

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 3:30 p.m. on Tuesday, March 26, 2019.

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 Fran Palochak
Arrived late:	Yogash Kumar, Councilor
Also present:	Maryann Ustick, City Manager Curtis Hayes, City Attorney

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

1. Update on Electric Department 10-Year Financial Plan – Eric Babcock, Interim Electric Director and Erik Harrigan, RBC Capital Markets

Mr. Babcock provided a power point presentation entitled “State of the Grid” which includes an illustration of how power is distributed to family households in the grid, the need for preventive maintenance in the grid, the repairs needed and the upgrades done to the existing electrical substations in the grid, the repairs and improvements needed to electrical poles and switches in the grid, the noninvasive preventative maintenance needed for underground electrical lines, the City’s LED streetlight project and the need to replace, maintain and upgrade the Electric Department’s equipment.

Marco Delpicalo, Engie Services, answered questions regarding the new LED streetlights, including the City’s savings in energy use and lighting output. He also provided information about the study to be done on color temperatures in residential areas compared to industrial areas and the specifications to be made for light distributions per pole.

Mr. Harrigan presented the Electric Utility Finance Plan Overview, which includes the following key highlights from the cash flow model:

- the historical usage and revenues generated by customer class (residential, industrial and commercial) which drives base projections for revenues going forward;
- the goal of the cash flow model, which is to provide sufficient net revenues to meet

## MINUTES

Special City Council Meeting – 3/26/2019

Page 2

the capital needs of the Utility and to maintain sufficient target cash balances for the future;

- the Capital Improvement Plan (CIP) calls for roughly \$24.5 million in capital projects FY 2019 through FY 2025:
  - by a combination of pay as you go (cash) and debt financings;
    - Bond issuances of \$10 million in FY 2020 and \$7 million in FY 2023 with remaining CIP funded from cash;
- The rate required to meet the cash flow model is 6.15% increase in revenue for FY 2020 to FY 2022, 5% for FY 2023 to FY 2024 and 2.5% from FY 2025 to FY 2026.
- A generally accepted amount of days for cash on hand for utilities of a similar size ranges from 220 to 250 days. Currently, the Utility's cash on hand is 342 days and declines to 206 days by FY 2026.

Mr. Harrigan also presented charts with figures pertaining to the historical total electric system demand by rate class since 2013, the historical total electric system revenue by rate class since 2013 and the average historical total electric system revenue per kilowatt hour by rate class since 2013. He presented a chart consisting of the CIP projects for fiscal year beginning FY 2019 through FY 2025. Mr. Harrigan also presented a summary of the cash flow needed for capital outlay as illustrated in the net revenue available for debt service and coverage from FY 2016 through FY 2026 table. The model incorporates pay as you go capital (cash) and a combination of debt financing. To meet the projected capital needs over the next three years, the City would need to debt finance approximately \$10 million, which includes the \$2.5 million borrowing for the Energy Performance Contract for the street lights and accounted for the savings in the expense side of the model. At the same time, the City is also contributing cash in the following amounts for pay as you go capital projects: \$1.9 million in FY 2019, \$2.1 million in FY 2020, \$1.3 million in FY 2021 and \$1.07 million in FY 2020. The plan also provides for an additional borrowing of approximately \$7 million in FY 2023 to keep the capital fund balance from going to zero. In order to meet the cash flow model, the rate required for FY 2020 through FY 2022 is a 6.15% increase in revenue, dropping down to 5% in FY 2023 through FY 2024 and down to 2.5% in FY 2025 through FY 2026.

Discussion followed concerning the bonding capacity for the Utility; the importance and the priorities of the projects listed in the CIP; the extensive planning needed for the City's electric system prior to considering the purchase of the solar plant and generating power; the process for adopting an ordinance for the proposed rate changes to become effective July 1, 2019; the discussion and timing needed for the Energy Performance Contract

**MINUTES**

Special City Council Meeting – 3/26/2019

Page 3

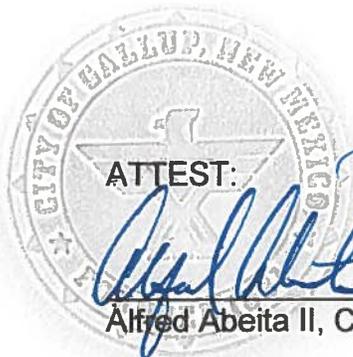
financing for the LED streetlight project, which will require an application with the New Mexico Finance Authority and approval of an Application Resolution; and the discussion and timing for the first CIP borrowing which may occur in the fall of 2019.

