30 seconds of time and then there's a piece of paper and somebody can add it all up at the end of the month. I really don't think that that's a problem. If we want to track it and maybe we don't but if we do, it's pretty darn easy. I don't see it as a big deal, I really don't.

CHAIR ROMERO-WIRTH: Commissioner Hamilton.

COMMISSIONER HAMILTON: Yes, I think there's kind of two pieces of the question. So I don't know if you guys keep your timesheets on paper but we do them electronically at my office and so one possibility is to just have the codes and tell them where you are. But I think that's – Dr. Roach brought up the issue of supervisors, so there's kind of an overarching management thing that we don't want to go crazy with. I'm wondering if it's possible to – if you had something planned some of the other needs are going to come up as you go along. So by definition you can't totally anticipate them. I can see that happening any place. Maybe there's a process where if we're talking about the day or the week and you wait until the end of the year and look at the total time to true things up. If somebody really spent six months at BDD and only two at wastewater but it didn't really negatively impact the supervisory relationship because it was just here-there. Or if somebody is out at one of the plants for six months for whatever reason and it's a plant thing, maybe we can handle it more formally. But you can true things up at the end of the year using electronic information according to the timesheets.

CHAIR ROMERO-WIRTH: Yes, and we certainly wouldn't want to be paying for something we're not getting utilization from. So if there were some sort of hiccup where this person ended up being predominantly at one of the other two places and not really having any benefit to BDD that wouldn't be good.

COMMISSIONER HAMILTON: But if we hit some threshold, your point is also valid. There is some system wide benefit and maybe it is just a threshold issue.

CHAIR ROMERO-WIRTH: Commissioner Hansen.

COMMISSIONER HANSEN: Thank you. I wasn't thinking of taking this down to the minute or the day. I was thinking the broad terms of three months, four months, and you get paid every two weeks so you have a basis to find out where the person is. It seems relatively simple to me and I don't think we have to be so minute in our detailing of where this person is as long as he's actually at the facility that he's supposed to be at. If for some reason there's an emergency at the wastewater plant and he needs to go there because somebody was sick or something like that happens then, I think there needs to be flexibility. But I also think there needs to be some kind of tracking and I know that Commissioner Greene has had his hand up.

CHAIR ROMERO-WIRTH: Sorry about that. You've got to wave at me or something. Commissioner Greene.

COMMISSIONER GREENE: Thank you. I didn't want to interrupt you but thank you very much, Madam Chair. I want to on the tracking thing, I want to make sure that

my concerns are one, that if somebody is dispatched or on assignment to BDD for four months that if there's not that much time in travel, right, because people can basically spend time running between three organizations and not get anything done. So half-days are pretty ineffective, right. So if somebody goes somewhere, they go for the day. To have something so that there's not so much really emergency, emergency, emergencies could be dispatched in between but if there's somebody who has to be dispatched and have it in the day in advance so people know where they're supposed to be.

Second concern is time-off accrued, so if somebody decides they're going to take their vacation, three weeks of vacation in the middle of BDD season that we're either compensated or some other way of managing that so that that happens to be managed properly. And, lastly, I think audits now take timesheets into consideration and this could be a complication when an audit comes and somebody's timesheet – and I know they don't audit everybody's timesheet but imagine if they pull randomly this person's timesheet and this becomes a complication. So I'm just thinking about how we can make sure that this doesn't become something that complicates our life more than necessary. Thank you.

CHAIR ROMERO-WIRTH: Yeah, I think this is good input and food for thought for Dr. Roach as you think about how we implement this idea. And this is new territory and we haven't done this before. These are the kinds of things that will have to be worked through. And I think it is also good for the Board to understand so that we have this conversation so that we recognize that there's a balance and we do need to keep track at a certain level but we also need to have some flexibility.

Any other questions, thoughts, comments? Thank you, Dr. Roach.

7. **ACTION ITEMS: CONSENT** [Approved - see page 2]
 - a. **Request for approval of annual payments to the Bureau of Land Management, Taos Field Office (BLM), in an amount up to \$77,409.82 for Right-of-Way rental fees**

8. **ACTION ITEMS: DISCUSSION AND ACTION**
 - a. **Request for approval and recommendation to Santa Fe County Board of County Commissioners and City of Santa Fe City Council to approve the Fiscal Year 2025 Buckman Direct Diversion Operating Budget and Other Fund Contributions.**
 - i. **Presentation of the proposed FY2025 BDD Operating Budget and Other Fund Contributions**
 - ii. **Public Comment**

CHAIR ROMERO-WIRTH: We have two pieces of this. Our Facilities Manager Rick Carpenter is here and we're going to do a presentation on this budget and the other funds contributions and there is also opportunity for public comment on this item and I just wanted to point out that there are two phases to this discussion. Mr. Carpenter, do you want to take it from there.

MR. CARPENTER: Thank you, Madam Chair and members of the Board. In your packet you will find the 12-page summary of the requested budget with a cover memo on top. I will just step through this. The BDD is pleased to present the proposed Buckman Direct Diversion Annual Operating Budget for Fiscal Year 2025, and proposed contributions

to the Major Repair & Replacement Fund. The proposed budget accounts for all projected necessary costs to meet the Board's service level objectives and to continue to provide high quality water to our partners.

BDD staff actively collaborated with its partners on the development of this budget. There's a highlighted summary behind the cover memo and I'll run through that. The BDD requested operating budget for fiscal year 25 is \$8,512,347. The partner reimbursements are \$8,282,847. There is \$120,000 for PNM solar rebate and \$96,000 for federal funds.

If I could step through some of the highlights in the budget packet. I'd call your attention to page 2, which is a summary broken down into the major categories: federal funds, solar City's share, County's share, Las Campanas Club and Las Campanas Co-op. So the federal funds, again, \$96,000. PNM solar, \$120,000. The City's share of the operating fund would be \$5,678,747. The County's share would be \$2,283,503. Las Campanas Club, \$265,621 and the Co-op would be \$68,476.

I would call to your attention the proposed budget for Fiscal Year 2025 very closely mirror and is very similar to the previous year's budget and in fact, the year before that. So there is a slight increase of \$221,794 and the emergency fund is fully funded at \$2 million and Major Repair & Replacement Fund request is \$1,535,019.

I would call your attention to page 5 of your packet which does compare this year's budget request with the last fiscal year that was approved by the Board. Last fiscal year was \$8,290,553. This proposed operating budget is \$8,512,347. That's a slight increase of \$221,794 over the previous year's budget.

I'll have you turn to page 9 of your budget. This again is just a description of the Emergency Reserve Fund balance. We are required to carry this by the governing documents of the board require it. We have funded the targeted balance of \$2 million. To my knowledge this has never been touched but the governing documents want it there in case there is a true emergency. It has accrued a little bit of interest, it looks like \$87,997. So that's in good shape.

On the next page you will see a discussion of the Major Repair & Replacement. The BDD Board has authorized \$2,961,007 for the major repair and replacement. Some of that has been spent and some of has not. Again, the request is for \$1,935,019. And a little bit of explanation on the next page, page 11, Table J. The red total across column, that's projects that have been completed and below that you'll see another number of projects that are in black type. Those are projects that are about to start and have been approved as part of the Major Repair & Replacement Plan. That's where the \$2,961,006 comes from.

Table K below itemizes the Fiscal Year 25 requested contribution for Major Repair & Replacement. Again, \$1,935,019, mostly related to valve replacements and some other big ticket items – membrane replacements, granulated activated carbon, PLC replacements and that's how we get to that figure.

And the last page combines the Operating Budget with the Major Repair & Replacement budget. So the City's operating fund would be \$5,738,702. The County would be \$2,210,048. The Club, \$265,261 and the Co-op, \$68,476. When you add to that the Major Repair & Replacement Fund which is \$1,375,667 for the City. \$483,190 for the County. \$33,251 for the Club and \$42,911 for the Co-op. That totals up to \$7,114,369 total for the City; \$2,693,238 for the County; \$298,872 for the Club and \$111,387 for the Co-op.

With that, Madam Chair and members of the Board, I would be happy to stand for questions.

CHAIR ROMERO-WIRTH: Questions. Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Madam Chair. How come the Cop pays more than Las Campanas on the Major Repair & Replacement? I'm just curious.

MR. EGELHOFF: I know that answer. It is based off of capacity. The Cop has more capacity in the BDD project than the Club.

COMMISSIONER HANSEN: Thank you. I appreciate that, Tom, thank you.

CHAIR ROMERO-WIRTH: Any other questions on the budget?
Commissioner Greene.

COMMISSIONER GREENE: Thank you, Madam Chair. I have a question that might not be so much of a BDD question but might have to do with the City and County. How much does the City and County recoup of their contribution? Is it all recoupable? Are the utility rates for all customers on both of our respective systems able to recoup that or is this just a fixed amount and we recoup at our own peril or opportunity?

MR. CARPENTER: Commissioner Greene, I'm not sure I'm understanding your question but we bill our partners every month based on actuals so we have a projected amount and an actual amount, for example, how much electricity one partner uses versus the other that month and we go over those actuals.

COMMISSIONER GREENE: And then it's each utility department's responsibility to separate and to try and recoup as much money as possible out of that \$5 million or \$2 million more or less.

MR. CARPENTER: It is very carefully tracked.

COMMISSIONER GREENE: Okay, thank you.

CHAIR ROMERO-WIRTH: Commissioner Hamilton.

COMMISSIONER HAMILTON: It's the business of the City and the County to charge – they pay for water essentially like bulk water. They pay for what they use. So the County is a customer and the City is a customer and then it is their business to make their charge rates accordingly. And at the County we do it and at the City I have no idea but I imagine it's done responsibly.

COMMISSIONER GREENE: That was the basis of my question. I just wanted to know how much and how accurate each of our individual utility departments were able to match that --- the cost of water to how much BDD charges each of us. Thank you.

CHAIR ROMERO-WIRTH: Other questions? Commissioner Hansen.

COMMISSIONER HANSEN: I know Commissioner Greene you might not have been there when we approved rate hikes for water but we're pretty accurate about recouping what we are spending, okay. You would want to look at those when we do the budget in a couple of months, in May, you can see the results there. I just wanted to take the time to answer that.

CHAIR ROMERO-WIRTH: Great. Any other comments or questions, concerns?

COMMISSIONER HANSEN: I do have one, Madam Chair, sorry. Where is the \$55,000 located?

MR. CARPENTER: Madam Chair, Commissioner Hansen, the \$55,000 is not enumerated in this summary but it was put into the salaries line item of the budget.

COMMISSIONER HANSEN: Okay, thank you.

CHAIR ROMERO-WIRTH: That brings up a question for me. Is it a strict \$55,000 in the salary? Is there some portion of that that is benefits and overtime?

MR. CARPENTER: Madam Chair, yes, that includes the full rate of what the projected salary would be of that person. So it's all in there.

CHAIR ROMERO-WIRTH: Okay, thank you. So that \$55,000 is going to be split across a couple of those line items based on what you're telling me.

MR. CARPENTER: It is captured as a single line item in the salary portion of the overall budget.

CHAIR ROMERO-WIRTH: So there isn't a portion that is in the benefit?

