

Tyrone Water & Wastewater Association Board Meeting
February 19, 2025 – 6:30 P.M. – Tyrone Community Center
Draft Minutes
Website: tyronewater.org

1. Call to order and declare a quorum – Alan Berg

- a. Alan Berg called the meeting to order. Doug Gorthy, David Stapp, and Angie Roach were present in-person; Alan Berg attended via Zoom. Elizabeth Gonzales was absent at the beginning of the meeting. Alan Berg declared a quorum.

2. Approval/disapproval of Agenda-Deletions

- a. Alan Berg stated that there were no deletions to the agenda. Doug Gorthy made a motion to approve the agenda as presented. Dave Stapp seconded the motion. The agenda was approved unanimously.
- b. Elizabeth Gonzales arrived. Alan Berg noted that the full Board was present.

3. Approval/disapproval of minutes of January 15, 2024, monthly meeting

- a. Angie Roach moved to approve the minutes of the Jan. 15, 2024 meeting as presented. Doug Gorthy seconded the motion. The minutes were approved unanimously.

4. Approval/disapproval of minutes of January 22, 2025, special meeting

- a. Doug Gorthy moved to approve the minutes of the Jan 22, 2024 special meeting as presented. Angie Roach seconded the motion. The minutes were approved unanimously.

5. Approval/disapproval of January 2025 financial reports

- a. Alan Berg noted that we had only just received these reports today. Doug Gorthy made a motion to discuss the financial reports. David Stapp seconded the motion.
- b. Revenues on Income Statement
 - i. This was one of the highest months for assessments – largely due to continued efforts at collecting on outstanding accounts.
 - ii. The water usage fees received from the Town of Silver City (ToSC) continue to be lower than what they collect on our behalf.
 - iii. Revenue is in good shape this month.
- c. Expenses on Income Statement
 - i. We will consolidate some of these categories in the future.
 - ii. The Depreciation item is for the old lift station that is no longer in operation.
 - iii. System R & M refers to Repair and Maintenance; these include payments for our water operator, Eddie Mendoza.
- d. Questions and Comments
 - i. What was System Repairs and Maintenance? Gravel at the lift station offset by a fuel credit from Griffin's.
 - ii. What is "Allowance for doubtful account" on the Statement of Financial Position? This is aged liability for delinquencies that was suggested by our auditor. Basically, it's a placeholder for old accounts that can't be collected. We may have to write off some of these accounts in the future.
 - iii. The Depreciation Expense is still based on the old lift station? Yes, and it will continue to appear until we can change the format of our accounting documents in FY2026.
 - iv. Do we have any update on the search for a new Accountant? Our candidate is still considering whether to take the job. Alan talked to the candidate yesterday regarding the State's LGBMS system for budget management, and she is meeting with Morones tomorrow to discuss a potential transition.
- e. David Stapp, Elizabeth Gonzales and Doug Gorthy voted to approve the Financial Reports as presented. Angie Roach and Alan Berg voted against approving the Financial Reports. The Financial Reports were approved 3-2.

6. Old Business

a. Status of discussions with USDA/RD and New Mexico Finance Authority (NMFA) regarding transfer and assumption of the existing \$661,000 loan which is in its 12th year of a 40-year payment schedule.

