

**CITY OF FARMINGTON
CITY COUNCIL WORK SESSION AGENDA
August 6, 2013 – 9:00 a.m.**

DEPARTMENT HEAD REPORTS

1. Presentation of proposed construction plans for Fire Station #1 (RMKM Architecture)

Action Requested of Council:

Approve the proposed plans for Fire Station #1.

Background/Rationale:

The Council has authorized construction of a new Fire Station #1 and Fire Administration building. RMKM Architecture, P.C. was awarded the professional architectural services contract.

Staff Recommendation:

Approve the proposed plan.

Instructions Upon Approval:

Proceed with construction procurement.

Budgetary Impact:

\$3.2 million from the 402 Fund.

2. Presentation of Airport Master Plan Land Side Alternative (Todd Gressick)

Action Requested of Council:

Information only.

Background/Rationale:

The Airport Master Plan is a tool used to analyze market trends, assess facility requirements to accommodate anticipated growth and guide future airport development.

The Four Corners Regional Airport Master Plan was most recently updated in September 2004 and is intended to identify necessary capital improvements.

WHPacific has initiated the process to update the Airport Master Plan which includes projects that will extend the useful life and value of the

airport to meet the region's air transportation needs through 2031. Previously Council was presented the preferred Air Side Alternative for review. WHPacific is now presenting for review and comment the preferred Land Side Alternative that was reviewed by the Planning Advisory Committee (PAC) and the Airport Advisory Commission (AAC).

Staff Recommendation:

Accept the preferred Land Side Alternative and direct staff to proceed with completion of the Master Plan.

Budgetary Impact:

The Master Plan is being funded 95 percent by a grant from the State of New Mexico and 5 percent by the City.

- 3. Review of the timeline and history of the regional haze compliance alternatives for San Juan Generating Station (Mike Sims) -----1

Action Requested of Council:

Information only.

Background/Rationale:

This item is being presented at the request of Councilor Sandel from the July 9, 2013 Regular City Council Meeting.

- 4. Discussion of and direction to staff regarding the Foothills Drive widening design Phase II (Jeff Smaka)

- 5. Financial Report for the 12 months ending June 30, 2013 (Andy Mason) -----2

Action Requested of Council:

Information only.

Background/Rationale:

Update the Council and discuss revenues and expenditures for the twelve months ending June 30, 2013.

- 6. Consideration of Resolution No. 2013-1479 approving the Final Quarter Financial Report for FY2013 and requesting State approval (Andy Mason) -----3

Action Requested of Council:

Adopt Resolution No. 2013-1479.

Background/Rationale:

Refer to the attached resolution and Final Fiscal Year 2013 Quarter Financial Report (Period 12). This report must be filed with the State Department of Finance and Administration no later than 30 days after the close of each quarter.

Staff Recommendation:

Adopt Resolution No. 2013-1479.

Instructions Upon Approval:

The Final Fiscal Year 2013 Quarter Financial Report will be submitted to the State Department of Finance and Administration for review and approval.

7. Bid for 2013 Annual Municipal Utilities Improvements (Eddie Smylie)-----4

Action Requested of Council:

Approve recommendation for award.

Background/Rationale:

Bids opened July 23, 2013 with two bidders participating.

Staff Recommendation:

Award the bid for 2013 Annual Municipal Utilities Improvements (Public Works) to TRC Construction, Inc. as the lowest and best bidder after application of five percent in-state preference (\$2,377,042.50).

Instructions Upon Approval:

Execute contract.

8. Bid for 2013 Annual Street Maintenance (Eddie Smylie) -----5

Action Requested of Council:

Approve recommendation for award.

Background/Rationale:

Bids opened July 23, 2013 with two bidders participating.

Staff Recommendation:

Award the bid for 2013 Annual Street Maintenance (Public Works) to Consolidated Constructors, Inc. as the lowest and best bidder after application of five percent in-state preference (\$1,412,508.75).

Instructions Upon Approval:

Execute contract.