MR. CARPENTER: The \$55,000 includes the benefits

CHAIR ROMERO-WIRTH: I'm looking at page 5.

COMMISSIONER GREENE: It was in the previous part.

CHAIR ROMERO-WIRTH: Commissioner Greene, do you want to use a microphone. I'm not sure what you're saying.

COMMISSIONER GREENE: Apologies. So they broke out the full package in the previous discussion point.

CHAIR ROMERO-WIRTH: Oh, right here. Okay, perfect. Thanks. This is an action item and you need approval from us tonight; is that correct?

MR. CARPENTER: That's correct.

CHAIR ROMERO-WIRTH: Maybe also for our new folks could somebody speak to what happens next. We approve it and it goes to the County Commission and it goes to the governing body of the City; can you kind of walk us through this.

MS. LONG: Yes, Madam Chair. Tonight we're seeking a recommendation, approval for a recommendation of this budget that would then go to the respective bodies. To the County Commission and the governing body so they'll have the information for their budget. And then it would come back, if approved, and presumably it would be by each of the bodies. Sometimes there are some questions or tweaks. It will come back to this Board for final approval after that. So this is a recommendation for approval but you will see it again and that's usually in June.

CHAIR ROMERO-WIRTH: If there are no more questions –

COMMISSIONER HANSEN: You need a public hearing.

ii. Public Comment

CHAIR ROMERO-WIRTH: That's right. If we're done having this discussion then we can go to public comment. Is there anybody who would like to comment on the budget for the FY25 fiscal year for the Buckman Direct Diversion? I don't see anyone in the chamber and we are not hybrid in any way. It doesn't look like we have any public comment. Commissioner Hansen.

COMMISSIONER HANSEN: I wonder about that not being able to be hybrid. Is there something in the budget that could help us pay for virtual participation or do we need to think about that? Since we're in the City Chambers is that something that is in your budget that is going to be happening?

MR. CARPENTER: I did not foresee putting that in the budget so it is not in there. But if it does happen and there are costs incurred by the Board it will be paid for out of Other Operational Expenses. Hopefully, it won't be a very big number.

COMMISSIONER HANSEN: No, I don't think it should be a big number but I do think for public transparency and access we should have that available to the public.

CHAIR ROMERO-WIRTH: Yes, I think that is something we should revisit. It has been an issue for a while now. And I think that's the best we can do right now because it's not really on the agenda but there is no public here to make comment so I'm going to close that portion.

We can now go to entertain a motion for approval of the budget for the Fiscal Year 2025.

COMMISSIONER HANSEN: Madam Chair, I think it needs to be as Nancy stated a request for approval and recommendation.

CHAIR ROMERO-WIRTH: Okay, are you going to make a motion?

COMMISSIONER HANSEN: A request for approval and recommendation to Santa Fe County Board of County Commissioners and the City of Santa Fe City Council to approve Fiscal Year 2025 Buckman Direct Diversion Operating Budget and Other Fund Contributors.

CHAIR ROMERO-WIRTH: Is there a second?

MR. HELMS: Second.

CHAIR ROMERO-WIRTH: We have a motion and a second to approve the FY25 budget of the Buckman Direct Diversion Operating and Other Fund contributions. Is there anymore discussion? And if not do we need a roll call on this one?

MS. LONG: That would be in your discretion, Madam Chair. But I think maybe for budget you would want to do that.

CHAIR ROMERO-WIRTH: Yes, that's what I was thinking. Could we get a roll call.

The motion passed by unanimous [5-0] roll call vote as follows:

Councilor Jamie Cassutt	Yes
Commissioner Anna Hansen	Yes
Mr. J.C. Helms	Yes
Commissioner Anna Hamilton	Yes
Chair Carol Romero-Wirth	Yes

8. b. Request for approval for Chair Romero-Wirth, Vice-Chair Anna Hamilton, Facilities Manager Rick Carpenter and Board Attorney Nancy Long to serve on the committee to interview Citizen Member and Alternate Citizen Member applicants and provide recommendations to the Board for the positions

CHAIR ROMERO-WIRTH: We have Nancy Long and Rick Carpenter here if there are questions. I'll open it up to questions or comments on that item. And if there are none, could I have a motion?

COUNCILOR CASSUTT: Move to approve.

COMMISSIONER HAMILTON: Second.

CHAIR ROMERO-WIRTH: All right. We have a motion and a second to approve this item. All those in favor?

The motion passed by unanimous [5-0] voice vote.

9. MATTERS FROM THE PUBLIC

CHAIR ROMERO-WIRTH: Once again we have a second opportunity for the public and we do not have any members – oh, are you putting on your public hat?

DR. ROACH: Yes, Madam Chair. One matter from the public is John Dupuis, the Public Utilities Department Director, went to grab a cake for Rick and since you were all expecting to be here for two hours I hope you’ll stick around.

CHAIR ROMERO-WIRTH: And I just saw him walk across the window there. Awesome.

10. MATTERS FROM THE BOARD

COMMISSIONER HANSEN: Maybe we should sing Happy Birthday to Rick.

CHAIR ROMERO-WIRTH: We can sing after the meeting when the cake arrives. Other matters from the Board?

11. NEXT MEETING: Thursday, April 4, 2024 at 4:00 p.m.

12. ADJOURN

Having completed the agenda and with no further business to come before the Board, Chair Romero-Wirth declared this meeting adjourned at approximately 4:57 p.m.

Approved by:

Carol Romero-Wirth, Board Chair

Respectfully submitted:

Karen Farrell, Wordswork

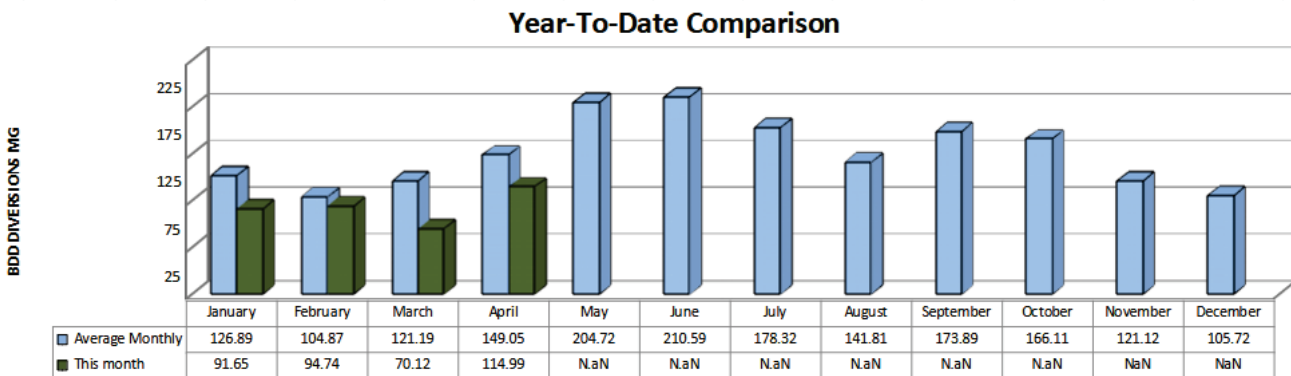
ATTEST TO

GERALYN F. CARDENAS
INTERIM CITY CLERK

Date: May 2, 2024
To: Buckman Direct Diversion Board
From: Randy Sugrue, BDD Operations Superintendent
Subject: Update on BDD Operations for the Month of April 2024

ITEM:

1. This memorandum is to update the Buckman Direct Diversion Board (BDDDB) on BDD operations during the month of April 2024. The BDD diversions and deliveries have averaged, in Million Gallons Per Day (MGD), as follows:
 - a. Raw water diversions: 3.83 MGD.
 - b. Drinking water deliveries through Booster Station 4A/5A: 2.89 MGD.
 - c. Raw water delivery to Las Campanas at BS2A: 0.76 MG
 - d. WTP Onsite water storage variation: 0.18 MGD Average. (Average gain or loss per day to the 12MG WTP onsite storage.)
2. The BDD is providing approximately 40% percent of the water supply to the City and County for the month.
3. The BDD year-to-date diversions are depicted below:



4. Regional Demand/Drought Summary and Storage-see page 2.

Regional Water Overview

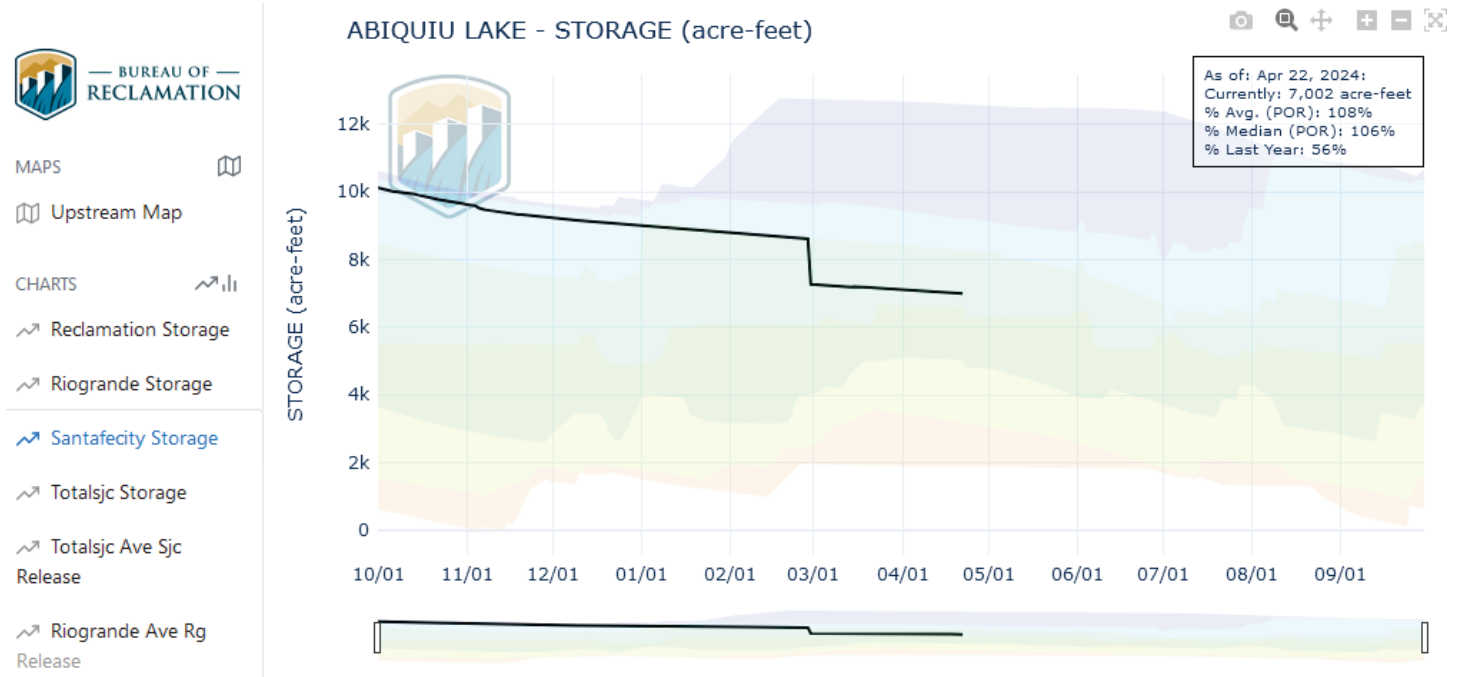
Daily metered regional water demand for the month of April 2024 is approximately 7.2 MGD.

