

Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, April 16, 2013 at 9:00 a.m. in the Executive Conference Room at City Hall, 800 Municipal Drive, Farmington, New Mexico, in full conformity with the rules, regulations and ordinances of the municipality.

At such meeting the following were present, constituting a quorum:

MAYOR	Tommy Roberts
COUNCILORS	Mary M. Fischer Gayla McCulloch Jason Sandel
ABSENT	Dan Darnell, Councilor

Constituting all the members of the Governing Body.

Also present were:

CITY MANAGER	Rob Mayes
ASSISTANT CITY MANAGER	Bob Campbell
CITY ATTORNEY	Jay B. Burnham
CITY CLERK	Dianne Fuhrman

EMPLOYEE OF THE MONTH PROGRAM AWARD

Employee Council President Shannon Ben recognized Estimator Johnnie Walker as the Employee of the Month award recipient for March 2013. Ms. Walker was presented with a plaque and a gift certificate and the Mayor and Council expressed their appreciation for her dedication to the City.

4 CORNERS ECONOMIC DEVELOPMENT, INC.

Providing opening remarks, Four Corners Economic Development ("4CED") Board Member Sally Burbidge introduced newly-hired Executive Director Ray Hagerman and Project Coordinator Krista Romme. She also introduced fellow board members, Ken Hare, Steve Dunn, Tom Taylor and John Byrom and directed the Council's attention to a handout that explains 4CED's 2012 milestones.

Utilizing a Powerpoint presentation, Mr. Hagerman provided the Council with background information on his past work history and reported that he has extensive experience in using entrepreneurship as an attraction element to promote economic development and was successful in creating 500 new jobs for the Dayton, Ohio area. He explained that the focus of 4CED is to determine how to increase the demand for the products that are currently being offered and stated that he would like to see San Juan County to be thought of as the most energy-independent community in America. He explained that manufacturing, energy, agriculture, education, healthcare and tourism have been targeted as priorities for attracting new business opportunities and noted that natural-gas conversion of private and commercial vehicles is a top priority. He stated that he strongly believes that there is a potential to increase electronics assembly for the United States defense program through the services currently being offered by Raytheon. Mr. Hagerman stated he plans to work with San Juan College to expand upon the training programs that are being offered and will also focus on ways to retain and expand local business activity. Noting that that 4CED has set a goal to create 500 new jobs in the area, he stated that 100 of those jobs should come from entrepreneurship. Furthermore, Mr. Hagerman reported that 4CED has selected the cities of Tupelo, Mississippi; Columbus, Indiana; Casper, Wyoming; Owensboro, Kentucky; and Grand Junction, Colorado as benchmark cities for promoting economic development. In closing, he stated that the goals and ideas being presented are fluid in nature and assured the Council that 4CED will refocus its efforts as needed.

Mayor Roberts asked Mr. Hagerman to give his thoughts on the transformation from San Juan Economic Development Services (SJEDS) to 4CED. In response, Mr. Hagerman stated that he supports a privately-funded organization over a publicly-funded one since the private sector will hold the organization more accountable. He also

stated that he does not believe that the economic development service should be more than 1/3 publicly funded.

Stating that he believes that creating 500 new jobs is a daunting challenge, Mayor Roberts asked Mr. Hagerman to describe the reasonableness of the goal and to identify weaknesses that might prevent 4CED from reaching that benchmark. In response, Mr. Hagerman pointed out that it will take time for the community to solve the obstacles that are hindering economic development at this time, but stated that he believes that there are some "quick wins" that could help bolster the momentum, such as assembling electronics (drones) for defense programs and increasing exports. He also stated that it may be necessary for there to be a progression in the number of new jobs to be created, with 500 being the average over the next five years. Noting that the biggest weakness is the region's heavy dependence on energy, he stated that this is also a strength that needs to be expanded on. Furthermore, he contended that there are some "image" issues that need to be addressed, such as a lack of zoning regulations in the county.

Mayor Roberts asked Mr. Hagerman to explain what attracted him to this area and why he decided to accept the job as Executive Director for 4CED. Mr. Hagerman explained that he found the job posting on the LinkedIn website and stated that he decided to leave the Dayton Development Coalition because it became too political. He announced that he most enjoys working with businesses because it is fun and motivating.

Mayor Roberts introduced Cliff Horace, chairman of the agriculture target sector working group for 4CED, who was present in the audience but came in after the initial introductions were made.