- i. The USDA/RD sent an application for a new loan (conditions attached to agenda)
- ii. The NMFA board reviewed TWWA's application for a loan to replace the existing USDA/RD loan on Wednesday February 12, 2025.
- iii. The loan approval with the NMFA/CIB is contingent on a monthly rate increase of at least \$10.02/per property.
- iv. The final interview with TWWA and NMFA on the proposed loan will be on Thursday February 27, 2025.
- v. The USDA/RD wants us to re-apply for our loan (see Attachment 1). The USDA/RD is aware that we are applying to the NMFA. The NMFA met on February 13, and they have another meeting regarding our application on February 27th.
- vi. Comparison of USDA and NMFA Loans (see Attachment 2).
 1. There are 28 years (of an original 40) left on the USDA loan. The USDA bureaucracy related to taking on additional debt is an impediment to receiving our Colonias Funds, and we only have until June 30, 2025 to receive the Colonias monies. We could lose the \$6 million grant-loan from the Colonias and be forced to re-apply for that.
 2. We have already paid the USDA \$348,840, and we still owe them \$537,539. This loan was a terrible idea. It was a 40-year loan on lift station which should have had a 20-year life (but then only lasted 10-years!).
 3. The NMFA loan is a 30-year loan at a higher interest rate of 6.4%. The NMFA cannot find any documentation that we were considered a non-profit when the USDA loan was issued, so they cannot lower the interest rate.
 4. Our principal for the NMFA loan would be \$586,818 but some of this will go into a debt service reserve (like insurance), and our current debt service reserve accounts could be eliminated.
 5. To be eligible for the NMFA loan, we must add an extra \$10 per month per house in income. We need to discuss whether to add that to our monthly assessments or to our water bills. The NMFA will not grant us the loan otherwise.
- vii. Questions and Comments from the Board and Community Members.
 1. Do we know what the interest rate on a new USDA loan would be? The USDA would keep the same rate.
 2. Is there a prepayment penalty on the NMFA loan? No, there is no penalty and fewer restrictions overall.
 3. What is the ultimate source of the funding from the Colonias – State or Federal? State funds from the Oil and Gas industry.
 4. If we stick with the USDA/RD, the terms will be the same. If we move to a NMFA loan, we will have a higher interest rate and higher monthly payment. The reason to go with a NMFA loan is to get rid of the USDA/RD which jeopardizes our access to Colonias funds.
 5. With these loans, could either be "called in" at any time? No. In fact, they are more likely to be forgiven than called in.
 6. The USDA is an impediment for funding. Why does the State care? The State doesn't. It's the USDA that cares about us taking on more debt. If we go with the NMFA, the State will be our only creditor.
 7. If we increase our assessment to \$75, would this placate the NMFA? Yes, and it also satisfies the requirements for the Colonias grant-loan.
 8. Several community members expressed the sentiment that we must increase our assessments. There are too many projects that still need to be completed. "\$10 per month is better than a major failure, and everyone having to pay \$2000-\$3000."
 9. One community member expressed concern that the assessments had been

increased several times in the last few years and that “nothing had been done”. The Board members disagreed; they pointed out the new lift station and the designs for a new water system and water tower rehabilitation. All agreed that most of the work completed so far was not visible in town (like a torn-up street would be).

10. When could the work on the water system and tower start? We’ve got designs for the water system and water tower rehabilitation. We’re ready to go out for bid as soon as we get funds, and we could be starting construction 2-3 months after that.
- viii. Discussion and Vote on Options for Resolution 2025-13 (see Item 8a).
1. Eddie Mendoza discussed our numerous attempts to get the ToSC to forward the funds from our water fees on a timely basis. In fact, we receive less money from them now that the fee is \$10 than when it was \$5!
 2. Elizabeth Gonzales made a motion to approve Option 1 for Resolution 2025-13 (the option to increase the monthly assessments – not the water fee). Angie Roach seconded the option.
 3. Discussion and Comments regarding Option 1.
 - a. Doug Gorthy noted that he owned three properties, so this increase affects him. That said, he doesn’t think we have a choice. The USDA/RD is dragging their feet and that jeopardizes our Colonias funds. The alternative is “shaky” infrastructure that can fail at any time. The increase must be done through assessments since we can’t get our funds from ToSC.
 - b. If we increase assessments, will the automatic deduction automatically increase, or will new paperwork be required? The increase would start FY2026. This gives us time to notify the property owners. We just need to pass the Resolution to show the NMFA that we will have sufficient funds to refinance the loan through them.
 - c. We need to expedite all of our infrastructure projects. We cannot waste time and energy.
 4. A roll-call vote was taken to approve Option 1. David Stapp, Doug Gorthy, Elizabeth Gonzales, Angie Roach and Alan Berg all voted yes. Option 1 was approved unanimously.