COUNCIL BUSINESS

9. Selection of voting delegate and alternate voting delegate for the 2013 New Mexico Municipal League Annual Business Meeting (Mayor)
10. Report on the status of the search for the Animal Welfare Director (requested by Councilor Sandel)

CLOSED MEETING

11. To discuss acquisition of real property (Metropolitan Redevelopment Area), pursuant to Section 10-15-1H(8).

AGENDA ITEM SUPPORT MATERIALS ARE AVAILABLE FOR INSPECTION AND/OR PURCHASE AT THE OFFICE OF THE CITY CLERK, 800 MUNICIPAL DRIVE, FARMINGTON, NEW MEXICO.

ATTENTION PERSONS WITH DISABILITIES: The meeting room and facilities are fully accessible to persons with mobility disabilities. If you plan to attend the meeting and will need an auxiliary aid or service, please contact the City Clerk's Office at 599-1106 or 599-1101 prior to the meeting so that arrangements can be made.

San Juan Generating Station Regional Haze Compliance Timeline

- **1999** - EPA developed a regional haze program and regional haze rules under the Clean Air Act (CAA). The rule directs each of the 50 states to address regional haze. Specifically, states are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. The rules require states to establish goals for each affected Class I area and make reasonable progress toward (1) improving visibility on the haziest days and (2) ensuring no degradation occurs on the clearest days over the period of each implementation plan. The rules lay out the mechanisms by which each state defines a long-term path to improve visibility, with the goal of achieving visibility that reflects natural conditions in Class I areas by 2064. Along that path, states must establish a series of interim goals to ensure continued progress. The first planning period specifies setting reasonable progress goals for improving visibility in Class I areas by the year 2018.
- **July 2005** - EPA promulgated its final regional haze rule. A major provision of the rule included guidelines for states to conduct Best Available Retrofit Technology (BART) determinations for certain covered facilities. If it is demonstrated that the emissions from these sources cause or contribute to visibility impairment in any Class I area, then BART must be installed. The regional haze rules require that BART controls must be installed on an eligible facility by 2018. The determination of BART must take several factors into consideration, including the existing control technology in place at the facility, the costs of compliance, energy and non-air environmental impacts of compliance, remaining useful life of the source, and the degree of visibility improvement that is reasonably anticipated from the use of such technology. In accordance with the EPA regional haze rule, the New Mexico Environment Department (NMED) identified PNM's San Juan Generating Station as the only BART eligible source in New Mexico due to its emissions and proximity to sixteen Class I areas, including San Pedro Parks, Bandelier National Monument and Mesa Verde National Park. The air quality in New Mexico is among the best in the nation. Farmington, New Mexico, the area where San Juan is located, has the 6th best air quality in the U.S., according to the World Health Organization.
- EPA required that all states submit a State Implementation Plan (SIP) on regional haze by December 2007, although most states, including New Mexico, missed this deadline.
- PNM hired Black and Veatch (B&V), a global engineering, consulting and construction company to perform a BART analysis for San Juan in accordance with the applicable EPA guidelines. The review was required to identify the best control technology for reduction of NO_x and particulate matter at San Juan. A BART analysis for SO₂ was not required because New Mexico is participating in a regional trading program under

Section 309 of the CAA to address regional haze problems due to SO₂ emissions. PNM submitted the San Juan BART analysis to the NMED in June of 2007. At that time, B&V estimated SCRs at San Juan to be \$750 million or more.