Rio Grande flows for April 2024 averaged approximately 1500 CFS (cubic feet per second.)

CRWTP reservoir storage: Nichols: 67.2%/McClure: 21% (29.0% combined) Watershed Inflow: 23.6 MGD

City/County/LC Storage- as updated by partners. As of April 22, 2024 City of SF Abiquiu SJC storage is at about 7,002AF.

As of April 1, 2024 the City of Santa Fe has been allocated 1631AF of 5230AF and SF County 171AF of 375AF of SJCP water.



ENSO Summary

April 22, 2024

El Niño conditions are observed.*

Equatorial sea surface temperatures (SSTs) are above average across the central and east-central Pacific Ocean.

The tropical Pacific atmospheric anomalies are weakening.

A transition from El Niño to ENSO-neutral is likely by April-June 2024 (85% chance), with the odds of La Niña developing by June-August 2024 (60% chance).

Buckman Direct Diversion Monthly SJC and Native Diversions

Apr-24

In Acre-Feet

Month	Total SJC + Native Rights	SP-4842 RG Native COUNTY	SD-04842-A RG Native VIA SFC LAS CAMPANAS	SJC Call Total	SP-2847-E SJC Call CITY	SP-2847-N-A SJC Call LAS CAMPANAS	SP-2847-E SJC Undiverted CITY	All Partners Conveyance Losses
JAN	283.691	91.173	0.000	192.518	192.518	0.000	0.000	1.986
FEB	293.064	112.967	0.000	180.097	180.097	0.000	0.000	1.858
MAR	217.014	95.914	0.000	121.100	121.100	0.000	0.000	1.475
APR	353.019	208.776	69.720	74.523	74.523	0.000	0.000	2.200
MAY	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JUN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JUL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AUG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
SEP	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
OCT	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NOV	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
DEC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	1,146.788	508.830	69.720	568.238	568.238	0.000	0.000	7.519

In Million Gallons

Month	Native COUNTY	SFC Native Las Campanas	SJC TOTAL	SJC CITY	SJC Las Campanas	SJC Undiverted CITY	All Partners Diversions BDD
JAN	29.698	0.000	61.974	61.974	0.000	0.000	91.672
FEB	36.797	0.000	57.976	57.976	0.000	0.000	94.773
MAR	31.242	0.000	38.910	38.910	0.000	0.000	70.153
APR	68.005	22.710	23.913	23.913	0.000	0.000	114.629
MAY	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JUN	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JUL	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AUG	0.000	0.000	0.000	0.000	0.000	0.000	0.000
SEP	0.000	0.000	0.000	0.000	0.000	0.000	0.000
OCT	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NOV	0.000	0.000	0.000	0.000	0.000	0.000	0.000
DEC	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	165.743	22.710	182.773	182.773	0.000	0.000	371.226

Buckman Direct Diversion Monthly SJC and Native Diversions

Dec-23								
In Acre-Foot								
Month	Total SJC + Native Rights	SP-4842 RG Native COUNTY	SD-04842-A RG Native VIA SFC LAS CAMPANAS	SJC Call Total	SP-2847-E SJC Call CITY	SP-2847-N-A SJC Call LAS CAMPANAS	SP-2847-E SJC Undiverted CITY	All Partners Conveyance Losses
JAN	202.766	170.639	0.000	32.127	32.127	0.000	0.000	0.316
FEB	198.863	198.863	0.000	0.000	0.000	0.000	0.000	0.000
MAR	298.509	283.752	0.000	14.757	-0.183	14.940	0.000	0.148
APR	539.513	456.749	68.929	13.835	13.835	0.000	0.000	0.050
MAY	594.828	462.276	132.552	0.000	0.000	0.000	0.000	0.000
JUN	584.178	458.973	125.205	0.000	0.000	0.000	0.000	0.000
JUL	775.090	29.584	0.000	745.506	600.980	144.526	0.000	3.448
AUG	691.219	0.000	0.000	691.305	661.055	30.250	0.086	3.300
SEP	543.466	0.000	0.000	548.792	488.899	59.893	5.325	2.629
OCT	450.861	0.000	0.000	462.141	409.826	52.315	11.280	4.339
NOV	305.383	0.000	0.000	310.512	297.964	12.549	5.129	3.046
DEC	201.257	0.000	0.000	214.254	214.254	0.000	12.996	2.142
TOTAL	5,385.935	2,060.836	326.686	3,033.229	2,718.756	314.473	34.816	19.417

In Million Gallons

Month	Native COUNTY	SFC Native Las Campanas	SJC TOTAL	SJC CITY	SJC Las Campanas	SJC Undiverted CITY	All Partners Diversions
JAN	55.583	0.000	10.347	10.347	0.000	0.000	65.930
FEB	64.776	0.000	0.000	0.000	0.000	0.000	64.776
MAR	92.427	0.000	4.752	-0.059	4.819	0.000	97.179
APR	148.778	22.453	4.484	4.484	0.000	0.000	175.714
MAY	150.579	43.176	0.000	0.000	0.000	0.000	193.755
JUN	149.503	40.783	0.000	0.000	0.000	0.000	190.286
JUL	9.636	0.000	240.180	193.965	46.562	0.000	249.817
AUG	0.000	0.000	222.731	213.366	9.764	0.028	222.731
SEP	0.000	0.000	176.814	157.483	19.331	1.735	176.814
OCT	0.000	0.000	148.909	132.288	16.887	3.674	148.909
NOV	0.000	0.000	100.009	95.960	4.049	1.671	100.009
DEC	0.000	0.000	68.993	68.993	0.000	4.233	68.993
TOTAL	671.282	106.412	977.219	876.827	101.412	11.341	1,754.914



Date: April 26, 2024

To: BDD Board

From: Rick Carpenter, BDD Facilities Manager

RC

Re: BDD Facilities Manager Monthly Update to the BDD Board

Item and Issue

Below is the monthly update from the BDD Facilities Manager for the May, 2024 Board meeting:

- Major Repair and Replacement (MR&R) Fund. The BDD Facility Manager is to provide updates as needed on MR&R fund expenditures or other major expenditures on projects. There are no MR&R items to report this month.
- BDD Re-Build Project Progress. The Technical Working Group is working with City of Santa Fe Procurement in developing the RFQ/RFP process. An RFQ (qualifications only) for design and construction has been advertised. Staff will provide further information as it becomes available.
- Current Vacancies.

The following positions are vacant/open and currently advertised:

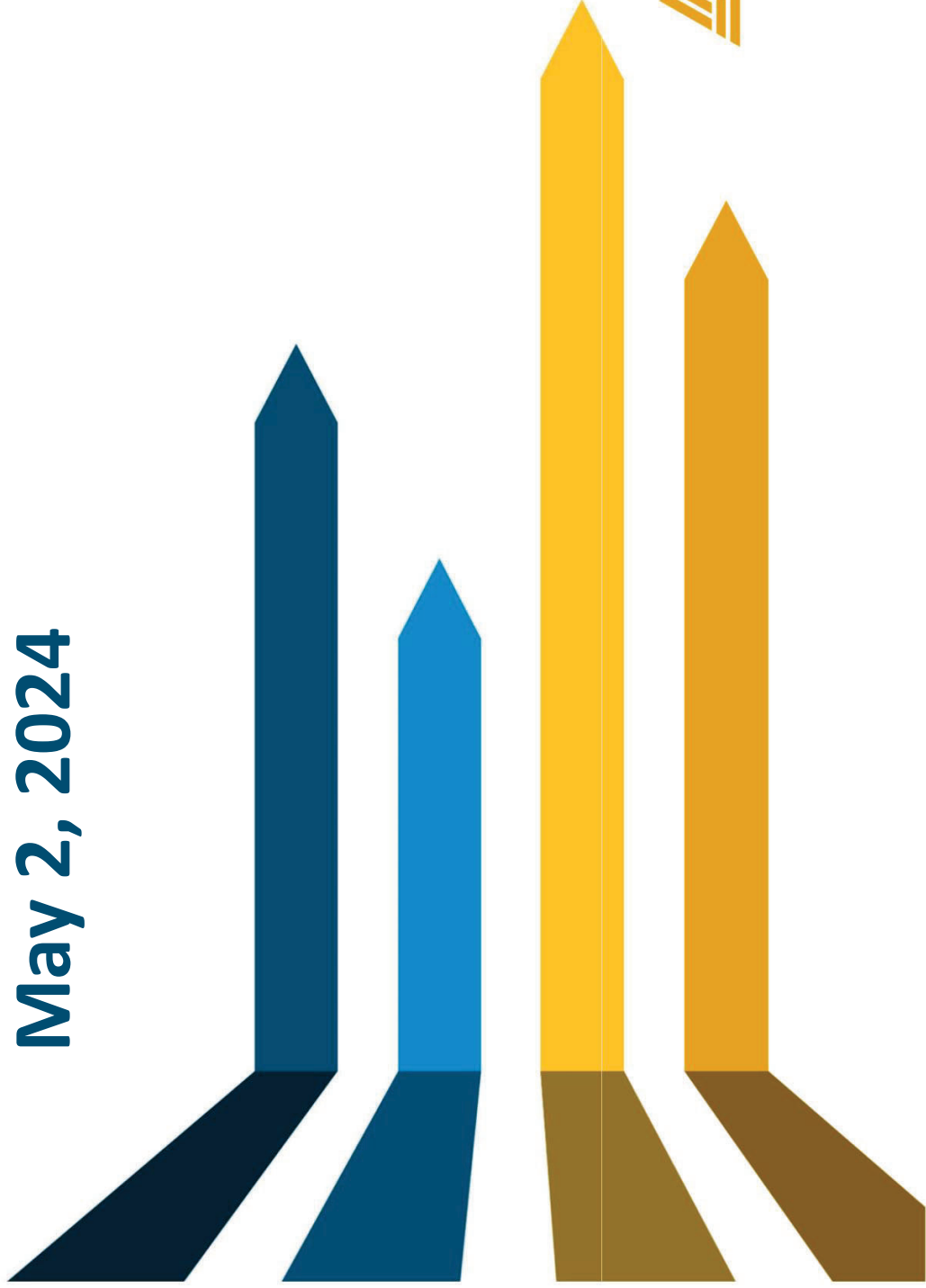
- Journeyman Electrician
- Compliance Officer
- Accounting Supervisor
- Water Operator Intermediate
- Water System Operator Basic

The following positions are vacant/open not currently advertised:

- Automation and Security Technician
- Repairman Basic
- Repairman Intermediate



Buckman Direct Diversion Project – Audit 2022 Board Presentation May 2, 2024



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CPAs and Advisors
CRlcpa.com

Today's Agenda

Timeline

Scope of Work

Auditors' Reports

Questions?