b. Lift station issues

i. supervisory control and data acquisition (SCADA) communication issue. Complaint filed against File Construction with the Construction Inspection Board due to their delayed responses to warranty issues

1. Eddie Mendoza noted that the lift station works well. That said, the wipes have doubled this month, and the basket must be cleaned daily now. A reminder that wipes are what killed the last lift station; throw them in the trash!
2. Eddie Mendoza stated that he has tested the back-up pump and generator, and the system works. But there is no alarm to let us know that the lift station has no power and is operating on back-up status. Alderman, the subcontractor for File Construction, is supposed to come next week. We also need File Construction to conduct a final walk-through of the system for us as is in the Contract.
3. Alan Berg stated that he has filed a complaint with the Construction Inspection Board due to the continued delay in addressing the warranty issues.

ii. Mowing weeds in area of the lift station

1. The local rancher has declined further work in keeping the lift station mowed, so we need to find another option for weeding the area.

iii. Metal shed at lift station-electrical and structural-David Stapp

c. Status of water tower rehabilitation design documents for bidding.

- i. We are waiting for the loan issue to be resolved. Once we receive the funds from the Colonias we can go out to bid.

d. TWWA received raw data from wastewater line video work which has been completed by the sewer line investigation sub-contractor. Bohannon Huston Inc. has the data for their technical memorandum. The technical memorandum is a precursor for the 2025 Colonias Infrastructure

Board request that we are in the process of completing for the design of a new wastewater system. We are requesting \$500,000 for the design phase.

- i. We have received the raw data from the video work, and Bohannon Huston Inc (BHI) is writing a technical report. We will use that information for the design phase.

e. Progress on collection of delinquent accounts.

- i. We continue to make progress on delinquencies; notices on the door are working.

7. Report on audit for fiscal year 2024. Exit interview with Carney Foy CPA on Wednesday February 12, 2025. Audit was submitted to the State Auditor's portal on Friday February 14, 2025 by Carney Foy CPA.

- a. Alan Berg, Doug Gorthy and Eddie Mendoza attended an exit interview with Carney Foy, and the audit has been submitted to the State. Note that this is an essential step in receiving State grant funding.
- b. Findings included: 1. One mispayment by Morones, 2. Accountants are not performing reconciliation with the bank, 3. Books are not being kept properly for our type of accounting, but 4. There is no evidence of fraud.
- c. Overall, the impression from Carney Foy was that Morones are not the proper accountants for the job (as they don't have experience with Government entities), and the Board is not watching them properly. This reinforces our need to identify another accounting firm.

8. New Business

a. Approval/disapproval of Resolution 2025-13 Increase fees or assessments to meet the loan conditions from the New Mexico Finance Authority Public Project Revolving Fund and the Colonias Infrastructure Fund

- i. **Option One: Increase the monthly assessment from \$65.00 per month to \$75.00 per month.**
- ii. **Option Two: Increase the \$10.00 per month charge on the water bills for water system maintenance to \$20.00 per month**
- iii. Option One had been previously chosen during the discussion in Item 6a.
- iv. A roll-call vote was taken to approve Resolution 2025-13, Option 1. David Stapp, Doug Gorthy, Elizabeth Gonzales, Angie Roach and Alan Berg all voted yes. Resolution 2025-13, Option 1 was approved unanimously.

b. Approval/disapproval Resolution 2025-14 Authorizing the Board President and the Board Secretary to be signatories on the Western Bank account, replacing Mike Morones as the sole signatory. This is part of the move away from the existing accounting relationship with Morones & Associates. Our goal is to have all accounting services changed by the end of Fiscal Year 2025.

