

Draft. To Be approved

**2025 Annual Meeting of Sky Country Estates Mutual Domestic Water Consumers
Association Meeting Minutes**

July 5, 2025.

63 Clear Sky Road, Cloudcroft, NM 88317

1. Meeting called to order by President Koch at 3:03 pm MDT. Members present: On phone are Tim Narvkal and Jeremy Hodges. Members present in person are: Robert Mitchell, Tom and Joan Nussbaum, Tom and Pam Runyan, Gary Brotan, Bob and Mary Duce, Karen Scarborough, Mike DuBois, Rene and Margie Medina, Ray and Mary-Anne Estrada, Don and Virginia Littlefield, Bill Hanson, Dan Sarkozy, Lourdes McDaniel, Ed and Stefanie Koch. Quorum established.
2. Proof of Notice of Meeting: First notice of meeting and election sent out May 21, 2025. Second Notice with agenda and ballot sent out June 17, 2025. Reminder sent June 30, 2025.
3. Approval of Agenda: Member Joan Nussbaum made a motion to approve the agenda as presented. Member Mary Duce seconded the motion. The motion passed unanimously by the members.
4. Approve Minutes: President Koch read the minutes of the July 6, 2025, minutes. Ray Estrada made a motion to approve the minutes. The motion was seconded by Don Littlefield. The motion passed unanimously by the members.
5. Reports of Officers.
President Koch gave a Presidents report which is attached as Exhibit A. There were no members' questions or comments.
President Koch gave a water report which is attached as Exhibit B. There were no members' questions or comments.
President Koch reported the Consumer Confidence Report (CCR) that we are required to provide the water users every year has been mailed and or emailed to each member and is posted on the website.
6. President Koch explained the phases of our Infrastructure Improvement Project. All the estimates are provided by our engineering firm, Souder Miller and Associates from Las Cruces. Phase 1 is for the complete engineering of our project and the estimate is \$275,000. Phase 2 is for a new well and water source and the estimate on that is \$710,000. Phase 3 is new storage and the updated estimate is \$850,000. Phase 4 is a new supply line from well # 3 to the storage tank on lot 9 and estimated at \$1,780,000. Phase 5 is the replacement of all water lines and is estimated at \$2,305,000. The first two phases we have applied for financial assistance already. The next 3 phases will occur over the next 3 years.

Last year we applied to the New Mexico Water Trust Board for the \$275,000 phase 1 costs. We were just notified that we were awarded a \$220,000 grant and a no interest loan over 20 years of the remaining 20% or \$55,000. There is a ¼ of 1 percent administrative fee required. There is a possibility the 20% loan amount could be reduced to 10% and the grant amount increased. Based on the 20% loan amount the cost to each member would be just under \$5.00 per month.

We also applied to the New Mexico Capital Outlay Program for financial assistance for the phase 2 amount of \$710,000. The program is run by the state legislature. We are waiting to find out how much we are granted and what the terms are. We should know by the end of July.

We will be applying for the next 3 phases at the appropriate time. President Koch asked the members attending if they are still willing to pay for the water system improvement project that was approved at last year's meeting. Everyone agreed they are on board to pay for the project. Based on the members reply, President Koch made the following motion: **"I make a motion for a vote of the membership to approve the water system improvement project including any financial assistance obtained and the additional cost in the monthly administrative charge to members that might result during and after the completion of the project and until all debt is retired. The vote will be conducted by mail and at a special meeting of the members where the votes will be tabulated. The special members' meeting is to be held on a date to be determined based on the By-Laws and the following criteria. Within one week of when we are notified of the New Mexico Legislative Infrastructure Capital Improvement Plan award to SCEMDWCA, a notice of the date of the members meeting and ballot will be sent to the members by first class mail. The members' meeting will be held no later than 3 weeks after the date of notification of the ICIP award. Members may mail in their ballot or bring them in person to the special members meeting."** President Koch said he made the motion so that all members will have a chance to vote on continuing with the project since all members were not present at this meeting and the New Mexico Finance Authority needs a proof of members approval. Member Joan Nussbaum seconded the motion. The motion passed unanimously by the members present.