Mr. Harrigan provided an overview of the current municipal market conditions including the reduction in interest rates over the past four months.

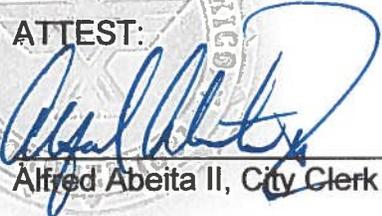
Further discussion followed concerning the priorities of the improvements to be made to the City's existing substations, the process for proceeding with the projects listed in the CIP, the decrease in demand by residential users, the hybrid approach for using cash on hand for pay as you go projects and issuing bonds for financing the remaining projects in the CIP and the rates and terms under the existing Power Purchase Agreement with Continental Divide Electric Cooperative, Inc.

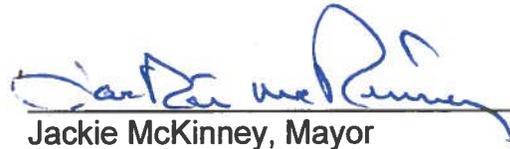
Patty Holland, Chief Financial Officer, answered questions concerning the proposed cash flow model for financing the electric projects in the CIP.

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



ATTEST:

  
Alfred Abeita II, City Clerk

  
Jackie McKinney, Mayor

Approved 4/9/2019

Minutes of the Regular 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 6:00 p.m. on Tuesday, March 26, 2019.

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

Presented to the Mayor and Councilors for their approval were the Minutes of the Special Meetings of March 5 & 6, 2019 and the Regular Meeting of March 12, 2019.

Councilor Garcia made the motion to approve the aforementioned minutes. Seconded by Councilor Kumar. Roll call: Councilors Garcia, Kumar, Landavazo and Mayor McKinney all voted yes. Councilor Palochak abstained. Motion carried.

Mayor McKinney said one of the presenters for Discussion/Action Topic #1 was traveling to Gallup from Albuquerque and would be late for the meeting; therefore, he moved Discussion/Action Topic #1 down the agenda until the presenter was in attendance. There was no objection from the Councilors.

Presented to the Mayor and Councilors for their approval were the following Discussion/Action Topics:

2. Resolution No. R2019-12; Coal Avenue Commons Municipal Arterial Program Grant Resolution – Stanley Henderson, Public Works Director

Mr. Henderson presented the proposed resolution as part of the funding strategy for the Coal Avenue Commons Construction Project. City staff prepared and submitted a Municipal Arterial Program grant application to the New Mexico Department of Transportation (NMDOT). As part of the application, a resolution of support is required from the Mayor and Councilors. If the application is approved by the NMDOT, the City will need to provide a 25% funding match. If the project is “fully” funded by the NMDOT, the City will need to provide \$396,250 as its match, out of a total funding request for \$1,585,000. The City’s funding source for the matching funds will need to be determined if and when the City’s application is accepted by the NMDOT for award. Discussion

## MINUTES

Regular City Council Meeting – 3/26/2019

Page 2

followed regarding the timeframe for acceptance of the grant if the City's application is approved and the need to search for and advocate for funding for the project since the project is a high priority for the Mayor and Councilors.

Following discussion, Councilor Palochak made the motion to approve Resolution No. R2019-12; Coal Avenue Commons Municipal Arterial Program Grant Resolution. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Kumar, Landavazo and Mayor McKinney all voted yes.