- **November 11, 2010 – SJGS owners meeting commences to discuss possible options for the future operation of the facility. These meeting are ongoing and continue to present time.**
- **February 17, 2011 - Public Meeting held at San Juan College by EPA for public comment on EPA FIP (four unit SCR) for SJGS.**
- **May 3, 2011 – Public Meeting held at San Juan College by NMED for public comment on the original SIP (four unit SNCR) for SJGS**
- **June 2, 2011 – Public Meeting held at San Juan College by EPA for public comment on proposed FIP (four unit SCR) for SJGS**
- **June, 2011 -** New Mexico finalized its SIP for regional haze. The state plan was submitted to the EPA in early July and includes a BART determination for NO_x emission controls at San Juan. The SIP requires the installation of selective non- catalytic reduction (SNCR) technology and sets a NO_x emission rate of 0.23 lb/mmBtu. The state’s plan fully satisfies EPA’s recommended emission limit for the type of equipment and fuel burned at San Juan, and more than meets the EPA’s requirements for limiting interstate visibility impacts from San Juan.
- **June 24, 2011 (July 5, 2011) -** NMED submits a State Implementation Plan (SIP) for Regional Haze to the EPA. NMED’s plan includes Best Available Retrofit Technology (“BART”) determination for the San Juan Generating Station (SJGS). NMED’s plan sets the NO_x limit for each of the units at the San Juan at 0.23 lb/mmBtu, using post-combustion control technology known as selective non-catalytic reduction (“SNCR”). NMED’s plan meets the presumptive NO_x limit previously established by EPA. The total cost of the NMED’s plan would be approximately \$76 million, resulting in a rate increase to residential customers of about \$11 per year.
- **August 4, 2011 -** EPA issued its federal plan to address regional haze issues in New Mexico. As part of the federal plan, the plan requires that selective catalytic reduction (SCR) technology be installed at San Juan and calls for a NO_x emission rate of 0.05 lb/MMBTU. The costs of SNCR are estimated to be approximately \$77 million. EPA estimates the cost for SCR to be \$345 million. PNM’s estimates for the cost for SCR technology, at least \$750 million, are based on estimates provided from two internationally respected engineering firms — Black & Veatch and Sargent & Lundy. To date, no other electric generating coal-fired power plant has been forced by EPA to adopt emission limits as stringent as those imposed on San Juan in order to meet regional haze standards. • PNM is asking EPA to abandon the federal plan and approve the state plan, which PNM is prepared to implement right away, knowing that it will meet the visibility requirements of CAA and do so at a reasonable cost.

- **August 22, 2011** - EPA publishes a Federal Implementation Plan (FIP) that establishes BART for SJGS. EPA's FIP requires the installation of selective catalytic reduction technology ("SCR"). EPA originally estimates the federal rule will cost \$229 million. NMED and PNM estimated EPA's rule would cost at least \$750 million. Independent bids PNM received for installing the EPA mandated technology ranged from \$750 million to \$805 million; this information was submitted to EPA along with an additional request to stay the federal rule pending the outcome of the litigation in the Tenth Circuit. EPA did not respond to the request. EPA's most recent cost estimate is that federal rule will cost \$345 million.
- When proposing the FIP, EPA does not specifically comment on the state plan's plan. Instead, EPA states:

We received a [regional haze] SIP submittal from the state on July 5, 2011. Unfortunately, due to the timing of that submittal, we cannot evaluate it as part of this action. We note that this [regional haze] SIP submittal arrived approximately 3 ½ years past the due date of December 17, 2007, and well past January 15, 2011, the date by which we were obligated either to approve a [regional haze] SIP submission or to promulgate a [regional haze] FIP, as a result of the 2009 finding of failure to submit the [regional haze] SIP. 76 Fed. Reg. at 52,415.

- **September 16, 2011** - Governor Martinez files a petition in the 10th Circuit Court of Appeals to repeal the FIP. The court has yet to rule on the matter; however, the matter is fully briefed and oral arguments were to take place on October 23, 2012.
- **October 21, 2011** - The New Mexico Environment Department (NMED) and Governor Martinez petition EPA to issue an administrative stay of the implementation of the FIP. NOTE: EPA has authority, under the Clean Air Act and the Administrative Procedures Act, to stay a federal rule if it so chooses.
- **November 2011** - PNM begins work to design and install costly SCR technology to its coal burners at SJGS. This cost will likely be passed on to SJGS owner's ratepayers.
- **April 26, 2012** - Gov. Martinez sends letter to EPA Administrator Lisa Jackson, demanding a stay and encouraging EPA to work with the state to consider alternative approaches.
- **April 27, 2012** - PRC Members Jason Marks and Douglas Howe in a letter to EPA Region 6 suggest another alternative of partial retirement of two San Juan units and possible addition of natural gas as a compromise to current FIP and SIP alternatives
- In response to a letter from Governor Martinez, EPA Administrator Lisa Jackson agrees to grant a 90-day stay of the FIP (exercising EPA's authority under the Administrative Procedures Act); EPA asks the New Mexico Environment Department to lead the effort to bring all stakeholders to the table to discuss alternatives.
- **August 9, 2012** - Navajo Nation holds public meeting in Fruitland for public comment on SJGS alternatives.
- **August 15 thru August 24 2012** - NMED engages stakeholders, including PNM, the Navajo Nation, the City of Farmington & economic development leaders from the Four Corners Area, various environmental groups, consumer groups, PRC Staff, U.S. Forest Service