7. Administrative Matters. Member Karen Scarborough asked that in the POA meeting it was referenced about the importance of having access to Clear Nite Road and if that synced with the MDWCA thinking. President Koch answered the attorney for the POA, who also happens to be the MDWCA attorney, has been

made aware of the MDWCA concerns about access to Clear Nite Road both for servicing the wells and the possible water improvement project options for water lines on that section of Clear Nite Road. Member Jeremy Hodges asked about the possibility of needing an easement on that section of Clear Nite Road.

President Koch replied that is one of the concerns the attorney has been made aware of. Member Mike Dubois asked in regard to the new well, who makes the decision on where to drill the well. President Koch answered the engineering firm based on their geologists' recommendations determines the locations. He also mentioned it is possible we could redrill our existing wells and the possibility of having to drill several new wells before finding water.

8. Financial Report and New Budget. President Koch gave a brief year-end financial report. The administrative expense totaled \$6,642.68, which was below the budgeted amount of \$8,335.00. The largest expenses were for insurance at \$2,781.05 and QuickBooks subscription expense of \$830.10. QuickBooks subscription costs will be increased by about \$10.00 per month this next year. Water system expenses include \$1,115.65 for maintenance, \$2,329.96 for electricity, \$967.05 for repairs, \$736.00 for purchased water, \$845.00 for water operator expense for a total water system expense of \$6,034.92. This was about half of the budgeted amount of \$ 12,850.00. We were fortunate to not have any significant repairs during the year. The total income was \$27,115.99 and total expenses were \$12,677.60. At the end of the year the available cash in the checking accounts totaled \$92,293.00. \$55,000 of the cash is allocated to the reserve accounts leaving \$37,293.00 in the general fund. Total assets and cash total \$489,806.93 of net worth.

New Budget: President Koch presented the FY 2025-2026 Board approved budget proposal. Under the maintenance budget line, President Koch requested some maintenance items he needs funds for. They are:

Chlorination System. Approximately \$1,500

Valve Riser Covers PVC DWV Flexible Cap, Quick Cap, Flexible Quick Cap.
Appr. \$1,000

Trees Removal on Lot # 9. Approximately \$1000.

Capricorn Point Intersection Valve Reconfigure and Additional Valve:
Approximately \$2,000

The new Fiscal Year budget total request is \$21,500. The new monthly charges to members for Administration of \$11.73. Members with water service total monthly billing will be \$59.52.

Member Lordes McDaniel made a motion to approve the budget. The motion was seconded by member Mary-Anne Estrada. The members unanimously approved the fiscal year 2025-2026 budget. Exhibit C attached.

President Koch suggested moving \$10,000 from the general fund to either the Water Project Reserve or the POA Legal Assistance Reserve. Member Karen Scarborough made a motion to move \$10,000 from the general fund to the POA Legal Assistance Reserve Fund. The motion was seconded by Mary-Anne Estrada. Motion passed unanimously by the members.

9. Election of Directors. Since there are two open Director positions and only two candidates for the two positions, Mike DuBois made a motion to accept the two candidates as winners. The motion was seconded by Mary-Anne Estrada. The members passed the motion unanimously.
10. New Business. Mary-Anne Estrada brought up our By-Laws do allow water for new construction no matter how much or how little is used. It bothers her that we purchase water for members personal use and to use any at all for construction purposes is not acceptable at all, since we are buying water for members personal use. She stated that the By-Laws should be changed to not allow any water from the system to be used for construction, especially during times when we have water shortages and when it would be taking water away from members personal needs. Karen Scarborough agreed with Mary-Anne. President Koch said that can be taken up and discussed by the Board and cleaned up by adding to the Rules.
11. No Unfinished Business.
12. No Members Comments.
13. Adjournment. Lourdes McDaniel made a motion to adjourn. Bill Hanson seconded the motion. Motion passed unanimously by the members. President Koch adjourned the meeting at 4:15 pm MDT.

Passed and approved this _____ day of _____, 2025

Attest _____

EXHIBIT A

2025 President Report.

We started the new fiscal year with 45 members. During the year we gained two new members, Tammy Vasilatos, lot # 53 and Wendy and Bobby Middleton, lot # 25 for total of 47 members. Welcome to Sky Country Estates to both, maybe I should say welcome back to Tammy. Tammy is in the process of building a new home near the intersection of Big Dipper Rd. and Polaris Point and the Middleton's purchased Lance and Mande Poling's newly built home at the end of Big Dipper Rd. Again, welcome to both.

