

Valley Improvement Association

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Dear VIA Member

There's an old children's book about a little boy who has an "...awful, terrible, horrible very bad day..." This certainly could describe the past two years for most of us and for most organizations. But even the worst of days - times, will end. The signs of a turn-around are clear in some progress and achievement this past year.

Finances Still Troubled, But Improving

VIA ended 2008 with a horrendous financial loss. But the year-end, consolidated financial results for 2009 show that the Association and its subsidiaries improved their positions dramatically - - with a more than \$900,000 swing to the better. This was despite a drop in cash revenues stemming from the collapse of the housing market and troubles on Wall Street. While the consolidated statement of revenues and expenses still show a "loss", it's less than one-third what it was in 2008, when the recession ravaged every line of VIA's operations and its investment portfolio. Most of that swing came from cost-cutting at the for-profit subsidiaries of Belen Sand & Gravel and South Valley Development, after the Board of Directors assigned VIA's President Bob Davey to take over those operations in 2008. Both had been managed too aggressively, over-leveraged, and pushed to grow too quickly. They were overloaded with debt, and were vulnerable to the ravages of a gutted housing market and national recession that hit earlier that year.

That cost-cutting trend continued in 2009 and 2010, with several rounds of salary reductions, furloughs and staff cuts at both VIA and its for-profit subsidiaries. Most of the benefit of those moves should be evident in financial results for 2010. Liquidity is still a concern at both the Association and subsidiary level. VIA's investment portfolio regained some of the value it lost in 2008; VIA restructured financial holdings and operations to partially address that liquidity issue for non-profit operations. The subsidiaries continue to pay down debt and trim at equipment costs. Some construction and real estate activity began to stir in mid-2010, but we expect progress on that front to be sporadic.

While serious challenges remain, there's greater financial stability than there has been in more than two years. While our performance last year can't be called a turn-around yet, it will certainly serve as the start of one.

Hospital Back On Track

After five years of study and planning, three of litigation, bouts of frustration and some momentary loss of political will, Valencia County is on its way to building its hospital. In April, the Valencia County Commission received a decision from the Court of Appeals that upheld a District Court ruling on the legitimacy of the contract between the County and the Health Commons. When the plaintiffs were quickly refused another hearing by the State Supreme Court, the Commission - - before a standing room only crowd and TV cameras - - granted the Commons' request to have its contract extended to 2013.

The same attorney who had fought the hospital's start for nearly three years marshaled a new set of plaintiffs to challenge that extension. However, neither the County's nor the Commons' attorneys believe the challenge will hold up when a hearing is set. And the Valencia Health Commons is not sitting and waiting, but ramping up development efforts.

The Commons' Board issued a Request for Proposals in May, received a clutch of responses from highly-qualified healthcare providers in June, and is evaluating a range of options for completing the project by the 2013 deadline. That Board, which VIA's Bob Davey chairs, aims to have a partner/provider under contract this Fall; and, the project designed, financed and under construction early next year. The Board wants to announce details of its evaluations, negotiations and plans in September, in a joint statement with the Valencia County Commission and other authorities.

Once the Commons' Board has chosen its partner, or partners, it will negotiate how the new team can proceed on three fronts: updating and testing the key assumptions and conclusions of the strategic plan for healthcare that the County accepted in 2007; overseeing the development of the hospital; managing its operation. Among the key issues to be decided on: the organizational structure; and, financing approaches. The hospital could be owned by the Valencia Health Commons, for example; or, be a joint venture with a partner or partners. In the former case, a straightforward management contract could be preferable, but some sort of lease arrangement might be possible, too.

In the latter case, ownership percentages and responsibility need to be worked out, and the limitations imposed by existing law and existing contracts understood.

The Valencia County Commission, once again putting their faith in the Board of the Commons by a 4-1 vote, is anxious to see progress. So is the general public.