3. Resolution No. R2019-11; A Resolution of the City Council of the City of Gallup, State of New Mexico, In Support of the 2019 "Wyland National Mayor's Challenge for Water Conservation" – Elizabeth Barriga, Environmental Program Manager

Ms. Barriga presented the proposed resolution supporting the 2019 Wyland National Mayor's Challenge for Water Conservation. Gallup was successful last year as it won the national challenge. As a result, the Wyland Foundation awarded a new Toyota Prius to Battered Families Services, Inc. Regarding this year's contest, she provided an overview of the program where residents may enter the national challenge by making simple pledges to decrease their water use for a period of one year. With the encouragement of the Mayor and Councilors, residents may make their pledges online at [www.mywaterpledge.com](http://www.mywaterpledge.com).

Mayor McKinney recommended including a message about the challenge in the City's utility bills and on the City's website. In response to a question posed by Councilor Garcia, Ms. Barriga provided information about the City's water and energy conservation rebate programs.

Councilor Garcia made the motion to approve Resolution No. R2019-11; A Resolution of the City Council of the City of Gallup, State of New Mexico, In Support of the 2019 "Wyland National Mayor's Challenge for Water Conservation." Seconded by Councilor Kumar. Roll call: Councilors Garcia, Kumar, Landavazo, Palochak and Mayor McKinney all voted yes.

1. Resolution No. R2019-10; Acceptance and Approval of the FY 2018 Audit – Patty Holland, Chief Financial Officer

Ms. Holland said the Fiscal Year (FY) 2018 audit has been completed and was filed timely with the Office of the State Auditor. As a result of the audit, Ms. Holland said the City received an unmodified opinion, with no repeat findings and two new findings that were

## MINUTES

Regular City Council Meeting – 3/26/2019

Page 3

resolved in the current year. Ms. Holland introduced Farley Vener, President and Managing Shareholder of Hinkle + Landers, the firm who conducted the City's audit. Mr. Vener presented a power point presentation on the 2018 Audit Summary for the City and the Gallup Housing Authority (component unit of the City). The summary included the scope of the audit procedures; the auditor's communications with those charged with governance; a summary of the audit results; a table of findings; a balance sheet analysis showing trends over a six year period; line graphs and tables illustrating assets and deferred outflows over time, liabilities and deferred inflows over time, net position, change in net position, program revenues, general revenues, expenses by type; and a comparison of where tax dollars go for governmental activities between 2017 and 2018. Mr. Vener said prior year findings that were discovered during a special audit of the Utility Department have been resolved. There were two findings in this year's audit concerning compliance with the City's lien policy and the policy over delinquent customer care accounts. As shown in the illustrations, the large increase in liabilities are due to unfunded net OPEB liabilities and net pension liabilities that went into effect at certain times. The OPEB liabilities and net pension liabilities are not direct out of pocket liabilities for the City.

Discussion followed concerning the OPEB and net pension liabilities, the work conducted by City staff to address findings in the audit, the misspelling of Councilor Palochak's name in the audit report, the clean audit of the Gallup Housing Authority, the audit review of federal funded projects and the City's strong financial condition.

Following discussion, Councilor Landavazo made the motion to approve Resolution No. R2019-10; Acceptance and Approval of the Fiscal Year 2018 Audit. Seconded by Councilor Palochak. Roll call: Councilors Landavazo, Palochak, Garcia, Kumar and Mayor McKinney all voted yes.

Mayor McKinney said the presenter for Discussion/Action Topic #7 traveled to Gallup from Colorado and recommended the presentation of the item at this time. There was no objection from the Councilors.

7. G-22 Water Application and Permit: Approval of Water Right Purchase and Sale Agreement with ARCO Environmental Remediation, LLC – George Kozeliski, Esq.

Mr. Kozeliski provided an overview of the work that has been done to obtain and retire 12 acre feet per year (afy) of surface water rights in the Bluewater Basin as required by the Office of the State Engineer (OSE) for the City's G-22 permit application. To meet the requirements, he presented the proposed agreement with ARCO Environmental

## MINUTES

Regular City Council Meeting – 3/26/2019

Page 4

Remediation, LLC to purchase 6 acres of irrigated land which translates into 9.18 afy of consumptive use water rights and ARCO will reduce diversions of 26.07 afy from associated groundwater wells which would reduce the consumptive use of the wells by 23.82 afy. The total cost for the water rights is \$45,654. This requirement imposed by the OSE is the last requirement needed to obtain approval of the City's G-22 Water Application and Permit. Based on information provided by Ms. Holland given to Mr. Kozeliski when he was City Attorney two years ago, the City has spent about \$9 million in 12 years to meet the permitting requirements for the G-22 Application.