Timeline



Timeline

Timeline

Entrance Conference	October 6, 2022
Planning	October 2023
Fieldwork	November 2023
Exit Conference	December 4, 2023
Independent Auditors' Report	December 4, 2023
Submitted to NM OSA	December 4, 2023
Released from NM OSA	March 24, 2024

Scope of Work



Scope of Work

**Audit of Financial Statements
for June 30, 2022**

**Compliance with NM State
Audit Rule**

Auditors' Reports



Auditors' Reports

Independent Auditors' Report

- **Opinion on the Financial Statements**
 - **Unmodified – Best opinion**
 - **Financial Statements are presented fairly in accordance with U.S. GAAP**
- **Pages 8-10**

Auditors' Reports

Independent Auditors' Report on Internal Controls over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- **Negative Assurance**
 - **1 State Audit Rule Findings**
 - **Report Pages 46-47**
 - **Schedule of Findings and Responses Pages 48-49**

Auditors' Reports – Finding Summary

State Audit Rule Finding 2022-001 (2019-001) – Late Submission of Audit Report (ONC)

- Pages 48-49

Questions?



Thank You

Alan D. "A.J." Bowers, Jr., CPA, CITP
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Eric Spurlin, CPA, CITP
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505.883.2727



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**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2022

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INTRODUCTORY SECTION



State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Table of Contents
June 30, 2022

INTRODUCTORY SECTION

Table of Contents	4
Official Roster	5

FINANCIAL SECTION

Independent Auditors’ Report	8
Management’s Discussion & Analysis	11

BASIC FINANCIAL STATEMENTS

Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22
Notes to Financial Statements	24

SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – Schedule of Revenues, Expense, and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual	42
Schedule of Changes in Restricted Net Position by Partner	43

COMPLIANCE SECTION

Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Schedule of Findings and Responses	48
Other Disclosures	50

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Official Roster
June 30, 2022

ELECTED OFFICIALS

Anna Hansen	Chairperson of the BDD Board Commissioer, Santa Fe
Carol Romero-Wirth	Councilor, City of Santa Fe
Anna Hamilton	Commissioner, Santa Fe County
Joanne Vigil Coppler	Councilor, City of Santa Fe
J.C. Helms	Member At-Large
Peter Ives	Member Alternate At-Large Councilor, City of Santa Fe Alternate
Henry Roybal	Commissioner, Santa Fe County Alternate
Tom Egelhoff	Las Campanas, Nonvoting Member

ADMINISTRATIVE OFFICIALS

Rick Carpenter	Facility Member, Buckman
Antoinette Armijo-Rougemont	Fiscal Manager and Business Administrator, Buckman
Mary McCoy	Finance Director, City of Santa Fe

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Joesph M. Maestas, P.E., New Mexico State Auditor and
Board Members

Santa Fe County, City of Santa Fe, Las Campanas,
Buckman Direct Diversion Project
Water Treatment Facility Operations
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activity of the Buckman Direct Diversion Project Water Treatment Facility Operations ("BDD") as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise BDD's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of BDD as of June 30, 2022 and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BDD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BDD's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BDD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BDD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, the budgetary comparison schedule - schedule of revenues, expenses, and changes in net position budget (non-GAAP budgetary basis) and actual, the schedule of changes in restricted net position by partner, and other disclosures but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, on our consideration of BDD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BDD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BDD's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 4, 2023

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of BDD's basic financial statements. BDD's financial statements are comprised of basic financial statements, notes to the financial statements and other information. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

BDD operates under the accrual basis of accounting, required for State and Local Governments' enterprise operations. BDD's operating fund utilizes cost codes to track expenditures for proper allocation and billing to the City, County, and Las Campanas Entities.

Proprietary Fund

BDD operates as proprietary fund for regional water supply with all operating costs covered by reimbursements to the City, County, and Las Campanas Entities. Proprietary funds are used for activities that are financed and operated in a manner similar to a private business enterprise. The intent of the BDD Board of Directors is to ensure the costs (expenses) of providing services, in this case, regional water supply on a continuing basis be financed or recovered through billings.

Proprietary financial statements are designed to provide readers with a broad overview of BDD's finances, in a manner similar to a private-sector business.

Budgets

BDD's annual operating budget is adopted on an annual basis and includes annual contributions to the Emergency Reserve Fund and Major Repair and Replacement fund based on yearly targeted balances. The annual budget is recommended by the BDD Board to be approved by the governing bodies of our participating partners. Once the budget has been approved by the governing bodies the budget is formally adopted by the BDD Board. The annual operating budget is budgeted by major category; any adjustments between major categories must be approved by the BDD Board.

The budget is prepared on another comprehensive basis of accounting other than the accrual basis required by GAAP.

There were no major changes to the fiscal year 2022 annual operating budget in comparison to the final fiscal year 2021 annual operating budget.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Statement of Net Position

The statement of net position presents information on all of BDD's assets, liabilities, and net position.

The following table provides condensed financial information related to BDD's net position as of June 30, 2022 as compared to June 30, 2021.

	2022	2021	Amount Change	% Change
Assets				
Current Assets	\$ 81,288,965	\$ 46,217,050	\$ 35,071,915	76%
Capital Assets, Net	8,552,093	8,867,479	(315,386)	-4%
Total Assets	\$ 89,841,058	\$ 55,084,529	\$ 34,756,529	63%
Liabilities				
	\$ 6,101,275	\$ 5,386,766	\$ 714,509	13%
Net Position				
Net Investment in Capital Assets Restricted For	8,552,093	8,867,479	(315,386)	-4%
Emergency Reserves	2,086,267	2,086,267	-	0%
Major Repair and Replacement Reserves	72,128,502	1,652,897	70,475,605	4264%
Unrestricted	972,921	37,091,120	(36,118,199)	-97%
Total Net Position	83,739,783	49,697,763	34,042,020	68%
Total Liabilities and Net Position	\$ 89,841,058	\$ 55,084,529	\$ 34,756,529	63%

The statement of net position reports comparison activity of the current and previous fiscal years of operation. The change of current assets and current liabilities is due to the legal settlement received. The capital assets held by BDD represent a portion of the original construction cost of the BDD Project, excluding assets reported on the City and County's financial statements. All new assets purchased by BDD are reported as capital assets.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Statement of Revenue, Expenses, and Changes in Net Position

The following table provides condensed financial information related to BDD's changes in net position for the year ended June 30, 2022 as compared to the year ended June 30, 2021.

	2022	2021	Amount Change	% Change
Operating Revenues				
Reimbursements				
City of Santa Fe	\$ 5,780,166	\$ 6,660,755	\$ (880,589)	-13%
Santa Fe County	2,016,432	2,204,280	(187,848)	-9%
Las Campanas Entities	166,318	272,546	(106,228)	-39%
PNM Solar Rebates	194,811	144,289	50,522	35%
Conservation Fee	-	12,481	(12,481)	-100%
Grants-Federal	285	16,150	(15,865)	-98%
Total Operating Revenues	\$ 8,158,012	\$ 9,310,501	\$ (1,152,489)	-12%
Operating Expenses				
Buckman Direct Diversion Project Operations	\$ 7,842,984	\$ 8,592,151	\$ (749,167)	-9%
Major Repairs	358,237	358,770	(533)	0%
Total Operating Expenses	8,201,221	8,950,921	(749,700)	-8%
Operating Income	(43,209)	359,580	(402,789)	-112%
Nonoperating Revenues				
Legal Settlements	34,000,000	36,000,000	(2,000,000)	-6%
Investment Income	85,229	118	85,111	72128%
Change in Net Position	34,042,020	36,359,698	(2,317,678)	-6%
Net Position - Beginning of Year	49,697,763	13,338,065	36,359,698	273%
Net Position - End of Year	\$ 83,739,783	\$ 49,697,763	\$ 34,042,020	68%

The BDD's revenues include reimbursements from the City, the County, and Las Campanas Entities for fixed, variable and project wide costs, which are billed pursuant to the percentage allocations detailed in the Facility Operations and Procedures Agreement and the water delivered to each partner. In 2022, BDD received \$34 million as a legal settlement from a prior contractor.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management’s Discussion & Analysis**

Statement of Revenue, Expenses, and Changes in Net Position (Continued)

Operating expenses consists of salaries, utilities, chemicals, other operating costs, materials and supplies and a fiscal agent fee. Expenses should approximate revenues as all operating costs are billed to the partners.

BDD has received federal funding from the Department of Energy for the BDD Location Sampling program. BDD also receives PNM Solar Rebate revenue for over production of our solar photovoltaic system at our water treatment plant location. The revenue received is used to support a portion of BDD solar expenses.

The BDD has restricted cash held for specific purposes related to the BDD’s emergency reserve fund policy and repair and replacement fund policy. All expenditures must be authorized by the BDD Board and must meet criteria as established per the policy.

Partner Reimbursements/Restricted Cash

Participating partners are billed monthly, quarterly, and pre-billed for reimbursement or prepayment of all operating costs per the BDD Working Capital & Billing Policy. In order to secure resources assuring BDD’s ability to cover major repairs and replacement of system equipment, BDD has established an annual partner contribution to be fully funded by the end of each fiscal year.

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2022. Application of any credits to outstanding accounts receivable must be approved by the partners.

	City of Santa Fe	Santa Fe County	Las Campanas Club	Las Campanas COOP	Total
Partner Receivables	\$ 1,959,732	\$ 2,571,715	\$ 88,982	\$ 151,501	\$ 4,771,930
Partner Credits	(3,267,866)	(1,350,337)	(112,219)	(22,813)	(4,753,235)
Net Total	<u>\$ (1,308,134)</u>	<u>\$ 1,221,378</u>	<u>\$ (23,237)</u>	<u>\$ 128,688</u>	<u>\$ 18,695</u>

The BDD expects to fully collect all outstanding receivables and refund or apply any partner credits.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Management's Discussion & Analysis

Items Expected to Have a Significant Effect for Fiscal Year 2023

BDD is expected to operate successfully and will continue to adaptively manage water deliveries to meet changes in partner demands. The ability to meet partner demand can be affected by circumstances beyond the control of BDD. BDD will not operate when suspended solids concentrations in the Rio Grande exceed a threshold value or when the Los Alamos National Laboratory Early Notification System indicates the Rio Grande may be influenced by runoff from Los Alamos Canyon. During periods of inability to fulfill water delivery orders, the City will supply both its own and in accordance with the County/City Water Resource Agreement, the County's potable water demands from stored drinking water and its other sources of water supply.

Capital Assets and Debt Administration

Total capital assets, net of depreciation, for BDD make up 9.5% of BDD's total assets. Refer to Note 5 for information about capital assets.

Requests for Information

The financial report is designed to provide a general overview of BDD's finances for those interested in government enterprise finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to:

Buckman Direct Diversion
341 Cajé Del Rio Rd.
Santa Fe, NM 87506
www.bddproject.org



BASIC FINANCIAL SECTION



**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Net Position**

<i>June 30, 2022</i>	Business-Type Activity
Assets	
Current assets	
Cash and cash equivalents	\$ 2,049,749
Restricted cash and investments	
Emergencies	2,086,267
Major repair and replacement	72,128,502
Partner's accounts receivable	
City of Santa Fe	1,959,732
Santa Fe County	2,571,715
Las Campanas Club	88,982
Las Campanas CoOp	151,501
Interest receivable	2,172
Prepaid items	10,000
Other receivable	137,121
Grants receivable	285
Chemical inventory	102,939
Total current assets	81,288,965
Non-current assets	
Capital assets not being depreciated	57,909
Capital assets being depreciated	11,540,954
Accumulated depreciation	(3,046,770)
Total non-current assets	8,552,093
Total assets	\$ 89,841,058

The accompanying notes are an integral part of these financial statements.