representatives and the general public, to discuss the problem in greater detail and solicit feedback. EPA declines to participate in process. EPA does, however, approve the process NMED proposed utilizing for engaging stakeholders and agree to meet with PNM in mid-September to discuss an Agreement in Principle for resolving this dispute. EPA also agrees to weekly conference calls with NMED to discuss the scenarios NMED is exploring. NMED invites stakeholders to submit proposed alternatives during work group process.

- **August 20, 2012** - NMED holds a public meeting at San Juan College to allow stakeholders to voice their concerns over the regional haze implementation plans.
- NMED and EPA hold a series of meetings and conference calls to discuss stakeholder feedback, public comments, emission reduction information and modeling results. EPA deems NMED's stakeholder outreach effort a success and acknowledges the demands by some in the environmental community for a complete retirement of all 4 units at SJGS is unrealistic. EPA also indicates it is willing to move forward with a revised state plan even without support from the environmental community.
- **August 27, 2012** - NMED sends EPA a settlement communication outlining potential alternatives, including the proposed alternative NMED eventually settled upon.
- **August 28, 2012** - NMED sends EPA detailed information regarding the emission reductions associated with various alternative scenarios, including the emission reduction information for the alternative NMED eventually proposed.
- **September 19 and 20, 2012** - EPA receives visibility modeling results for the proposed alternative on Sep. 19 and meets with NMED-PNM on September 20 to discuss visibility modeling results.
- NMED proposes settlement to EPA, in which PNM will retire Units 1 & 2 at SJGS, and install the less costly SNCR technology on Units 3 & 4.
 1. The proposed settlement also calls for PNM to develop local, in-state natural gas resources to produce energy as an alternative for the retired coal burner units; and PNM to engage in various economic development efforts in the Four Corners Region.
 2. In turn, EPA must immediately file a joint motion to stay the federal rule in the Tenth Circuit litigation, and indefinite administrative stay of the compliance deadline set forth in the current federal rule pending the submission and approval of a revised state implementation plan.
- **October 15, 2012** - Stay expires; PNM is forced to begin installing costly SCR technology mandated by EPA even though the Tenth Circuit appeal may ultimately strike down EPA's decision.
- **October 2012 thru February 2013** - Two unit shutdown option is revised to include a unit 2 and 3 retirement instead of a unit 1 and 2 retirement. This decision is driven by California participants wish to leave the project due to recent interpretation of California environmental law.

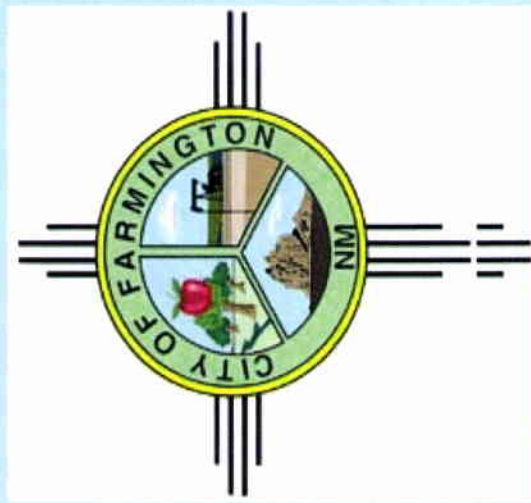
- **February 2013** - Agreement in Principle was reached by the EPA, NMED, and PNM regarding the proposed shutdown of Units 2 and 3 on or before 12/31/2017 pending final approval by the NM EIB and EPA.
- **May 2013** – NMED issues new draft SIP
- **June 2013** – SIP is the published. 60 day comment period begins.

