

Minutes of the Special Meeting of the Gallup City Council, City of Gallup, New Mexico, held at Gallup City Hall, 110 West Aztec Avenue, at 4:30 p.m. on Tuesday, August 2, 2022.

The meeting was called to order by Mayor Louie Bonaguidi. Upon roll call, the following were present:

Mayor: Louie Bonaguidi

Councilors: Linda Garcia  
Michael Schaaf  
Sarah Piano  
Fran Palochak

Also present: Maryann Ustick, City Manager  
Lynn Isaacson, Acting City Attorney

The Mayor and Councilors conducted a Work Session regarding the following item:

1. Proposed Water Rate Increase – Patty Holland, Chief Financial Officer

Ms. Holland presented a proposed cash flow model for the City's Water Utility based on a proposed rate increase of 10% over the next few years. A copy of the new cash flow model is attached hereto, marked as Exhibit A and made a part of these official Minutes. Under the new proposal, the desired number of days cash on hand would be achieved by FY 2026; however, it would reduce the City's ability to obtain loans or issue bonds by one-half of the amount as proposed under a previous model last April. The new model would change the City's overall capital investment for the next six years from \$31.7 million to \$19.4 million, which is a reduction of about 39%. The new model shows the reflected change in capital investment which is down to \$2,750,000 beginning for the current year for capital projects. From FY 2021 to FY 2022, the cost for producing water for operations and maintenance, not including capital items or debt service, increased by 30%. If the Mayor and Councilors support the 10% water rate increase, staff will present an ordinance for their consideration at a meeting in the future.

Ms. Ustick said the proposed model shows a 5-year plan on how the City can achieve the required 180 days cash on hand and how much the City can generate for capital projects. Rather than bonding for \$10 million under the previous model, the City will be able to bond for \$5 million under the new model.

Discussion followed concerning the duration of the proposed rate increase under the new model, the high number of water breaks which have occurred since 2020, the need to have aged waterlines replaced in order to bring the Navajo Gallup Water Supply Project online, the recent water break which occurred near Apache Circle and the data to be prepared to analyze the prioritization of projects to be done with the potential 10% rate

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increase versus the projects that could be done with the 22.5% increase under the previous model.

Adrian Marrufo, Acting Director, Water/Wastewater/Solid Waste Department, provided information regarding the recent water break near Apache Circle and a blown sewer line on south Second Street.

Bill Lee, Chief Executive Officer, Gallup McKinley County Chamber of Commerce and Silvano Corral, Board Member, Gallup McKinley County Chamber of Commerce, presented the results of a survey conducted by the Chamber of Commerce regarding the proposed water rate increase. Mr. Lee said they received responses by about 1/3 of their membership who are overwhelmingly opposed to the original rate increase under the City's previous model. Based on responses in the survey, about 65% of the respondents would consider a rate increase as high as 15%. Mr. Lee recommended the consideration of a model which would include a 15% rate increase to see how much the City would be able to issue bonds for. He also said there will be a large amount of funds available at the State level during the next session of the New Mexico Legislature as the Chamber of Commerce will stand in support of any legislative funding for Gallup's water needs. Mr. Corral said he recognizes the need to be proactive in dealing with this issue and asked questions regarding the condition of the water line near Apache Circle.

Kurt Spolar, DePauli Engineering and Surveying, provided clarification regarding two water lines near Apache Circle. He said the production line which takes water from the well field to the Grandview tank was replaced a few years ago; however, the 16-inch distribution line was the water line which experienced the recent break.

Ms. Holland explained the tiered rate structure for commercial and residential customers in which both users pay more as they use more water. She also said a rate study will be presented to the Mayor and Councilors prior to budget hearings which will help the Council to determine how they want the burden of the costs to be carried among customers.

Although the City has a conservation rate structure, Ms. Ustick said a determination will need to be made concerning rates for large industrial users once the City receives the final cost of service study. Regarding Mr. Lee's comments on legislative funding, Ms. Ustick said federal funding is usually channeled through the State's Water Trust Board, which usually requires a 60% grant/40% loan split between the State and the City. The City's consultants have been working with the State to change this structure of how funding is distributed by the State.

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Discussion followed regarding the funding to be provided to the City by the State for the construction of water wells due to the delay of the Navajo Gallup Water Supply Project.

Pat Sheely, a resident from the Mentmore neighborhood, expressed her support of an adequate rate increase. She said while a rate hike is necessary, it will never be enough due to the severe drought conditions in Gallup. Gallup's aquifers do not have an unlimited amount of water and it takes many years for the aquifers to recharge depending on amount of snow fall received. Although Gallup has staked its future on the Navajo Gallup Water Supply Pipeline, she questioned the sustainability of the San Juan River. Ms. Sheely recommended establishing a task force to study Gallup's water issues and to develop a water plan. Councilor Palochak agreed with Ms. Sheely regarding her recommendation for developing a water plan and would like to include a plan to provide affluent water to businesses and residents to lower the use of potable water.

Discussion followed concerning the following: the City's need for planning and development for water recycling and usage of affluent water, the need for capital investment to fund those efforts, improvements needed at the wastewater treatment plant, the request for comparison data regarding other similar cities' water rates and their capital improvement plans, preparation of a rate increase model of 15%, the request for data to see how much the average consumer would pay based on the proposed 10% rate increase, the City's rebate program for customers who install water conserving fixtures, the extent of the repairs that are being made in addressing water leaks and the current economic conditions and how inflation increases the City's operational costs.

Joann Benenati said she understands the reasons behind the proposed rate increase; however, she is concerned about many families having difficulty with living from paycheck to paycheck. She recommended using social media to inform the public about the City's water rebate incentive programs as well information about the proposed water rate increase. She also recommended that the City assist low-income residents with repairing leaks in their homes and to encourage landlords renting to low income families to maintain their properties in a proper manner.

Councilor Schaaf made the motion to adjourn into closed session for the purpose of discussing matters pertaining to bargaining strategy preliminary to collective bargaining negotiations, pursuant to Section 10-15-1(H)(5) NMSA 1978. Seconded by Councilor Palochak. Roll call: Councilors Schaaf, Palochak, Piano, Garcia and Mayor Bonaguidi all voted yes.

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Louie Bonaguidi, Mayor

ATTEST:

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Alfred Abeita II, City Clerk