June 30, 2022	Business-Type Activity
Liabilities and net position	
Current liabilities	
Partner's credit balances	
City of Santa Fe	\$ 3,267,866
Santa Fe County	1,350,337
Las Campanas Club	112,219
Las Campanas CoOp	22,813
Accounts payable	265,666
Intergovernmental payable	1,082,374
Total current liabilities	6,101,275
Net position	
Net investment in capital assets	8,552,093
Restricted for	
Emergency reserves	2,086,267
Major repair and replacement reserves	72,128,502
Unrestricted	972,921
Total net position	83,739,783
Total liabilities and net position	\$ 89,841,058

The accompanying notes are an integral part of these financial statements.

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State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Revenues, Expenses and Changes in Net Position

<i>For the year ended June 30, 2022</i>	Business-Type Activity
Operating revenues	
Reimbursements	
City of Santa Fe	\$ 5,780,166
Santa Fe County	2,016,432
Las Campanas Club	72,612
Las Campanas CoOp	93,706
Utility reimbursements	194,811
Federal grants	285
<hr/>	
Total operating revenues	8,158,012
<hr/>	
Operating expenses	
Buckman Direct Diversion Project Operations	7,842,984
Major repairs	358,237
<hr/>	
Total operating expenses	8,201,221
<hr/>	
Total operating (loss)	(43,209)
<hr/>	
Nonoperating revenue	
Legal settlements	34,000,000
Investment income	85,229
<hr/>	
Total nonoperating revenue	34,085,229
<hr/>	
Change in net position	34,042,020
Net position, beginning of year	49,697,763
<hr/>	
Net position, end of year	\$ 83,739,783
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The accompanying notes are an integral part of these financial statements.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Statement of Cash Flows**

<i>For the year ended June 30, 2022</i>	Business-type Activity
Operating Activities	
Cash received from partner's and PNM	\$ 7,415,384
Cash paid to suppliers for goods and services	(6,986,534)
<hr/>	
Net cash provided by operating activities	428,850
Capital and Related Financing Activities	
Settlement funds reserved for capital repair and replacement	34,000,000
Acquisition and construction of capital assets	(179,013)
<hr/>	
Net cash provided by capital and related financing activities	33,820,987
Investing Activities	
Investment income	85,229
<hr/>	
Net cash provided by investing activities	85,229
Net increase in cash and cash equivalents	34,335,066
Cash and cash equivalents, beginning of year	41,929,452
<hr/>	
Cash and cash equivalents, end of year	\$ 76,264,518
<hr/> <hr/>	
Reported in the statement of net position as	
Cash and cash equivalents	\$ 2,049,749
Restricted cash and investments	
Emergencies	2,086,267
Major repair and replacement	72,128,502
<hr/>	
Total cash and cash equivalents and restricted cash and investments	76,264,518
<hr/> <hr/>	

The accompanying notes are an integral part of these financial statements.

<i>For the year ended June 30, 2022</i>	Business-type Activity
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (loss)	\$ (43,209)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	494,399
Changes in assets and liabilities	
Partner's accounts receivable	(607,792)
Partner's credit balances	
Other receivable	(134,551)
Grants receivable	(285)
Chemical inventory	5,779
Partner's credit balances	2,088,703
Accounts payable	(651,888)
Intergovernmental payable	(722,306)
Total adjustments	472,059
Net cash provided by operating activities	\$ 428,850

The accompanying notes are an integral part of these financial statements.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 1: ORGANIZATION

Under a joint powers agreement (“JPA”) for the BDD Project dated January 11, 2005, the City of Santa Fe (“the City”) joined Santa Fe County (“the County”) to design and construct the Buckman Direct Diversion Project Water Treatment Facility Operations (the “BDD”) in order to divert surface water from the Rio Grande River to the independent water systems of the City and County to reduce reliance on over-taxed ground water resources. Operations of the BDD Water Treatment Facility commenced May 15, 2011. The BDD site is located 15 miles northwest of Santa Fe, approximately three miles downstream from where Route 3 crosses the Rio Grande River at the Otowi Bridge. BDD is considered under the provisions of the Joint Powers Act to be an entity separate from the individual parties named in the JPA as prescribed by State Statute Section II I-5(B) NMSA 1978. The City and County each own 50% of the diversion facilities of BDD and have established a board to oversee the planning, procurement, financing, permitting, design, and construction of the BDD Project as well as the operations and management of BDD. The board is comprised of two members of the governing body of the City of Santa Fe, two members of the governing body of Santa Fe County Commissioners, and one citizen member at large appointed by a majority vote of the four other members. Other project participants include Las Campanas Limited Partnership (which includes the Las Campanas Club and Las Campanas CoOp), who retains no ownership interest in BDD but pays for its proportional share of that system (diversion structure, sediment pond, and related infrastructure) it actually uses. The City of Santa Fe, Santa Fe County, and Las Campanas Limited Partnership are referred to in these financial statements as the user partners. BDD Project is jointly owned by the City of Santa Fe and the County of Santa Fe. Construction of the facility was completed in December 2010 and the project was completed under the terms of the construction contract on May 15, 2011, which is the approximate date upon which operations commenced.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of BDD is presented to assist in the understanding of BDD’s financial statements. The financial statements and notes are the representation of BDD’s management who is responsible for their integrity and objectivity. The financial statements of BDD have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define BDD for financial reporting purposes, management has considered all potential component units.

BDD does not have any component units required to be reported under the GASB codification.

Enterprise Fund Financial Statements

BDD is a single purpose government entity and has only business-type activities. In the statement of net position, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. BDD's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of BDD are organized on the basis of a proprietary or enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management Accountability. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

BDD reports the following enterprise fund:

The BDD Project Operation Enterprise Fund is used to account for the operations of the Buckman Regional Water Treatment Plant and other BDD related facilities and reimbursements from user partners.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position

When both restricted and unrestricted resources are available for use, it is BDD's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Investments, and Cash Equivalents

Cash is pooled into one common account maintained by the City, BDD's fiscal agent, in order to maximize investment opportunities. BDD's monies deposited in the pooled cash account have equity therein, and interest earned on any of the investment of these monies is allocated based upon relative equity at month-end. Cash and cash equivalents are considered to be a share of the City's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition. Please refer to the City's financial statements for the year ended June 30, 2022 for a complete description of permissible investments and risk disclosures concerning cash investments.

Receivables and Payables

All trade and other receivables are shown net of allowances for uncollectable amounts, when applicable. Receivables are analyzed for their collectability based on the terms of and conditions of agreements, as well as current economic conditions and consideration of the creditors' ability to pay. In addition to those receivables specifically identified as uncollectable, a general allowance is established for receivables older than one year. As of June 30, 2022, no allowance for doubtful accounts was deemed necessary.

Partner's Accounts Receivables/Partner's Credit Balances

A prebilling precedes the month of billing on an estimated basis for cash flow purposes based on the monthly approved budget. Outstanding amounts owed to BDD from prebilling activities are reported as Partner's Accounts Receivable in the statement of net position. Revenue from the user partners is recognized each month based on the monthly expenses that have been incurred. A final billing is made based on actual costs and expenses incurred for fixed, variable, and project-wide costs. Amounts paid by partners in excess of final invoiced amounts are recorded as partner's credit balances in the statement of net position and used to offset future billings.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

Chemical Inventory

Chemical inventory recorded in BDD’s enterprise fund is stated at the lower of cost of market and totals \$102,939 at June 30, 2022. The cost of consumption is billed to each individual partner monthly, and is determined using the average cost method.

Capital Assets

Capital assets are recorded at cost. The fiscal agent’s (City of Santa Fe) policy is to capitalize all assets with a cost of \$5,000 or greater. Major outlays for capital assets and improvements are capitalized as projects as they are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives as follows:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and systems	50 years
Equipment and machinery	7 years
Vehicles	8 years
Data processing and software	3 years

Restricted Assets

Certain assets of BDD are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Emergency reserve – in accordance with the emergency reserve fund policy, certain resources are restricted to assure BDD’s timely response to emergencies, which could potentially threaten, reduce, or eliminate BDD’s capacity to meet its customers’ demands.

Major repair and replacement reserve – in accordance with the major repair and replacement reserve fund policy, certain resources are restricted to assure BDD’s ability to cover the repair and replacement cost of capital assets already in existence within BDD.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

Minimum Restricted Net Position Policies

The Emergency reserve and Repair and Replacement reserve are reserve funds that were required by the Facilities Operations and Procedures Agreement and approved by the board on February 3, 2011.

Both the Emergency reserve and the Repair and Replacement reserve are to be funded through specific contributions from the user partners and utilized for specified purposes. The Emergency reserve target balance is \$2,000,000 and was funded over a two-year period and fully funded at June 30, 2014. For the Repair and Replacement reserve, BDD approved \$654,500 in annual partner contributions for fiscal year 2022. During fiscal year 2022, \$179,013 was utilized for combined emergency and repair purposes.

The board approved the Emergency Fund Reserve policy and the Major Repair and Replacement Fund policy on February 3, 2011.

Equity Classifications

Business-Type Activity Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors/partners, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position (Continued)

BDD's restricted net position balances are a result of the Emergency Fund Policy and Major Repair and Replacement Fund Policy, described below:

- Emergency reserve fund policy – In order to secure resources assuring BDD's timely response to emergencies, which could potentially threaten, reduce, or eliminate BDD's capacity to meet its customers' demands, BDD established an accumulation target amount of \$2,000,000 to fund the emergency reserve fund. While insurance may provide reimbursement of costs associated with some emergency situations, the Emergency Reserve Fund will provide an immediate infusion of the fund that are necessary to address the situation without having to first solicit funding from the partners. The total amount funded as of June 30, 2022 was \$2,086,267.
- Major repair and replacement fund policy - In accordance with the BDD's intergovernmental agreements and in order to secure resources assuring BDD's ability to cover the repair and replacement cost of capital assets already in existence within BDD, this policy ensures funding is available to repair or replace capital equipment when the capital equipment has reached the end of its effective useful life. BDD established an accumulation target of \$411,812 in annual contributions, in 2017 the board approved an increase of \$214,894 for a total annual contribution of \$626,707 to be fully funded by the end of each fiscal year. The total amount funded as of June 30, 2022 was 72,128,502.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the BDD Project's enterprise fund is reimbursements from user partners for the cost of operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. In fiscal year 2019, BDD received a grant award from the U.S. Department of Energy for water quality monitoring activities. Expenditures totaling \$285 were incurred against the grant during fiscal year 2022.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures including that useful lives of depreciable assets and the estimated usage of leave balances by employees. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 4, 2023, and determined there were no events that occurred that required disclosure.