Discussion followed regarding the work that has been done over time on the City's G-22 and G-80 Water Applications and Permits. Mayor McKinney commended Mr. Kozeliski for his work on the G-22 Application during his retirement at no cost to the City.

Councilor Kumar made the motion to approve the G-22 Water Application and Permit– Approval of Water Right Purchase and Sale Agreement with ARCO Environmental Remediation, LLC. Seconded by Councilor Garcia. Roll call: Councilors Kumar, Garcia, Landavazo, Palochak and Mayor McKinney all voted yes.

The Mayor and Councilors proceeded with the remaining items on the agenda in sequential order:

4. Request for Approval of Change Orders 008 and 009 for Wastewater Treatment Plant Capital Improvement Project – Dennis Romero, Director, Gallup Water and Wastewater Dept.

Mr. Romero said during the past few weeks, CH2M/Jacobs discovered two conditions that require change orders. Change Order 008 is for a fixed construction price adjustment for the demolition and abandonment of an unknown buried structure discovered under the new Grit Building. The cost proposal in the amount of \$29,468 is an additive cost to the contract amount for performing the additional work which has been completed. Change Order 009 is a fixed construction price adjustment for revising the electrical feed for the new motor control centers. The contractor discovered a shorter route for the ductbank installation; therefore, a cost proposal in the amount of (\$14,024), is a credit to the contract amount for the revised ductbank. Change Orders 008 and 009 represent a net increase of \$15,444 to the project. Since the capital improvements are being funded by a loan through the New Mexico Environment Department, Mr. Romero recommended a budget adjustment to fund the change orders from Fund 508 reserves rather than taking the time to modify the loan amount and conditions. Mr. Romero answered questions regarding the status of the improvements being made to the Wastewater Treatment Plant by CH2M/Jacobs.

## MINUTES

Regular City Council Meeting – 3/26/2019

Page 5

Councilor Palochak made the motion to approve Change Orders 008 and 009 for Wastewater Treatment Plant Capital Improvement Project in the amount of \$15,444 from Fund 508 reserves via a budget adjustment. Seconded by Councilor Landavazo. Roll call: Councilors Palochak, Landavazo, Kumar, Garcia and Mayor McKinney all voted yes.

5. Request for Purchase Order Increase for Change Order (CO) No. 4–Final CO for the Maxwell Sewer Interceptor – Dennis Romero, Director, Gallup Water and Wastewater Dept.

Mr. Romero said Change Order No. 4 is a final adjustment of project quantities to allow for the project closeout. A total of \$20,710.58 has been added to the project costs for the added quantities. Since the added costs exceed the contract amount approved by the Mayor and Councilors, Mr. Romero recommended approval of the purchase order increase for Change Order No. 4.

Councilor Palochak made the motion to approve the request for purchase order increase for Change Order No. 4-Final Change Order for the Maxwell Sewer Interceptor in the amount of 20,710.58 from account number 304-6062-443.48-99, Project No. CI1638. Seconded by Councilor Landavazo. Roll call: Councilors Palochak, Landavazo, Kumar, Garcia and Mayor McKinney all voted yes.

6. Acceptance of Utility Easement from Wal-Mart – Curtis Hayes, City Attorney

Mr. Hayes said Wal-Mart is constructing a charging station for hybrid and electric cars in its parking lot. The charging station will be located in the western portion of the parking lot. The easement is to allow the City to maintain the electric line across the parking lot to the transformer at the parking lot.

Mayor McKinney asked Mr. Hayes to research matters concerning taxation since electric car owners do not pay fuel taxes which will lead to a decrease in tax revenues collected for roadway improvements. Mayor McKinney also asked Mr. Hayes to see if there were any bills approved in the recent session of the Legislature regarding electric cars.