Going Forward

- **September 5 and 6 - Environmental Improvement Board has scheduled a hearing in Farmington at San Juan College for consideration of the SIP.**
- **October 2013** - If passed, NMED submits the SIP to EPA
- **January 2014** – EPA review process starts: **public comment.**
- **November 2014** – EPA final action

FY2013

QUARTERLY FINANCIAL REPORT



For the 12 Months Ending June 30, 2013

**For the 12 Months Ending June 30, 2013
BUDGET TO ACTUAL COMPARISON**

FUND	REVENUE			EXPENDITURES			DIFFERENCE REV/EXP ACTUAL*
	BUDGET REVENUE	ACTUAL REVENUE	DIFFERENCE FAV/(UNFAV) DIFF.	BUDGET EXPENDITURE	ACTUAL EXPENDITURE	DIFFERENCE FAV/(UNFAV) DIFF.	
GENERAL FUND Cash Transfer to 408	\$ 56,939,790	\$ 57,263,356	\$ 323,566 0.57%	\$ 56,983,854	\$ 54,636,923	\$ 2,346,931 4.12%	\$2,626,433 (\$4,099,695)
SPECIAL REVENUE	\$ 16,284,635	\$ 16,044,088	\$ (240,547) (1.48%)	\$ 23,270,968	\$ 18,351,421	\$ 4,919,547 21.14%	(\$2,307,333)
CAPITAL PROJECTS	\$ 9,426,276	\$ 6,409,338	\$ (3,016,938) (32.01%)	\$ 12,579,627	\$ 4,066,576	\$ 8,513,051 67.67%	\$2,342,763
SERIES 2012 BONDS	\$ 2,906,000	\$ 524,260	\$ (2,381,740) (81.96%)	\$ 11,846,945	\$ 3,944,437	\$ 7,902,508 66.71%	(\$3,420,178)
ELECTRIC FUND	\$ 99,770,991	\$ 102,746,724	\$ 2,975,733 2.98%	\$ 108,249,563	\$ 101,521,182	\$ 6,728,381 6.22%	\$1,225,542
WATER FUND	\$ 13,981,694	\$ 15,666,491	\$ 1,684,797 12.05%	\$ 16,696,668	\$ 11,969,265	\$ 4,727,403 28.31%	\$3,697,226
WASTEWATER FUND	\$ 11,325,705	\$ 8,179,731	\$ (3,145,974) (27.78%)	\$ 14,292,968	\$ 6,674,199	\$ 7,618,769 53.30%	\$1,505,531
SANITATION FUND	\$ 5,494,950	\$ 5,447,579	\$ (47,371) (0.86%)	\$ 5,565,103	\$ 5,055,158	\$ 509,945 9.16%	\$392,421
GOLF FUND	\$ 1,211,928	\$ 958,510	\$ (253,418) (20.91%)	\$ 1,211,629	\$ 1,071,346	\$ 140,283 11.58%	(\$112,836)
DEBT SERVICE FUND	\$ 1,651,595	\$ 1,650,560	\$ (1,035) (0.06%)	\$ 1,647,006	\$ 1,646,595	\$ 411 0.02%	\$3,965
HEALTH FUND	\$ 7,505,300	\$ 7,547,792	\$ 42,492 0.57%	\$ 7,505,300	\$ 6,312,165	\$ 1,193,135 15.90%	\$1,235,627
TOTAL	\$226,498,864	\$ 222,438,429	\$ (4,060,435) (1.79%)	\$ 263,949,326	\$ 219,348,963	\$ 44,600,363 16.90%	\$ 3,089,467

*In instances where expenditures exceed revenue, the fund's cash balance, receivable balance, and/or loan proceeds provide the difference.

Special Revenue Funds Include:

- 201 - GRT Streets
- 202 - GRT Parks/Public Works
- 211 - Parks Development Fees
- 213 - Library Gifts and Grants

Capital Projects Funds Include:

- 214 - Parks Gifts/Grants
- 217 - Museum Gifts/Grants
- 230 - Lodgers tax
- 240 - State Police Protection
- 246 - Region II Narcotics
- 248 - COPS
- 249 - Block Grant
- 250 - State Fire Grant
- 251 - Penalty Assessment
- 401 - Comm. Develop. Grants
- 408 - General Gov't Capital Projects
- 409 - Airport Grants