A "Public-Powered" Project

The fight for a hospital could have been an easy one to give up. It was a case of public enthusiasm and community need against the legal maneuverings of a handful of opponents, set to a background of what then appeared to be apathy or opposition on the part of some elected officials. It was played out during a national recession that has racked Valencia County - - where foreclosures and bankruptcies are up, where one City is fighting for economic stability and the two School Districts and the University of NM Valencia Campus are facing serious financial challenges...and when VIA was beset by financial problems that would have justified paying more attention to them than to the dream of better healthcare for the community that VIA serves.

Even the practical reasons for progress - - the capital investment, the jobs that the hospital and Health Commons would bring, the additional medical staff and medical services that would be made available to an underserved County - - seemed to be ignored or discounted by elected officials and the local press.

The Health Commons' Board deserves praise for holding together and continuing to work in the face of legal opposition, lengthy delay and the occasional loss of will by political bodies (at one point, the County Commission actually voted in principle to abandon the legal fight and terminate its contract with the Health Commons' Board). And, the Valencia County Commission deserves praise for staying the course through district court, the Court of Appeals and a last-ditch effort by opponents to take the matter to the State Supreme Court. They've also thrown themselves into supporting the Commons in the latest legal challenge to the contract extension.

But what really saved the hospital was the level of public support demonstrated over and over again. The voices clamored from all over the County (after all, the tax levy supporting the hospital was approved by 98% of the voters in 2006). But they were led by vocal and energetic residents of Las Maravillas and the Rio Communities. And that breadth and depth of support was one key to the tenacity displayed by the Commons' Board and the County Commission: the community refused to let go of the idea for a vigorous, ambitious, healthcare delivery system for themselves and their neighbors.

When the idea of quitting seemed most inviting, the Community wouldn't let that happen. They saved the project.

Some other stories of progress appear herein. As we said about the year's financial results, we can't call this a turn-around year, but it will certainly serve as the start of one.

FIELD NOTES

Rio Communities has a new neighbor in the Valley Community Plaza: Belen's Family School for home-schooled youngsters opened its doors in the VIA Plaza last year, and the Belen School Board granted another year of operation at the location. VIA lowered its normal lease rate to keep the Family School in Rio Communities. The District's rent will cover property taxes and insurance; the school district will pay utilities and maintain the facility. Youngsters have access to classes, services and back-up teaching to what they get at home.

VIA has negotiated a lease of 35 acres of Association property for a solar energy generating project. The site is off the Manzano Expressway, near the proposed hospital site and La Merced Elementary School in Rio del Oro.

EnXco, a US subsidiary of French utility, proposes to develop a series of grid-connected photo-voltaic solar energy projects in several counties in New Mexico. A photo-voltaic project would not require the amount of water usage that other designs do.

The company is negotiating a supply contract with the local electric utility. If negotiations are successful, the generating project could supply renewable energy to Valencia County and "Green-collar" jobs and job-training for County residents through a partnership with VIA and the UNM Valencia Campus. Enxco would also be willing to develop solar energy education projects with the Los Lunas and Belen School Districts.

The company has been involved in the wind industry for two decades, and currently owns and operates more than 2400 MW of utility scale wind projects. It is expanding into solar market, and owns plants with more than 5 MW of generating capacity. The company is owned by EDF Energies Nouvelle (EDNFEN), partially owned by Electricite de France, reportedly the world's third largest provider of electricity, with a presence in nine European countries and the United States.

In years past, VIA subsidized amenities in developed areas, sometimes by quite significant amounts. But the ultimate goal for VIA communities should be self-sufficiency. So, for the past three years, the Association has been trimming that subsidy. This year, the developed areas of Rio Communities, Pasitos del Cielo and Las Maravillas were assessed \$130,618. Through July of 2010, VIA had spent \$85,000 on park maintenance and such amenities as streetlights, and was projecting only a minimal subsidy on direct services for the rest of the year. The subsidy remains, however, for such indirect costs as property insurance and taxes, the cost of providing staff support for the Architectural Control Committee, and all that goes into collecting, accounting for and managing the expenditure of assessments from the local community.