Last year we had a relatively quiet year operating the water system. No big maintenance issues or problems. More details in the water system report later. We finally received from the IRS our 501(c)(12) tax exempt certification, 9 months after applying. I guess the IRS was too busy training all the new agents instead of working on their daily duties.

During the year we applied for financial assistance from the State for our water system improvement project with some positive results. It's an ongoing process and I will give more details later in agenda item # 6.

As you should be aware of, the POA is working on a dispute with one of the subdivisions neighbors regarding access to Sky Country Estates roads. Part of the dispute involves access to the west end of Clear Nite Rd., the section from Capricorn Point down to Lot # 68. Because this could have a major impact on our access to service the wells on lot # 68, the Board has decided to help the POA with payment of the legal expenses. The Board made this decision because, as I mentioned, we need access to lot # 68 to service our wells on that lot. Also, our water system improvement project has plans to install a water line down this section of Clear Nite Rd. We will use some of our reserve funds for this. The potential impact on our water system could be significant and is the reason the Board decided to help. Discussion and questions can be addressed on agenda item # 7.

Hopefully this new year the operation of the water system will continue to be somewhat uneventful. Also, this year we should see the water project start the construction process, including drilling a new well. I'm looking forward to getting construction on this project started so we can have a safe and reliable water system for all the property owners of Sky Country Estates.

EXHIBIT B

2024-2025 Water System Report

Fortunately, last year we did not have any major water system leaks or issues that affected the availability of water to our customers. We only had two issues that had an impact. One was a frost-free valve on a property that was leaking last August. Thanks to the owner who found the leak and notified us. The owner had the frost free replaced. The other issue was with the control system on well # 3 in September. It prevented the well from running. This was repaired by the contractor who installed the system. We have passed all our monthly water tests, so you know our water is safe.

For the year, well # 2 in the west side canyon, lot # 68, produced 287,048 gallons of water. That is 88% of one acre foot of water (325,851 gallons). Well # 3, in the east side canyon, produced 144,140 gallons of water, or 35% of one acre foot of water. We are allowed 3-acre feet of water from each well for a total of 6-acre feet. Currently, we are using less than 30% of our water rights. A new well should give us another 3-acre feet of water rights which should take us 15 years plus down the road based on the number of homes in the subdivision plus future growth.

The drought we have been going through over the past couple of years has caused a drop in the amount of water produced from our wells. In the 2023 calendar year we received less than 18 inches of moisture from rain and snow. In calendar 2024 we totaled less than 21 inches. This year through June it is just a little over 5 inches, with over 3.25 inches of that coming this June, 2.8 inches in the last week of June. Normal moisture total averages around 30 inches. The last time we reached normal was in 2022 when we had over 38 inches. Well # 2 is currently producing 500 gallons per day, down from 2,500 two years ago and well # 3 produces 600 gallons per day consistently. Our current daily use is averaging around 1,200 gallons per day. Daily use increases as more residents escape the summer heat of their main homes and visit their homes in Sky Country Estates. Our full-time residents welcome our summer visitors and hope some day they will join us as full-time residents to enjoy the wonders of mountain life. As a result of the lower water production, I expect to have to supplement our water supply at least through the summer months into possibly October by having water trucked up the mountain and added to our storage tank. We have already added two truckloads last week to ensure we have water for everyone during this holiday period. I project two loads per month into October. This year's monsoon has started and hopefully it will continue to bring us badly needed rain through September. If we get at least normal precipitation our wells should increase production but it will take at least four months to see any improvement.

Our water improvement project will work on adding an additional well that will help us increase our water supply. That project will hopefully start this year and have a new well online by this time next year if not sooner.

Please be responsible with your water use and do your best to conserve what little water we have.