Discussion followed whether Wal-Mart will assess fees for the use of the charging stations or not.

Councilor Landavazo made the motion to accept the utility easement from Wal-Mart. Seconded by Councilor Palochak. Roll call: Councilors Landavazo, Palochak, Garcia, Kumar and Mayor McKinney all voted yes.

8. Fox Run Golf Course Logo – Matthew Alcala, Director of Golf

## MINUTES

Regular City Council Meeting – 3/26/2019

Page 6

Mr. Alcalá presented the proposed logo for the Fox Run Golf Course. The proposed logo is attached hereto, marked as “Exhibit A” and made a part of these official Minutes. Mr. Alcalá said staff feels the proposed logo is a representation of the golf course in its current state. The logo was derived from artwork done by Kevin Naswood, a City employee at the golf course. The logo will be affixed to merchandise for sale in the pro shop at the golf course.

Councilor Kumar asked about the closure of the golf course on Mondays and Tuesdays. Mr. Alcalá said the two-day closure was due to the winter schedule and beginning this week, the golf course will be open seven days a week.

Councilor Palochak made the motion to approve the Fox Run Golf Course logo. Seconded by Councilor Kumar. Roll call: Councilors Palochak, Kumar, Garcia, Landavazo and Mayor McKinney all voted yes.

Mayor McKinney said he would like to review the revenue of the golf course for merchandise sales, green fees, cart fees and food and beverage service when it becomes available.

### 9. Acceptance and Approval of Red Rock Park Boiler Bid Contract – Jon DeYoung, Assistant City Manager

Mr. DeYoung presented the bid results for the replacement of the boiler at Red Rock Park. He recommended award of the contract to the apparent low bidder, Dallago Corporation, in the amount of \$119,143.75. The unused funds from the \$200,000 budget for the boiler replacement will roll back into the Lodgers Tax Fund Reserve.

Councilor Landavazo made the motion to accept and approve the Red Rock Park Boiler Bid Contract. Seconded by Councilor Garcia. Roll call: Councilors Landavazo, Garcia, Kumar, Palochak and Mayor McKinney all voted yes.

### 10. Nutrition Service Incentive Program Contract Award Amendment – Jon DeYoung, Assistant City Manager

Mr. DeYoung commended Kimberly Ross-Toledo, Senior Programs Manager, and her staff for a successful audit that was conducted by the State of the City’s Senior Programs.

Ms. Ross-Toledo presented the proposed contract amendment with the Non-Metro Area Agency on Aging for additional Nutrition Service Incentive Program (NSIP) funds in the amount of \$28,739.47 for this fiscal year. She reminded the Mayor and Councilors of a

## MINUTES

Regular City Council Meeting – 3/26/2019

Page 7

similar contract amendment they approved last November in the amount \$28,726.19. As a result, the total amount of NSIP funds received by the City this fiscal year is \$57,465.66. The NSIP funds provide food for both the congregate meals and the home-delivered meals. Ms. Ross-Toledo said she received another amendment from the State that she needs to review and it may require action by the Mayor and Councilors at a future meeting.

Discussion followed concerning the number of congregate meals provided at the Senior Center and the work being done by staff to develop a capital outlay application for the new center.

Following discussion, Councilor Garcia made the motion to approve the Nutrition Service Incentive Program Contract Award Amendment for an increase of \$28,739.47 to the Senior Center budget. Seconded by Councilor Palochak. Roll call: Councilors Garcia, Palochak, Landavazo, Kumar and Mayor McKinney all voted yes.

### **Comments by Public on Non-Agenda Items**

None.

### **Comments by Mayor and City Councilors**

Councilor Palochak commended Ms. Holland and her staff for their work on the City's audit. Councilor Palochak also commended Ms. Ross-Toledo and her staff for their accomplishments with the Senior Programs.