- i. No one on the Board is a signatory at the bank; only Mike Morones is a signatory. We need to pass this resolution, so that we can move away from Morones as our accounting firm. We can change the signatories again in the future when needed.
- ii. Questions and Comments
 1. This Resolution will also remove Mike Morones as a signatory? Yes.
 2. Will bank fees remain the same? No, they will actually be less.
- iii. Doug Gorthy moved to approve Resolution 2025-14. Elizabeth Gonzales seconded the motion. All board members voted in favor of Resolution 2025-14; the motion passed unanimously.

c. Approval/disapproval of Resolution 2025-15 Disposition of obsolete vehicles and equipment. Set an auction date for (1) 1999, Ford F-150 ½ ton pickup truck VIN-1FTEF14HXSLB07732, (2) 2002 Ford F-150 ½ ton pickup truck VIN-1FTRFI7222KD14811, and (3) 2006 JCB Model 214 backhoe. Serial Number: S000412. All items are in poor condition.

- i. We wish to auction off our obsolete equipment. This will be done via a sealed bid system; a newspaper advertisement will be used to invite the submission of written bids to our P.O. box. A committee composed of Board members will tabulate the bids. Then, we will reach out to the highest bidder to solicit payment. If no bids are received and/or if all bids are declined for any piece of equipment, it will be sold for scrap.

- ii. Additional information: 1. We can't sell our old generator yet as it still "belongs" to the USDA/RD. We can only sell it after we get rid of the USDA/RD loan. 2. Board members are not eligible to bid on this equipment. 3. The auction will occur in March 2025.
- iii. A vote was taken to approve Resolution 2025-15. All board members voted in favor of Resolution 2025-15; the motion passed unanimously.

9. Report and Approval of Officers and Committees

a. President's Report-fiscal year 2026 discussion on TWWA management: accounting, grant writing, liaison between TWWA and agencies, increase in operator's duties

- i. Alan Berg stated that we need to start working on our plans for FY 2026:
 - 1. We need to hire a part-time accountant.
 - 2. Eddie Mendoza will staff the office for a few hours a week at a posted time. This will allow people to pay by cash or check. He would also be available to interact with community during our upcoming construction projects.
 - 3. We need to figure out other opportunities for monitoring our financials. It would be good if one of the Board members stepped up into the Treasurer position. This would satisfy Carney Foy's concerns about Board oversight.

b. Secretary's Report - Nothing to report.

c. Treasurer's Report-No Treasurer

d. Doug Gorthy-member

- i. Doug Gorthy noted that we have been asked how our assessments are being used. He volunteered to write a letter to the Community explaining all the projects that had been completed and/or in the works. It was decided that the letter should also include a request that people throw "flushable" wipes in the trash.
- ii. Doug mentioned the "falling down" wall on Malachite and discussed a couple of solutions that he had seen elsewhere. He expressed concern that someone could be hurt if the wall fell. This led to a discussion of the proper owner's responsibility/liability, whether the larger community or County could be held liable, and the potential (or lack thereof) for a resolution of the issue.
- iii. Doug Gorthy stated that he learned of another HOA where new property owners are assessed a one-time fee for an infrastructure fund.
- iv. Doug mentioned that a local Real Estate agent had been telling people that the "water in Tyrone is terrible." He stated that we needed to send a letter to Real Estate agents explaining that our water: 1. Comes from the Town of Silver City, 2. Undergoes monthly testing by our certified water operator, Eddie Mendoza, and 3. Meets all the regulatory requirements.

e. David Stapp-member -Nothing to report.

f. Elizabeth Gonzales-member – Nothing to report.

g. Water Operator - Eddie Mendoza

- i. Eddie Mendoza reviewed some of the recent sewer scoping work. Based on what he saw, some of the lining in the sewer line is still intact, but there were a lot of roots coming in through the service line. The sewer line is old clay tile, so it's "not if but when" a tree root will find its way into the line. Eddie reminded everyone to take care of their sewer lines, and if you plan to roto-root out a tree root, please let Eddie know so that he can catch it before it reaches the lift station.
- ii. Eddie stated that the number of wipes has increased this month, and he must empty the basket daily. Fortunately, this basket system works better, but some wipes still escape into our brand-new pumps.