Ed Koch

EXHIBIT C

SCEMDWCA Member Approved 2025-2026 Budget			Estimated	Proposed	2024-2025
Account			2024-2025	2025-2026	2024-2025
1000	<u>Administration</u>		Year Total	Budget	Budget
1000 – 100	Postage	\$	129.20	\$ 150.00	\$ 175.00
1000 – 110	Office Supplies	\$	113.51	\$ 125.00	\$ 75.00
1000-111	Office Equipment	\$	107.80	\$ 120.00	\$ 275.00
1000 - 115	Printing and Copying	\$	-	\$ -	\$ -
1000 – 120	Website	\$	17.17	\$ 25.00	\$ 20.00
1000 – 130	Insurance	\$	2,781.05	\$ 3,000.00	\$ 3,100.00
1000 – 140	Legal	\$	491.70	\$ 1,000.00	\$ 1,000.00
1000 - 145	POA Lawsuit Assistance From Reserve			\$ 5,000.00	
1000 – 150	Bank Fees	\$	-		\$ 20.00
1000 - 150-1	QuickBooks Service Fees	\$	408.84	\$ 425.00	\$ 360.00
1000 – 160	IRS – NM Filing Fee	\$	600.00	\$ 35.00	\$ 10.00
1000 - 170	NM Water Conservation Fund	\$	14.29	\$ 20.00	\$ 20.00
1000 - 180	Gross Receipts Tax	\$	954.55	\$ 1,000.00	\$ 1,000.00
1000 - 190	Training	\$	-		\$ 100.00
1000 - 200	Accounting Services	\$	-		\$ 1,000.00
1000 - 200 -1	QuickBooks Monthly Charge	\$	830.18	\$ 1,000.00	\$ 780.00
1000 - 300	Subscriptions	\$	178.00	\$ 300.00	\$ 300.00
1000 - 400	Emergency Fund	\$	-	\$ -	
1000 - 410	Capital Improvements Reserve	\$	-		
1000 - 420	Water Improvement Project From Reserve	\$	-	\$20,000.00	
1000 – 500	Miscellaneous	\$	11.92	\$ 100.00	\$ 100.00
Subtotal Minus Legal & Project Reserves		\$	6,638.21	\$ 7,300.00	\$ 8,335.00
3000	<u>Water System</u>				
3000 – 100	Maintenance	\$	1,115.65	\$ 5,000.00	\$ 2,500.00
3000 - 110	New Service Connection Exp	\$	-	\$ 2,400.00	
3000 - 115	Electricity	\$	2,355.35	\$ 2,500.00	\$ 2,500.00
3000 - 120	System Repairs	\$	967.05	\$ 2,000.00	\$ 4,000.00
3000 - 121	Purchased Water	\$	736.00	\$ 2,800.00	\$ 1,600.00
3000 – 125	Water Operator	\$	910.00	\$ 1,500.00	\$ 1,500.00
3000 - 400	Operating Reserve Fund				
3000 - 500	Water Samples	\$	91.26	\$ 300.00	\$ 600.00
3000 - 600	Miscellaneous	\$	-	\$ 100.00	\$ 150.00
Subtotal Minus New Service Connection Expense		\$	6,175.31	\$ 14,200.00	\$ 12,850.00
Total General Expenses		\$	12,813.52	\$ 21,500.00	\$ 21,185.00

				Monthly		Year	
47	Members Fee	2025-2026	Admin Cost Less Tax	\$	11.17	\$	134.04
			2024-2025	\$	13.95	\$	167.40
		2025-2026	New with Tax (5%)	\$	11.73	\$	140.74
				Monthly		Year	
26	Lots With Water Fee	2025-2026	Water Charge Less Tax	\$	45.51	\$	546.15
		+ Admin	Total	\$	56.68	\$	680.20
			2024-2025	\$	58.93	\$	707.16
		2025-2026	New with Tax (5%)	\$	59.52	\$	714.21

Billing is done by invoice every month

Cash Allocation, End of June 2025	
Emergency Fund Reserve	\$10,000.00
General Operating Fund Reserve	\$10,000.00
Capital Improvement Fund Reserve	\$10,000.00
POA Legal Lawsuit Assistance Reserve	\$0.00
Water Improvement Project Fund Reserve	\$25,000.00
Total Reserve Funds	\$55,000.00
General Fund (Estimated Cash - Reserve)	\$34,000.00

Proposal
Move \$10,000 from General Fund
to Water Improvement Project Reserve
or POA Legal Assistance Reserve Fund

Notes Pre tax Member Fees do not include the NM Gross Receipts Budget amount
Purchased water cost are \$360.00 per 2,700 gallon truck load.
Legal Lawsuit and Water Project Costs are Paid from Reserves First