Councilor Landavazo provided an overview of his discussions with an individual who has a number of investments in the community. He said the individual has tried to encourage others to come to the community to invest in it by bringing their businesses here. The individual said investors will look for a community that is progressive, has a good appearance and is clean. Councilor Landavazo said he hopes residents will take the message to heart as residents work towards making Gallup beautiful, clean and attractive to people outside of Gallup to entice future investment in the community.

Councilor Kumar thanked Ms. Holland and Ms. Ross-Toledo for their work in achieving clean audits. With increased participation at the Senior Center, the City is able to present its case with the State for a new Senior Center.

Councilor Garcia said she will hold a Neighborhood Meeting on Thursday, March 28, 2019 at 6:30 p.m. at the Gallup Senior Center. Her guests will be Mr. Henderson and Debra Martinez, Behavioral Health Investment Zone Manager.

Mayor McKinney said he visited two unsightly areas in town today that has excessive

MINUTES

Regular City Council Meeting – 3/26/2019

Page 8

trash. He will meet with Ms. Ustick and Adrian Marrufo, Solid Waste Director, regarding the problem. He said the problem is very discouraging as there are many undeveloped properties in town collecting trash and being used as dumping sites. Mayor McKinney said he and Mr. Henderson met with a representative of the State Veterans Department who came to town last week. The grand opening for the new State Veterans Cemetery is scheduled for Memorial Day at 1:00 p.m. Mayor McKinney provided an overview of the Memorial Day activities and the preparations being made for the opening of the Veterans Cemetery.

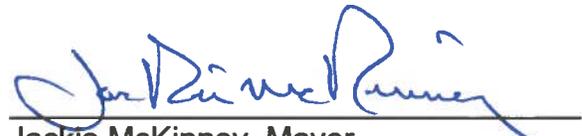
Councilor Landavazo also said the Community Concert will hold an event at El Morro Theater on Friday, March 29, 2019 at 7:00 p.m. The concert will be the first event to be held at the theater with the newly reconstructed stage. Mayor McKinney said Murphy Builders completed the improvements at El Morro Theater earlier in the day.

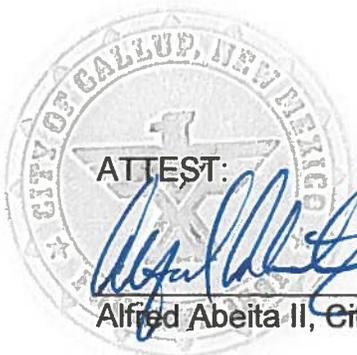
**Comments by City Manager and City Attorney**

At the request of Ms. Ustick, Everett Homer, El Morro Theater and Events Center Manager, provided an update on the reopening of El Morro Theater, including the preparations being made for hosting events and the showing of movies. The grand re-opening will be held on April 19, 2019.

Ms. Ustick said the Work Session on the City's Community Improvement Plan will be held on April 9, 2019. She also reminded the Mayor and Councilors about the Special Meeting to be held on Thursday, March 28, 2019 at 11:30 a.m. The New Mexico Department of Transportation will present the roadway safety audit results.

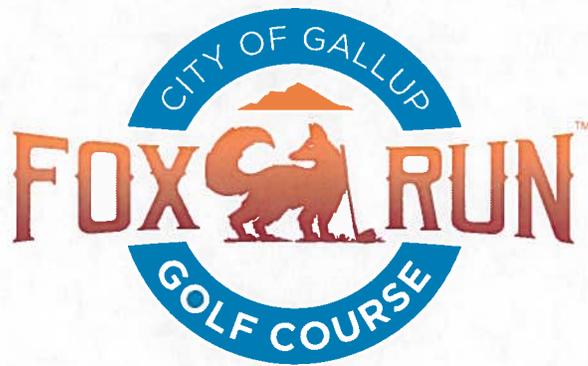
There being no further business, Councilor Palochak made the motion to adjourn the meeting. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Kumar, Landavazo and Mayor McKinney all voted yes.

  
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Jackie McKinney, Mayor

  
ATTEST:  
  
\_\_\_\_\_  
Alfred Abeita II, City Clerk

Approved 4/9/2019

# EXHIBIT A



LOGO GUIDELINES AND STANDARDS