10. Input from property owners and residents

- a. No additional comments.

11. Adjournment-A. Berg

- a. Doug Gorthy made a motion to adjourn the meeting. David Stapp seconded the motion. The motion was approved unanimously.

ATTACHMENT 1

Tyrone Water & Wastewater Association
Regular Monthly Board Meeting
February 19, 2025
FINAL AGENDA

Requirements from USDA/RD for application to assume TPOA's loan.

1. Formal Written Request signed by the President of the Board to review for Transfer and Assumption of the current USDA-Loan and Grant for Tyrone Property Owner's Association, to include the following information and certifications.
 - a. A description of the facility and its current condition.
 - b. Discussion as to the need for the transfer to a new entity.
 - c. Discussion as to why the need to assume RD's debts by the new entity.
 - d. Certification of users for the current year and the prior 5 years. Please indicate each year's corresponding number of connections broken down by category. (Residential or Commercial)
 - e. Certify how the assuming entity plans to demonstrate ability to operate the facility.
 - f. Statement that the new entity will assume the debt with the current rates and terms.
 - g. Statement that the new entity will abide by all existing borrower's responsibilities regarding the transfers of the loans and grants.
 - h. Statement that the assuming entity will also agree to accept the original loan and grant conditions, plus any conditions set forth by the Agency regarding the transfer.
 - i. Certification and Justification that the entity is unable to finance the loan through other means of commercial credit.
2. Application for Federal Assistance – SF424
 - a. According to the Association's by-laws, this form should be signed by the President of the Board.
3. Entity Documentation for Tyrone Water and Wastewater Association
 - a. ~~Articles of Incorporation & Bylaws with all amendments~~
 - b. ~~Certificate of Good Standing from Secretary of State~~
 - c. Entity Legal Opinion from Attorney Attached is a template opinion for the Association's Attorney to use.
4. Signed resolution or minutes of transferor and transferee approving the transfer and assumption
5. SAM Registration showing UEI No for TWWA
6. ~~Application for Partial Release, Subordination or Consent (Form 465-1), signed by borrower's authorized official.~~

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- ~~a. This form will be required once a final decision is received from NMFA on the refinance.~~
 - ~~b. Complete all of page 1 & 2~~
 - ~~c. All fields must be updated to reflect current ownership.~~
- ~~7. Purchase or sales agreement between parties outlining the conditions of the transfer and assumption.~~
8. Draft Form RD 1951-15 Community Programs Assumption Agreement
9. Prior 3 Years of audited financial statements. If audits are not available, please provide the EOY financial statements for both entities. (TPOA & TWWA)
 - a. To include FY2021, FY2022, FY2023
10. Most recent Balance Sheet, Income Statement, and Statement of Cash Flows for both entities.
 - a. To include FY2024
 - b. All reserve accounts should be clearly identified and match the required balance at this time.
 - c. All Utilities should be separated on the financial reports
 - d. All reports must be dated no older than 90 days of this request and should be formatted similar to the audited financial statements.
11. Assuming Entity (TWWA) - Proposed budget reflecting income and expenses for the first typical year, including additional debt, following this request.
 - a. If there is construction involved, the budget must be projected through the first FULL year of operation following completion of planned improvements. (This may require 2 years of projections due to the construction schedule and Fiscal year-We have received the projected budget through 2027. If the proposed improvements will not be in service by July of 2026, please provide the Associations proposed budget for FY2028.
12. Applicant Narrative – Complete and Return attached form

APPLICANT NARATIVE – WATER AND ENVIRONMENTAL PROGRAMS
New Mexico USDA Rural Development

Full Legal Name of Applicant: _____

Address: _____

Primary Contact for Project: _____

Phone: _____ E-mail: _____

1. **Project Contacts** (attach additional sheets if necessary):

	Name	Organization	E-mail	Phone
Mayor/President/Chair				
Clerk/Secretary				
Engineer				
Legal Counsel				
Bond Counsel				
Auditor				
Environmental Preparer				
Lender				
Other				

2. **Applicant Board/Council.** Please list current board/council members and any other employees, the city where their personal residence is located, their position, and term of service.

