Minutes of the Special Meeting of the Gallup City Council, City of Gallup, New Mexico, held in the Council Chambers at Gallup City Hall, 110 West Aztec Avenue, at 4:00 p.m. on Tuesday, January 14, 2020.

The meeting was called to order by Mayor Jackie McKinney.

Upon roll call, the following were present:

Mayor:	Jackie McKinney
Councilors:	Linda Garcia Allan Landavazo Yogash Kumar Fran Palochak
Also present:	Maryann Ustick, City Manager Curtis Hayes, City Attorney

The Mayor and Councilors conducted a Work Session to review and discuss the following topic:

1. Presentation on GO Bond Program and Debt Service Schedule for GRT Bonding – Erik Harrigan, RBC Capital Markets, LLC

Ms. Ustick said the City's General Obligation (GO) Bond Program is one of the priorities in the Mayor and Councilor's strategic plan for this year. Based on meetings with the City's financial consultants, City staff thought it would be helpful to the Council to receive a presentation regarding the City's GO Bonds, assessed property valuations and Gross Receipts Tax (GRT) Bonds.

Mr. Harrigan provided a power point presentation on the City's GO and GRT Bond capacity. A copy of the power point presentation is attached hereto and made a part of these official Minutes. The history of assessed valuation for the past eight years shows there has been flat growth in the first six years and declines of 1% to 2½% during the last two years. Residential values dropped from $199 million in 2018 to $191 million in 2019. Regarding the City's bonding capacity, the City is low at 36.24% in terms of the amount of debt outstanding to the assessed valuations. The City has to take into account the impact to the City's tax rate if it issues additional general obligation bonds. Although the City added about $2.1 million in new value on both residential and non-residential properties, the reason for the decline in property valuations are due to reassessment or reappraisal. Residential tax rates have been very stable for the past eight years. The residential tax rate in 2012 was around $33 and today it is about $34. Based on the current debt outstanding, any GO bond issuance in the near future would result in a property tax rate increase over and above the City's current debt service tax rate. Mr. Harrigan provided an overview of two scenarios for a bond cycling program, which would require a property tax increase and is outlined in the attached power point slides.

Mr. Harrigan provided information about recent changes enacted by the State concerning de-earmarking gross receipts tax for both cities and counties. This law went into effect July 1, 2019. De-earmarking takes most of the local government's gross receipts taxes and combines them into a single unrestricted gross receipts tax. The new law has taken all of the City's municipal environment, infrastructure, municipal GRT and combined all those increments into one increment of gross receipts tax. An illustration of the imposed GRT vs. Authorized GRT slides in the presentation shows that under the new law, the City's potential additional revenue without an election is currently $1.6 million when it used to be $2.6 million with the hold harmless increment under the previous law. Under the new law, $3.1 million of potential additional revenue can be generated but only by voter approval. Regarding the City's GRT outstanding debt, the City is currently paying about $2 million in debt service payments. The City's Series 2010A GRT bonds are callable later this year and the City will have the option to refund those bonds for interest savings. The City also has the ability to refund and restructure those bonds to be able to add new money for projects without increasing the current debt service payments. Mr. Harrigan presented two options involving the City's Series 2010A bonds. Option 1 is a refunding of the 2010A bonds for a savings of more than $78,000 per year in annual debt service until the bonds mature in 2030. Option 1's net present value savings is about $719,000 in total savings or 10.71% which shows the option to be economically beneficial. Option 2 is a refunding of the 2010A bonds and a new money issuance without impacting the City's current debt service requirements. This can be achieved by refunding and extending the debt by four years. By doing so, the City's debt service is lowered from about $888,000 per year to about $615,000 per year. Option 2 provides annual savings of about $270,000 per year through 2030 at the original maturity date; however, there is "dis-savings" from 2031 to 2034, since the debt is extended by four years. Option 2's net present value savings is about $584,000 in total savings or 8.179%. The illustration on page 23 of the power point presentation shows where the City can layer in additional debt, continue to maintain its debt service cost at $2 million and generate a little more than $11 million for capital projects. Mr. Harrigan also provided an update on the current municipal market conditions and how the current interest rates are attractive.

Discussion followed concerning the upcoming session of the New Mexico Legislature and proposed legislation to address the City's hold harmless reductions by the State. Also discussed was legislation for capital outlay for the City, recommendations to refrain from making a decision regarding the City's bonding options until after the 30-day legislative session, the need for information from the County Assessor regarding the decline in the assessed property valuations and the need to be prepared after the legislative session in order to make the decisions needed regarding the City's financial future.

There was no official action taken by the Mayor and Councilors during the Work Session.

There being no further business, the Work Session adjourned until the Regular Meeting at 6:00 p.m.

Jackie McKinney, Mayor

ATTEST:

Alfred Abeita II, City Clerk