

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 11:00 a.m. on Tuesday, January 3, 2023.

The meeting was called to order by Mayor Bonaguidi.

Upon roll call, the following were present:

Mayor:	Louie Bonaguidi
Councilors:	Linda Garcia Michael Schaaf Sarah Piano
Absent:	Fran Palochak, Councilor (Excused)
Also present:	Maryann Ustick, City Manager Lynn Isaacson, Acting City Attorney

Presented to the Mayor and Councilors was the following Discussion /Action Topic:

1. Approval of Proposed Contract for Water and Sewer Rates with Rhino Health, Inc. – DJ Yoon, Rhino Health, Inc. and Patty Lundstrom, Executive Director, Greater Gallup Economic Development Corporation (GGEDC)

Ms. Lundstrom requested a new contract for Rhino Health including adoption of a preferred billing rate with the exclusion of Navajo Gallup Water Supply (NGWSP) surcharge because it was not included in the previous contract. She highlighted the fact that GGEDC staff were not involved in negotiations of the original contract and recommended the inclusion of an interruption clause within the projected industrial rate which would cover the high operating costs when utilities are interrupted. The interruption clause could be included in a redraft of the Local Economic Development Act (LEDA) Ordinance. Ms. Lundstrom provided statistical information regarding utility outages and the negative effects on businesses. She also mentioned proposed rate increases without a guarantee to industries of continuity, summarized GGEDC's contract term requests with consideration of the Gross Receipts Tax (GRT) Levy for the NGWSP, which is the funding used to pay for the City's match and the understanding that funding would come from this source and not charged to businesses. She also explained, based on their research, how other groups include an interruption clause within their industrial rates.

Michael Sage, GGEDC Deputy Director, presented a value proposition highlighting key economic benefits, including the need for manufacturing in Gallup-McKinley County with the consideration of multiple manufacturing facilities closures over the past 15 years and the direct economic benefits manufacturing companies have on local communities.

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Discussion followed regarding the expiration of the original contract, the operations based on that contract, details of the value proposition specifically benefits of Rhino Health to Gallup and McKinley County, the effects of water interruptions and a credit under LEDA against the utility costs, the recommendation for industrial rates to better market companies, how LEDA functions and the goal to create a competitive advantage in order to attract manufacturing companies to Gallup and McKinley County.

Additional discussion followed regarding concerns with excluding NGWSP surcharge considering the 2019 resolution indicates Rhino Health would be charged the surcharge, how City staff inadvertently excluded the charge, the precedent set if the City continues to exclude the charge, the Council's intent to include the surcharge in the initial contract, the financial plan to adequately fund the project in addition to GRT, the Council's discretion to waive certain fees, the potential to lower the commodity fees, definition of Industrial Rate, who it applies to and a request to include GGEDC staff in discussions regarding the implementation of an Industrial Rate.

Tommy Haws, GGEDC Board President, commented on the importance of getting an industrial rate implemented, the advantage of having trained economic developers, stressed the work done to get Rhino Health to Gallup, McKinley County and opportunity to keep them here by approving the contract "as is" until an Industrial Rate can be determined. He also mentioned the financial impact of NGWSP surcharge on Rhino Health and the potential to implement charges upon the expiration of this contract. He stressed the importance of diversifying the economy through manufacturing and support of retention, expansion and protection of what Gallup and McKinley County currently have.

Councilor Piano expressed support of implementing an industrial rate to bring businesses in; however, she is concerned with the precedent set when working with each business and their needs which would negate the Industrial Rate intended to work clear across the board. She also pointed out the current City's commercial rate charges compared to the proposed rate, which is significantly less.

Mr. Haws clarified the need to discuss conditions set upon all industrial rates for future businesses; however, the decision today would be based on the previous contract because industrial rates have not been set.

Mayor Bonaguidi stated the decision made today would have to be the industrial rate moving forward.

Bill Lee, Chief Executive Officer of the Gallup-McKinley County Chamber of Commerce, expressed support of GGEDC's initiative. He expressed concerns about the effects of

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Rhino Health leaving the community and he encouraged alternative ways of implementation that work for the City as well as Rhino Health.

Mayor Bonaguidi stressed this will be the industrial rate moving forward for the next two years, proposed lowering the commodity water rate, retaining the NGWSP surcharge and meeting Rhino Health halfway.

Discussion followed regarding sewer rates based on water usage, necessary rate calculations based on cubic feet, ensuring the rate would cover the cost charge, proposed industrial rate divided by the commodity usage, contract rate flexibility within the ordinance with regard to the NGWSP, the total rate reduction to \$0.0417 per cubic foot, the city limit rate factor, presence of a multiplier, the NGWSP surcharge based on commodity usage and the average water monthly usage.

Ms. Lundstrom clarified the proposal, including a contract rate of \$0.417 on the commodity charge and excluding the out of city rate factor, the sewer charge would remain the same and the NGWSP surcharge would be included. This will result in an increase of about \$4,000 to Rhino for a term of two years and no additional increases within that time frame.

Councilor Piano expressed her thoughts about the industrial rates that will be implemented this year, Rhino Health's contract terms and including Rhino Health in the industrial rates in the future.

Curtis Hayes, former City Attorney, provided information regarding the contract rates. He negotiated contract terms and a provision in the pending proposal that allows for contract rates to remain in effect until the contract expires.

Councilor Schaaf made a motion to approve the proposed contract rate, to include a commodity rate of \$0.0417, to include the Navajo Gallup Water Project surcharge fee and the proposed sewer rate for two years. Seconded by Councilor Garcia. Roll call: Councilors Schaaf, Garcia, Piano and Mayor Bonaguidi all voted yes.

There being no further business, Councilor Schaaf made the motion to adjourn. Seconded by Councilor Garcia. Roll call: Councilors Schaaf, Garcia, Piano and Mayor Bonaguidi all voted yes.

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Louie Bonaguidi, Mayor

ATTEST:

Alicia Palacios, Deputy City Clerk