Budgetary Information

BDD's annual operating budget for the enterprise fund is adopted on a basis other than generally accepted accounting principles (non-GAAP basis). Depreciation is not budgeted for the enterprise fund. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by BDD's board. The budget and any adjustments are subject to the regular budget requirements and calendar cycles of the City and the County. Budgetary control is at the fund level for the enterprise fund. Encumbrances (purchase orders, contract, and other commitments for the expenditure of resources outstanding at year-end are carried forward to the new fiscal year and do not constitute expenses or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Recently Issued and Implemented Accounting Procurements

During the fiscal year ended June 30, 2022, BDD adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

The implementation of GASB Statement No. 87, 89, 92, 93, and 98 did not affect the financial statements in a material manner.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Procurements (Continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for varying dates depending on the requirement.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Procurements (Continued)

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

BDD is evaluating the requirements of the above statements and the impact on reporting.

Note 3: CASH, INVESTMENTS, AND CASH EQUIVALENTS

At June 30, 2022, BDD had the following cash, investments, and cash equivalents totaling \$76,264,518:

Investment Type	Fair Value	Percentage of Total	WAM (Days)	WAM (Days)	S&P Rating
Wells Fargo Gov't Money Market Fund	\$ 34,000,000	45%	8	25	AAAm
Deposits with the City of Santa Fe	42,264,518	55%	N/A	N/A	N/A
Subtotal	\$ 76,264,518				

Deposits with the City of Santa Fe represent BDD's portion in cash and investment pooled accounts maintained by the City of Santa Fe. The City invests its pooled cash into U.S. Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool, and U.S. Government security mutual funds. Please refer to the financial statement of the City of Santa Fe, New Mexico, for the disclosure information regarding the custodial credit risk and other risks that may apply. The report may be obtained from the City by contacting the assistant finance director at 200 Lincoln Avenue, P.O. Box 909 Santa Fe, New Mexico 87504-0909.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements**

Note 4: PARTNERS' ACCOUNTS RECEIVABLE/PARTNER'S CREDIT BALANCES

The following table shows the balances outstanding from each partner or partner credit balance as of June 30, 2022.

	City of Santa Fe	Santa Fe County	Las Campanas Club	Las Campanas CoOp	Total
Partners' accounts receivable	\$ 1,959,732	\$ 2,571,715	\$ 88,982	\$ 151,501	\$ 4,771,930
Less partners' credit balance	3,267,866	1,350,337	112,219	22,813	4,753,235
Total partner balance (deficit)	\$ (1,308,134)	\$ 1,221,378	\$ (23,237)	\$ 128,688	\$ 18,695

No allowance for doubtful accounts has been recorded, as BDD expects to fully collect all outstanding receivables.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 7: RISK MANAGEMENT (Continued)

BDD staff, as employees of the City, participate in the Santa Fe Health Fund and the Workers' Compensation Fund, which are self-insured programs administered by the fiscal agent. BDD makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses. Health claims are handled by a professional third-party claims administrator. The fiscal agent maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit. Workers' compensation claims are handled by a professional, third-party claims administrator. BDD maintains specific stop loss coverage for individual claims in excess of \$500,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2022.

Note 8: PROJECT MANAGER/FISCAL AGENT AGREEMENT

In November 2007, the BDD board entered into an agreement with the City to act in the capacity as project manager and fiscal agent for the board. Duties of the City include:

Project Manager

- Carry out the directives and policies of the BDD board, make recommendations to the BDD board related to the Project; provide support staff for BDD board meetings; contract with independent legal counsel selected by the BDD board; contract with specialized legal counsel as needed to support design, construction, operation, and maintenance of the Project; and, as directed by the BDD board, implement the Project during design and construction and, following completion of construction, manage, operate, and maintain the Project;
- Seek and apply for funding (except for funding to be provided by the City and the County pursuant to the Project agreements) in the form of grants, loans or loan guarantees, or their funding sources as may be deemed appropriate by the BDD board, for the Project as directed by the BDD board and manage any such grants, loans or loan guarantees;
- Administer all amounts loaned, granted, or contributed by the City, the County, or Las Campanas Entities in connection with the Project, and respond to related audits as may be necessary;

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 8: PROJECT MANAGER/FISCAL AGENT AGREEMENT (Continued)

Project Manager (Continued)

- Prepare and submit to the BDD board, the City, the County, and Las Campanas Entities no later than December 15 of each fiscal year, an annual operating budget, which shall include annual and five-year projected operations, maintenance, replacement and reserve (OMR&R) costs, including a five-year schedule with the Project manager's proposed facilities and equipment major maintenance and replacement costs, proposed allocation of costs among the City, the County, and Las Campanas Entities as provided in the Facilities Operations and Procedures Agreement (FOPA), a facilities and equipment major repair and replacement fund, and an emergency reserve fund;
- Develop and implement prior to initial operation a cost accounting system to apportion the total fixed and variable cost of OMR&R to the City, the County, and Las Campanas Entities in accordance with the cost sharing provisions of the FOPA;
- Develop a document retention and protection policy for adoption by the BOD board;
- Act as fiscal agent for the Project;
- Provide all necessary staff, materials, and supplies necessary to operate and maintain the Project consistent with BDD board funding;
- Recruit, hire and train staff for the Project according to the BDD board's approved staffing plan as it may be amended from time to time and arrange for state drinking water certification for such staff in advance of operation of the Project, so that certified staff is available to operate the Project when the Project becomes operational, and as set forth in each proposed budget the costs of the staff apportioned according to the respective benefit to the City and the Project.
- Once an annual operating budget is approved by the BDD board, implement the budget, adhere strictly to the budget, and make recommendations for necessary budget adjustments throughout the fiscal year, and contract for an annual independent audit, consistent with GMP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and 2.2.2. NMAC, et seq., as amended, and report the results of the audit to the BDD board;
- Prepare and submit to the BDD board for approval all documentation to be used for procurement in the Project including, but not limited to, documents related to design, engineering, construction, operation, and maintenance of the Project, including, without limitation, requests for proposals, requests for qualifications, and contracts in amounts greater than \$60,000;
- Develop all procurement documents in accordance with the City's purchasing manual and present same to the BDD board;

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 8: PROJECT MANAGER/FISCAL AGENT AGREEMENT (Continued)

Project Manager (Continued)

- Consult with staff of the City, the County, and Las Campanas Entities regarding the planning and design and OMR&R of the Project;
- In consultation with the BDD board, apply for, manage, and maintain, including the preparation and submittal of all required compliance reports, all necessary permits for the operation of the Project, including, without limitation, those permits, easements, and rights-of-way held in the name of the BDD board, and those permits required to be obtained by the BDD board pursuant to Section 6 of the FOPA;
- Maintain communication with the BDD board, the City, the County, and Las Campanas Entities, primarily via monthly BDD board meetings, and keep these entities informed of important matters as may be necessary in the interim between monthly BOD board meetings;
- As directed by the BDD board, act as liaison for the BDD board and represent the BDD board in Project matters involving tribal governments, state and federal government agencies, and nongovernmental organizations;
- Perform other duties as assigned by the BDD board consistent with funding and the Project agreements;
- Maintain segregated books and records consistent with U.S. GAAP to account for all separate funding sources, including, without limitation, funds provided by the City, the County, or Las Campanas Entities in support of construction or subsequent OMR&R of the Project and funds secured by the board pursuant to grants or loans from funding agencies;
- After the end of each fiscal year, provide copies of financial statements to the City, the County, and Las Campanas Entities, showing the assets, liabilities, revenues, expenses, equity balances, and budget comparisons for the Project fund on an annual basis for the prior fiscal year in accordance with GMP and GASB, complete the MDA for the annual financial report, and provide upon request, a monthly general ledger report; and
- Procure, contract, and pay for as budgeted an annual independent audit, consistent with U.S. GAAP and GASB and with the New Mexico Audit Act, NMSA 1978, Sections 12-6-1-, et seq., and NMAC, et seq., as amended, and report the results of the audit to the BDD board.

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Notes to Financial Statements

Note 9: FEDERAL AND STATE GRANTS

In the normal course, of operations, BDD receives grant funds from federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

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SUPPLEMENTARY INFORMATION



State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Budgetary Comparison Schedule – Schedule of Revenues, Expenses, and
Changes in Net Position Budget (Non-GAAP Budgetary Basis) and Actual

<i>For the year ended June 30, 2022</i>	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
City of Santa Fe	\$ 6,176,200	\$ 6,176,200	\$ 5,780,166	\$ (396,034)
Santa Fe County	2,321,220	2,321,220	2,016,432	(304,788)
Las Campanas Club	56,447	56,447	72,612	16,165
Las Campanas CoOp	72,844	72,844	93,706	20,862
PNM Solar Rebates	120,000	120,000	-	(120,000)
Utility reimbursements	-	-	194,811	194,811
Federal grants	96,000	96,000	285	(95,715)
Total operating revenues	8,842,711	8,842,711	8,158,012	(684,699)
Operating expenses				
Reimbursement of personnel services	3,369,642	3,369,642	3,435,603	65,961
Electricity	1,208,475	1,308,475	1,354,842	46,367
Chemicals	371,906	371,906	380,691	8,785
Solids	63,219	79,219	81,465	2,246
Materials and supplies	508,512	497,122	538,970	41,848
Other operating costs	3,020,046	3,225,436	1,915,251	(1,310,185)
Conservation fees - county only	11,500	11,500	-	(11,500)
Fiscal agent fee	289,411	289,411	-	(289,411)
Total operating expenses	8,842,711	9,152,711	7,706,822	(1,445,889)
Nonoperating revenue (expenses)				
Legal settlements	-	-	34,000,000	34,000,000
Investment income	-	-	85,229	85,229
Budgeted Fund Balance	-	310,000	-	(310,000)
Total nonoperating revenue (expenses)	-	310,000	34,085,229	(224,771)
Excess of revenues over expenses	\$ -	\$ -	34,536,419	\$ 536,419
Adjustments for U.S. GAAP basis (nonbudgeted items)			494,399	
Change in net position			34,042,020	
Net position, beginning of year			49,697,763	
Net position, end of year			\$ 83,739,783	

State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Changes in Restricted Net Position by Partner

Emergency Reserves

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Restricted net position				
City of Santa Fe	\$ 1,362,855	\$ -	\$ -	\$ 1,362,855
Santa Fe County	486,273	-	-	486,273
Las Campanas Entities	237,139	-	-	237,139
Total restricted net position	\$ 2,086,267	\$ -	\$ -	\$ 2,086,267

Major Repair and Replacement Reserves:

Restricted net position				
City of Santa Fe	\$ 1,189,267	\$ 445,545	\$(127,266)	\$ 1,507,546
Santa Fe County	413,103	156,494	(44,701)	524,896
Las Campanas Entities	50,527	52,461	(7,046)	95,942
Settlements	-	70,000,118	-	70,000,118
Total restricted net position	\$ 1,652,897	\$70,654,618	\$(179,013)	\$72,128,502

Combined:

Restricted net position - combined				
City of Santa Fe	\$ 2,552,122	\$ 445,545	\$(127,266)	\$ 2,870,401
Santa Fe County	899,376	156,494	(44,701)	1,011,169
Las Campanas Entities	287,666	52,461	(7,046)	333,081
Settlements	-	70,000,118	-	70,000,118
Total restricted net position	\$ 3,739,164	\$70,654,618	\$(179,013)	\$74,214,769

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COMPLIANCE SECTION





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Joseph M. Maestas, P.E., New Mexico State Auditor and
Board Members

Santa Fe County, City of Santa Fe, Las Campanas,
Buckman Direct Diversion Project
Water Treatment Facility Operations
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the Buckman Direct Diversion Project Water Treatment Facility Operations ("BDD") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BDD's basic financial statements, and have issued or report thereon dated December 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements we considered BDD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BDD's internal control. Accordingly, we do not express an opinion on the effectiveness of the BDD's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BDD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

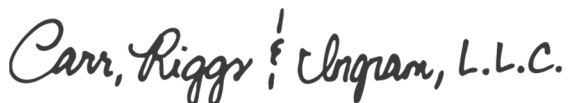
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses pursuant to Section 12-6-5 NMSA 1978 as item 2022-001.

