

## AGENDA

### GALLUP CITY COUNCIL SPECIAL MEETING TUESDAY, JANUARY 3, 2023; 11:00 A.M. CITY COUNCIL CHAMBERS



Louie Bonaguidi, Mayor

Linda Garcia, Councilor, Dist. 1

Michael Schaaf, Councilor, Dist. 2

Sarah Piano, Councilor, Dist. 3

Fran Palochak, Councilor, Dist. 4

Maryann Ustick, City Manager

Curtis Hayes, City Attorney

**The meeting will be accessible through the City of Gallup's Facebook Page:**

[City of Gallup, New Mexico Government - Home | Facebook](https://www.facebook.com/CityofGallup)

#### **A. Pledge Of Allegiance**

The members of the body and the public are invited to recite the Pledge of Allegiance.

#### **B. Roll Call**

#### **C. Discussion/Action Topics**

##### **1. Approval Of Proposed Contract Water And Sewer Rates With Rhino Health, Inc.**

On April 23, 2019, City Council approved a Resolution authorizing the provision of water service to Rhino Health, Inc. In accordance with Section 8-1-7 B.3 of the City Code, City Council must authorize by Resolution or contract the furnishing of water service to any user outside city corporate limits upon conditions and limitations set by City Council in its sole discretion. This Resolution No. R2019-16 (see attached) directed city staff to negotiate temporary utility rates with the applicant to foster economic development. The Resolution also listed General and Specific Conditions (see attached list of Conditions) which include the requirement that the applicant pay, along with the cost of water, New Mexico Gross Receipts Taxes, the City Environmental Surcharge and the Navajo Gallup Water Supply Project (NGWSP) Assessment charge. The contract with Rhino

Health, Inc. (see attached), executed on June 10, 2019, established special rates for water, wastewater and electric services as follows:

1. Water rate will be \$0.0486 per cubic foot
2. Wastewater rate will be \$0.03 per cubic foot
3. Electric energy charge rate will be \$0.07 per kilowatt/hour (plus demand charges)

The term of the contract was for one year from July 1, 2019 until June 30, 2020, with a one-year extension. However, the contract provided that if Council adopted an industrial rate prior to the contract expiration then the contract rates would be adjusted to the new industrial rate schedule no earlier than July 1, 2020. Due to the COVID pandemic, rate increases were put on hold so as not to place additional financial burdens on both our residents and businesses during the pandemic and recovery period. Unfortunately, this delay resulted in the need for higher increases in rates than would have been required if done in 2020 as planned.

Since City Council is still considering new water rates, an industrial rate has not yet been adopted. Rhino Health, Inc. has requested that the utility rates, as set forth in the contract effective July 1, 2019, (see attached contract) be continued under a new contract with the exception of the wastewater rate. Rhino Health has requested that the wastewater rate be 60 % of the water rate which would be \$0.02916 per cubic foot versus \$0.03 per cubic foot in the original contract.

Staff is providing the attached Rhino Health Billing Scenarios (based on July 2022 Water consumption) to assist Council in their review of the proposed contract rates for water and sewer. The attached chart contains four billing scenarios (based on July 2022 water usage) as follows:

1. Current City Commercial Rates
2. Current Contract Rates (which include NGWSP surcharge)
3. Current Billed Rates (which do NOT include NGWSP surcharge)
4. New Proposed Contract Rates by Rhino Health (which do not include NGWSP surcharge and include sewer rate reduction from \$0.03 to \$0.02916 per cubic foot. All other original contract rates would remain the same.

Applicant has not specified a contract term but since the original intent of the Council Resolution was to adopt temporary utility rates pending the adoption of industrial rates, staff recommends a term of no more than two years.

Recommendation:

Staff recommends Council adoption of the proposed contract rates, to include Navajo Gallup Water Supply Project surtax, with a contract term not to exceed a two-year period.

Fiscal Impact: Dependent on utility rates selected.  
Recommendation: See recommendation in the summary.  
Speaker's Name DJ Noon, Rhino Health and Patty Lundstrom, GGEDC  
Executive Director

Documents:

[RESOLUTION NO R2019-16.PDF](#)  
[RES. NO R2019-16\\_CONDITIONS OF WATER USE.PDF](#)  
[RHINO HEALTH CONTRACT.PDF](#)  
[RHINO BILLING COMPARISONS DEC 23 2022.PDF](#)  
[ORDINANCE NO. C2014-5 - WATER.PDF](#)  
[ORDINANCE NO. C2021-4 - WASTEWATER.PDF](#)

**D. Motion To Adjourn**

Pursuant to the “Open Meetings Act”, NMSA 1978, Section 10-15-1 through 10-15-4 of the State of New Mexico, this Agenda was posted at a place freely accessible to the public 72 hours in advance of the scheduled meeting.