Member	City of Residence	Position	Term

3. **Employee Relationship.** Are any of the above related to, or closely associated with, any employee of Rural Development? If yes, who? _____

4. **Proposed Security.** Describe the security available for a loan (ie. GO Bond, Revenue Bond, mortgage, etc.)
5. **Current Indebtedness.** Provide a complete list of all outstanding non-RD obligations which are liens upon, or payable from, the proposed security (attach additional sheets if necessary):

Owed to	Purpose	Balance Owed	Term	Maturity Date	Annual Payment	Annual Reserve	Interest Rate	Security	Income Source
TOTAL									

6. Conflicts of Interest Policy and Disclosure

We certify that we have an up-to-date written policy on conflict of interest, that includes (1) a requirement for those with a conflict or potential conflict to disclose the conflict/potential conflict; (2) a prohibition of interested members of the applicant’s governing body from voting on any matter in which there is a conflict; and (3) a specific process describing how the governing body will manage identified or potential conflicts of interest.

do not

We further disclose that, we _____ have an identified or potential conflict of interest as it relates to the planned transactions anticipated with the Federal funds we are applying for.

7. Other Credit

We certify that, to the best of our knowledge and belief, we are unable to finance the proposed project from our own resources or through commercial credit at reasonable rates and terms.

8. Outstanding Judgments

We certify that, to the best of our knowledge and belief, no outstanding judgment has been obtained and recorded by the United States of America in a Federal Court (other than in the United States Tax Court) against our organization. We further certify that there are no outstanding indications of discrimination in providing our services.

9. Prohibited Tying Arrangements

We certify that, if applicable, as a provider of electric services, we will not require users of a water or sewer system financed by Rural Development to accept electric service as a condition of receiving assistance.

10. Inspection

We request part-time inspection, if appropriate, for our proposed project.

We certify that, to the best of our knowledge and belief, the above information submitted on this form is correct. If our project is selected to receive loan funds, it is our wish to receive the lowest interest rate possible, selecting between the rate at the time of obligation or at the time of closing.

Signature of Applicant Representative _____

Title: _____ Date: _____

ATTACHMENT 2

Comparison of USDA/RD Loan and New Mexico Finance Authority Loan

Existing 40-year USDA/RD Loan

- Remaining term: 28 years
- Balance as of December 31, 2024 was \$537,539.61
- Monthly payment: \$2,420
- Interest rate: 3.12504%
- Additional requirements: Submission of about 40 responses to the USDA application; it will take approximately 40 to 60 hours to complete; submit to USDA/RD and we will wait several months for review and approval by the USDA/RD to incur more debt
- Our extension to the Colonias Infrastructure Fund ends on June 30, 2025
- We have paid \$348,480 to the USDA/RD for the first 12 years of the 40-year loan with a balance owed of \$537,539.61 as of December 31, 2024.

Potential New Mexico Finance Authority Loan

- 30-year loan
- Interest rate: 6.4% (higher than USDA loan)
- \$586,818 is the principal for the NMFA loan
- The difference of \$49,278.39 from the existing balance of \$537,539.61 and the new loan of \$586,818 is to fund a debt service reserve account and interest
- If the \$10/month increase is approved either through increasing the monthly assessment or an increase on the water bills, we will generate \$38,460 annually to our budget
- Purpose: To pay off the USDA loan
- Advantages: Cancels USDA's first lien position, allowing for easier access to other grants and loans

Dilemma

The main decision is whether to retain the USDA loan, which requires extensive documentation and review, or to switch to the New Mexico Finance Authority loan, which has a higher interest rate but simplifies future financing options.