BDD's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on BDD's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. BDD's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 4, 2023

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Schedule of Findings and Responses
June 30, 2022**

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
c. Noncompliance material to the financial statements noted?	No

SECTION II: FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III: SECTION 12-6-5 NMSA 1978 FINDINGS

2022-001 (2019-001) – Late Submission of Audit Report (Other Noncompliance)

Condition: The audited financial statements of BDD were submitted to the New Mexico Office of the State Auditor after the statutory deadline of December 15, 2022.

Management Progress: BDD submitted its fiscal year 2021 audit approximately 18 months subsequent to the statutory deadline. The fiscal year 2022 audit was submitted just under 12 months after the original deadline which demonstrates progress towards being on time for future audits.

BDD's fiscal agent has recently been able to hire key positions to the finance and accounting departments. Additionally, a new consultant was hired in at the start of calendar year 2022 to provide additional human capital with the goal of helping its fiscal agent catch up. Ultimately, the timeliness of BDD's audit is closely related to that of the fiscal agent.

Criteria: Per Section 2.2.2.9 A(1)(g) NMAC, the audited financial statements of BDD for the year ended June 30, 2022 were due to the New Mexico Office of the State Auditor by December 15, 2022.

Effect: BDD is not in compliance with the report due date prescribed in the New Mexico Administrative Code.

Cause: The fiscal agent for BDD was still in the process of completing the fiscal yearend close, reconciling the trial balance, and completing the ACFR. Due to the Agency and its fiscal agent sharing an accounting software and some operations, BDD's audit could not be completed as a result.

**State of New Mexico
Buckman Direct Diversion Project
Water Treatment Facility Operations
Other Disclosures
June 30, 2022**

EXIT CONFERENCE

An exit conference was held on December 4, 2023 virtually. The following individuals were in attendance.

Representing Buckman Direct Diversion Project:

Anna Hamilton	Commissioner, Santa Fe County
Carol Romero-Wirth	Councilor, City of Santa Fe
Nancy Long	General Counsel
Rick Carpenter	Facilities Manager

Representing Carr, Riggs & Ingram, LLC:

Eric Spurlin, CPA, CITP	Partner
Alan D. "A.J." Bowers, Jr., CPA, CITP	Partner

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of BDD from the original books and records provided to them by the management of BDD. The responsibility for the financial statements remains with BDD.

Memorandum

Date: May 2, 2024
To: Buckman Direct Diversion Board
From: Rick Carpenter (BDD Facilities Manager)
Jay Lazarus, Peter Hunt, Glorieta Geoscience (GGI)
Nancy R. Long (BDD General Counsel)
Kyle Harwood (EFMH)
Subject: Rio Grande Water Quality Calendar Year 2024 Workplan pursuant to BDDDB
Resolution No. 2022-2

This memorandum is provided pursuant to Buckman Direct Diversion Board ("BDDDB") resolution No. 2022-2, to review the anticipated water quality issues for the BDDDB in Calendar Year 2024.

These issues are ranked according to their priority to the BDDDB. Tier 1 is top priority with immediate attention required and impending actions. Tier 2 has future actions anticipated and ongoing monitoring. Tier 3 issues require no action at present but may require attention and actions in the future.

A copy of Resolution No. 2022-2 is attached to this memo for reference.

TIER 1 ISSUES:

1. Memorandum of Understanding ("MOU") with the U.S. Department of Energy ("DOE")

The BDDDB and DOE (collectively, "the Parties") entered a fourth MOU in February 2022 that memorializes their respective commitments through December 1, 2024, concerning stormwater and sediment migration from the Los Alamos National Laboratory ("LANL") to the Rio Grande above the Buckman Direct Diversion ("BDD").

Issues addressed in 2023 included:

- Ongoing operation and maintenance of the Early Notification System ("ENS"), including resolution of data transmission issues.
- Operation of the flow measurement station (known as E110.7) in lowermost Los Alamos Canyon installed in July 2022.
- Ongoing sampling, data collection, and data sharing with DOE and the New Mexico Environment Department ("NMED").
- Conducting an Annual Review meeting with the Parties in April 2023 to discuss issues including ENS operation, sediment and stormwater sampling studies conducted by DOE and its contractors in the Los Alamos and Pueblo Canyon watersheds, and sampling and analysis by the parties in the Rio Grande.

- Interaction with the Pueblo de San Ildefonso concerning monitoring and maintenance of existing ENS stations on Pueblo lands in accordance with the 2014 MOU.

Recommendations for 2024: Continue to work with DOE in accordance with the terms of the MOU to monitor discharges of stormwater from the LANL property to the Rio Grande. BDD General Counsel, BDD Facilities Manager, and GGI will participate in the Annual Review (anticipated to occur in May). BDD General Counsel, BDD Facilities Manager, and GGI will continue to work with DOE as operation, maintenance, and data transmission issues arise. The BDD Intake Sampling Program will continue, and BDD Facilities Manager and GGI will work on ENS and grant issues as necessary. The primary goal for the 2024 calendar year will be to renegotiate and execute a new MOU to replace the agreement expiring December 1, 2024.

Leads: BDD General Counsel, BDD Facilities Manager, GGI

2. **Hexavalent Chromium ("Cr-VI") Water Rights Protest**

DOE and Los Alamos County filed an application ("the Application") with the New Mexico Office of the State Engineer ("OSE") to transfer water rights from existing points of diversion to extraction, injection, and monitoring wells along with piezometers used in the remediation Interim Measure ("IM") for the Cr-VI groundwater plume. In 2020, the BDDDB protested the application asserting that, among other deficiencies, DOE failed to provide information about impacts to the Rio Grande. Although two settlement conferences occurred in 2022, the protest is still pending. Also, in 2022, NMED took several regulatory actions that could affect the factual basis of the Application, including directives to cease injection of treated water at the current locations under the IM, and to consider land application or an alternative injection site outside of the plume for treated water under strict conditions. The outcome of these directives could affect the factual basis of the Application, potentially leading to its modification or even withdrawal.

In December 2023 Environmental Management-Los Alamos (EM-LA) issued its responses to comments on the *Draft Chromium Interim Measure and Final Remedy Environmental Assessment* ("Interim Measure"). Options 1 and 2 of the Interim Measure require a diversion of 1688 ac-ft/yr which greatly exceeds the original application to the OSE for 679 ac-ft/yr and will require filing a new permit. The BDDDB has prepared and submitted comments on the draft Environmental Assessment (EA), describing its preferred remediation alternatives, including requiring DOE to specifically test and list results for Cr VI, and advocating for land application of treated water to create a cone of depression to achieve hydraulic and hydrologic control of the Cr VI plume. In addition, the BDDDB has requested as a condition of any groundwater pumping that all impacts to the Rio Grande from that pumping be offset.

Recommendations for 2024: Monitor the regulatory actions and, if appropriate, engage with the EM-LA and NMED in their resolution. The BDDDB will continue its protest of this 679 ac-ft/yr application and protest the new application (not currently submitted) to insure EM-LA offsets depletion effects on the Rio Grande.

Leads: BDD General Counsel, BDD Facilities Manager, and GGI

3. **PFAS**

In January 2024, the LANL NPDES permittees submitted the second Annual Data Report for per- and polyfluoroalkyl substances ("PFAS") as required by the settlement agreement with the DOE. As in 2022, three of the 15 locations proposed to be sampled were in the Los Alamos Canyon watershed, none of which were sampleable due to lack of triggering events (i.e., sufficient flow). One location - outside of the Los Alamos Canyon watershed - was sampled in 2023, with various PFAS detected. In the two years of monitoring under this program, no samples have been collected in sites in the Los Alamos Canyon watershed. The BDDDB has also approached NMED to adopt surface water standards for PFAS, including having provided testimony supporting such action in the last Triennial Review.

It is important to note that the Granular Activated Carbon (GAC) which is part of the BDD treatment train, is very effective in removing PFAS from water and if PFAS is present in the source water, the GAC will effectively treat it.

Recommendations for 2024: Potentially expanding the sampling scope at the BDD intake and upstream during times when the ENS is triggered to assess contaminant contributions during intake curtailments. Sample source water after the falling limb of the ENS 5 cubic feet per second (cfs) threshold to assess contaminants present when intake resumes. Continue outreach to NMED to stay apprised of amendments to state groundwater and surface water standards that may involve PFAS.

Leads: GGI, BDD Facilities Manager

4. **New Mexico NPDES Primacy**

New Mexico is one of three states that does not have authority from the federal government to implement the NPDES permitting program under the Clean Water Act. Consequently, NPDES permits in New Mexico are issued by the USEPA. The BDDDB has expressed its support for state primacy, including in two meetings with NMED leadership in 2023. While NMED has not yet requested new staff to support a permitting program currently, it has requested a special appropriation for 2024 from the New Mexico legislature to support development of a database to better understand the universe of potential permittees. NMED intends to propose permitting rules to the Water Quality Control Commission (WQCC) in 2025.

Recommendations for 2024: Continue to interface with NMED as appropriate to track development of the permitting program both as it may affect permitting at LANL and BDD's current NPDES permit for sediment return to the Rio Grande.

Leads: GGI, BDD General Counsel

TIER 2 ISSUES:

5. LANL National Pollutant Discharge Elimination System (NPDES) Permits

The BDDB provided comments to NMED in 2020 on the State certification of LANL's surface water permits for its industrial outfalls (NPDES Permit No. NM002835) and stormwater discharges (NPDES Permit No. NM0030759). The Board's comments centered on technical aspects of the permits, and how they relate to the cleanup activities for legacy pollution at LANL. The LANL operators petitioned for review of the State certification of the two permits and conditions imposed in the certification process, and hearings were granted although not scheduled. In a Settlement Agreement of the petition the parties agreed to address per- and polyfluoroalkyl substances ("PFAS") monitoring as described above in Issue #3.

In the wake of Sackett v. USEPA, the USEPA appears to continue its enforcement of NPDES permits issued for areas where outfall or stormwater discharges into intermittent streams where there is a confluence with a WOTUS (e.g., the Rio Grande).

Recommendations for 2024: No specific actions are anticipated. Monitor these and other LANL permits, particularly when LANL is required to seek renewals or seeks to modify the existing permits. Monitoring results collected from Los Alamos and Pueblo Canyons and their tributaries under the Agreement will be reviewed.

Leads: BDD Facilities Manager, GGI

6. DOE's Sitewide Environmental Impact Statement ("SWEIS") for LANL

On April 4, 2021, the BDDB adopted Resolution 2021-2 requesting that DOE develop a new SWEIS under the National Environmental Policy Act ("NEPA") instead of merely updating the existing SWEIS. DOE's National Nuclear Security Administration ("NNSA") agreed and solicited comments from the public concerning the scope of a new SWEIS. The BDDB provided formal scoping comments in September 2022. The NNSA expects the draft SWEIS to be released for public comment in early 2024. The BDDB's primary concern is contaminants originating from Los Alamos and Pueblo Canyons and their tributaries and groundwater discharge to the Rio Grande upstream of the BDD intake.

Recommendations for 2024: Monitor notices for the SWEIS and be prepared to develop comments that focus on Los Alamos and Pueblo Canyons and their tributaries and groundwater discharge to the Rio Grande.

Leads: GGI, BDD Facilities Manager

TIER 3 ISSUES:

7. NMED/LANL Consent Order

The BDDB has submitted several sets of comments to NMED in the past four years regarding its concerns about cleanup and enforceability of the 2016 Compliance Order on Consent between NMED and DOE ("2016 Consent Order"). While NMED has not responded to these comments in writing, NMED did sue DOE to compel renegotiation of the 2016 Consent Order. The Board's comments have focused on its disagreement with the 2016 Consent Order as compared to the 2005 Consent Order, and the need for public engagement in the LANL clean-up process as the BDDB has recommended on several occasions. NMED is seeking, as part of the relief in its lawsuit, that a new Consent Order be developed under the supervision of the court. The Board has urged NMED to engage the public and seek public comment if a new draft Consent Order is an outgrowth of any agreement to settle the litigation. NMED and DOE are in ongoing discussions about elements of the 2016 Order with which NMED is dissatisfied. To continue negotiations, the parties must seek stays from the court every 90 days by submitting a progress report. The stay was originally granted in October 2021 for settlement negotiations and has been periodically extended in 90-day periods since that time upon submission to and approval by the court of joint status reports from the parties. The most recent stay in the case ends on April 8, 2024. Much of this effort is being covered in Issues 1-6 above.

Recommendation for 2024: Work with NMED to pursue BDD interests, reiterate previous comments, and monitor lawsuit and related settlement negotiations.

Leads: GGI, BDD General Counsel

8. CWA §303(d)/305(b) Integrated Report and List of Impaired Waters ("Integrated Report")

NMED prepares an Integrated Report every two years in compliance with Sections 303(d) and 305(b) of the Clean Water Act. The Integrated Report serves as a source of information on water quality and pollution control programs as well as how NMED assesses surface water quality data against water quality standards. The BDDB has provided comments to NMED on the last three (2020, 2022, and 2023) Integrated Reports. The BDDB's comments on the 2024-2026 Integrated Report centered on NMED's delays in implementing Total Maximum Daily Loads ("TMDLs") to address impairment of the Rio Grande and streams on the Pajarito Plateau, as well as assessing the entirety of Los Alamos Canyon and its tributaries in 2024 for its suitability as a Public Water Supply ("PWS"). NMED stated in the March 12, 2024, WQCC meeting that it did not intend to assess LA Canyon and its tributaries as a PWS. The WQCC voted unanimously to send the current 303d list and 305b report on to the USEPA.

NMED submitted the final Draft Integrated Report to USEPA on April 1, 2024. NMED plans to address TMDL data needs for the Rio Grande (Cochiti Reservoir to San Ildefonso boundary) in 2025, with TMDLs to follow the data assessments in 2027 at the earliest.

Recommendations for 2024: No action required for 2024. The next draft of the Integrated Report for 2026-2028 should be released for public comment in late 2025.

9. Los Alamos County Municipal Separate Storm Sewer System ("MS4") Permit

Prior to 2022, the USEPA was in the process of drafting a NPDES MS4 permit for Los Alamos County, the New Mexico Department of Transportation, and DOE to regulate stormwater discharges in Los Alamos County outside of LANL, which is covered by its own stormwater discharge permit. A significant portion of these discharge locations are in the Los Alamos Canyon watershed. In December 2023, the USEPA gave notice that it intends to determine that stormwater discharges from small MS4s located in the Los Alamos Urban Area as defined by the latest decennial Census and MS4s located on LANL property within Los Alamos and Santa Fe Counties, New Mexico require NPDES permit coverage because the discharges are contributing to violations of New Mexico Water Quality Standards in waters of the United States.

Recommendations for 2024: Comments on the USEPA’s determination that these discharges require NPDES permitting were due on or before February 29, 2024 and the BDDDB submitted comments.. Monitor the development of this permit as it will cover numerous uncontrolled discharges that are in addition to those covered by the LANL stormwater NPDES permit. Prepare to develop comments on the draft permit, if released, for the BDDDB's consideration.

Leads: BDD Facilities Manager, BDD General Counsel, GGI.

10. Triennial Review of State Surface Water Quality Standards

The Board provided testimony in the last Triennial Review of State Surface Water Quality Standards hearing in front of the Water Quality Control Commission ("WQCC") 2021. The Board’s testimony centered on the adoption of standards for certain toxic pollutants – including PFAS – and how simply adopting groundwater standards by reference was inappropriate. The WQCC’s final rules were wholly consistent with the Board’s testimony.

Recommendations for 2024: The next Triennial Review process will begin in 2025, when the public will be invited to review and comment on NMED’s surface water quality standards. No specific actions are anticipated in 2024.

Leads: GGI

11. Waters of the United States (WOTUS)/NMED Guidance

The Revised Definition of “Waters of the United States” rule was published on January 18,

2023, and took effect on March 20, 2023, however portions of this rule were then rendered invalid by the Supreme Court’s decision in *Sackett v. USEPA*, decided May 25, 2023. In *Sackett* the Court held that wetlands that do not have a continuous, indistinguishable surface connection with “waters of the United States” are not protected under the Clean Water Act (CWA). Effective September 8, 2023, the EPA, and the Department of Army, Corps of Engineers, amended the Code of Federal Regulations (CFR), to conform the regulatory definition of “Waters of the United States” to the *Sackett* decision.¹ This conforming rule amends the provisions of the agencies’ definition of “waters of the United States” that are invalid under the Supreme Court’s interpretation of the Clean Water Act in the 2023 decision. For example, the rule removes the significant nexus test previously used to identify when tributaries and other waters are federally protected. It also revises the adjacency test when identifying jurisdictional wetlands, clarifies that interstate wetlands do not fall within the interstate waters category, and clarifies the types of features that can be considered under the “additional waters” category.²

On June 22, 2023, NMED issued a notice to New Mexico NPDES permittees about how it intends to implement *Sackett*. In that notice NMED referred to its permitting authority under the New Mexico ground and surface water protection regulations and indicated that if a NPDES permit is no longer in effect, it may alter the conditions of an existing groundwater discharge permit. Additionally, NMED described that it retains enforcement authority over unauthorized discharges of water pollutants, contaminants, and refuse.

Recommendations for 2024: No action is anticipated; continue to monitor rulemaking proceedings relating to WOTUS.

Leads: GGI

¹ *Amendments to 2023 Rule*, EPA, <https://www.epa.gov/wotus/amendments-2023-rule>.

² *Fact Sheet for the Final Rule: Amendments to the Revised Definition of “Waters of the United States,”* EPA (Aug. 2023), available at https://www.epa.gov/system/files/documents/2023-08/FINAL_WOTUSPublicFactSheet08292023.pdf

Date: April 29, 2024
To: Buckman Direct Diversion Board
From: Monique Maes, Contracts Administrator
Via: Rick Carpenter, BDD Facilities Manager
Subject: Budget Amendment Resolution (BAR)

Item and Issue:

Request to approve Budget Amendment Resolution (BAR) in the amount of \$234,000.00 to reallocate projected expenditures for FY24.

Background:

This budget Amendment Resolution will reallocate funds to address projected shortfalls for the remainder of FY24. The reallocation is necessary to ensure continued operational efficiency.

The proposed changes are as follows:

BDD Category Solids

- 514150 -Increase Landfill Tip Fees by \$174,00.00 to cover fee charges.

BDD Materials and Supplies

- 520100 -Increase Repair and Maintenance Build/Struct by \$60,000.00, to cover on-call repairs and HVAC equipment.

BDD Salaries

- 500110 -Decrease Salaries by \$234,000.00 to cover projections

Action:

Approved by BDDDB on May 2, 2024

BDD Chair

Log # {Finance use <u>only</u> }:	
Journal # {Finance use <u>only</u> }:	

City of Santa Fe, New Mexico BUDGET AMENDMENT RESOLUTION (BAR)

DEPARTMENT / DIVISION NAME					DATE	
ITEM DESCRIPTION	ORG	OBJECT	PROJECT	INCREASE	DECREASE	
<u>EXPENDITURES</u>				{enter as positive #}	{enter as negative #}	
TIPPING FEES	8000801	514150		\$ 174,000.00		
REPAIR AND MAINTENACE MACHINE & EQUIPT	8000801	520100		\$ 60,000.00		
SALARIES	8000801	500110			\$ (234,000.00)	
<u>REVENUES</u>				{enter as negative #}	{enter as positive #}	
JUSTIFICATION: (use additional page if needed) --Attach supporting documentation/memo				\$ 234,000.00	\$ (234,000.00)	

{Complete section below if BAR results in a net change to ANY Fund}	
Fund(s) Affected	Fund Balance Increase/(Decrease)
TOTAL:	\$ -

Monique Maes	4/18/2023	{Use this form for Finance Committee/ City Council agenda items ONLY}	
Prepared By {print name}	Date	CITY COUNCIL APPROVAL	Budget Officer
Division Director Signature {optional}	Date	BDD Board Approval Date <input style="width: 100px; height: 20px;" type="text"/>	Finance Director {≤ \$5,000}
Department Director Signature	Date	Agenda Item #: <input style="width: 100px; height: 20px;" type="text"/>	City Manager {≤ \$60,000}



Date: May 2, 2024
To: Buckman Direct Diversion Board
From: Nancy R. Long
Subject: Citizen Member and Alternate Citizen Member Recommendations by the Interview Committee

Item and Issue:

Selection and appointment of the citizen member and alternate citizen member to the Buckman Direct Diversion Board (BDDDB), each for a two-year term.

Background and Summary:

The Interview Committee was comprised of the Councilor Romero-Wirth, Vice-Chair, Commissioner Hamilton, Facilities Manager, Rick Carpenter and Board attorney, Nancy Long. The Committee met on March 19, 2024, and on March 25, 2004, to interview the five (5) applicants for the Citizen Member and Alternate Citizen Member positions. The 5 applicants interviewed were:

JC Helms	Jack Sullivan
Shann Stringer	Rolf Schmidt-Petersen
Peter Ives	

We were fortunate to have such qualified candidates apply for a seat on the Board. The decision was not an easy one, but the Committee felt that any of the applicants would have been a valuable and contributing board member. After much deliberation, the Committee recommends the individuals identified below. Their applications and resumes are attached.

Action Requested:

The Committee recommends the following individuals for appointment to the BDDDB:

1. Citizen Member: Rolf Schmidt-Petersen
2. Alternate Citizen Member: Peter Ives