In response to inquiry from Councilor Sandel, Mr. Hagerman stated that he would grade the benchmark cities, on an average, with a C+. However he stated that he believes that the cities of Tupelo and Columbus deserve an A for their efforts in economic development because they have inspired their residents to be salespersons for the area. He graded San Juan County with a C but stated that the goal is to make them an A in the next three years.

Responding to further questions from Councilor Sandel, Mr. Hagerman concurred that 4CED's goals should include advocacy for the community to secure local jobs; stated that there is a movement to extend the railroad from Thoreau to Farmington; and agreed that increases in utility and tax rates could have a negative impact on economic development, but pointed out that access to a good workforce, sufficient customers and adequate supply chains are more important.

Councilor Fischer asked Mr. Hagerman to explain the incentive packages that other communities are providing. In response, he reiterated that a good workforce and an adequate supply chain are more important than tax incentives. He stated that he does not support tax incentives because it is essentially an attempt to buy a company's interest in the community which then leads to begging them to stay. He said that tax incentives can be self-defeating.

At the request of Mayor Roberts, Ms. Burbridge gave a brief update on the meeting that was held between 4CED and Conoco-Phillips in response to their announcement to temporarily suspend drilling in the San Juan Basin. She stated that Conoco-Phillips continues to support the community and has expressed a desire to facilitate programs that promote and expand on the natural gas industry. Mr. Byrom, chairperson for the energy and manufacturing target sector working group for 4CED, stated that he intends to include representatives from Conoco-Phillips on the sub-committee for the purpose of expanding ideas and options.

US 64 ANNEXATION STUDY

Providing opening remarks, City Manager Rob Mayes reported that the Council has been discussing the potential for community growth and stated that annexing properties to the east to Crouch Mesa is the most likely scenario since five years ago the City, in conjunction with San Juan County, installed a sewer line along US 64 for the purpose of servicing McGee Park. He stated that staff is seeking direction from the Council on whether to proceed with contacting the principals (property and business owners and the water users association) in the affected area to determine if they are interested in participating in the annexation. He stated that staff needs to seriously consider the quality of water

distribution infrastructure since it could have negative ramifications on the City's ISO rating.

Directing the Council's attention to pages 1.1 through 1.3 of the agenda materials, Community Development Director Mary Holton reported that there are three methods of annexation in New Mexico, 1) arbitration; 2) boundary commission; and 3) petition. She noted that the petition method is most common, but pointed out that staff has not met with any of the property owners to determine their level of interest so she is not sure if this will be a viable method. At the request of Mr. Mayes, Ms. Holton explained in detail the area being considered for annexation and named the businesses that are located in the area. She also explained that certain parcels of land are being omitted from the proposed annexation due to the steep terrain and because they are primarily residential or agricultural in nature. She stated that the proposed annexation will add approximately 450 persons (186 households); 820 jobs; and approximately 1200 acres of land. In response to inquiry from Councilor Fischer, Ms. Holton explained that the benefits to the property owners will be less expensive utility rates, access to police and fire services and increased property values over time. She also noted that the City will benefit from the annexation because the residents and businesses currently enjoy some services offered by the City but do not contribute to the tax base. In response to comments from Mayor Roberts, Ms. Holton stated that the perceived negative impacts to the residents and business owners could be zoning regulations, code enforcement and higher tax rates.

Mr. Mayes pointed out that residents and businesses who connect to the sewer line that was extended to McGee Park must sign an agreement that authorizes annexation in the future. He also noted that this is the first phase of a much larger annexation that staff was directed by Council to consider in phases, with the next phase being the properties along the NM 516 corridor east to County Road 350. He stated that the final phase will be all of the unincorporated properties located between NM 516 and US Highway 64 to County Road 350.

Councilor Fischer contended that the lack of infrastructure in the area is a liability rather than a benefit to the City and stated that her interest in annexing the area is "lukewarm" at best.

Councilor Sandel voiced his support for the proposed annexation and stated that he has heard that many of the businesses located in the Flora Vista and Crouch Mesa areas are interested in being annexed. He strongly urged staff to look at the broad picture and to consider the entire annexation. Furthermore, he stated that he believes that the Bureau of Land Management (BLM) is interested in trading their properties on Crouch Mesa with the City in an effort to keep their interests on the outskirts of town. He noted that this would be beneficial to the City because it would provide vacant land for development of an industrial park in Crouch Mesa area. In response, Mr. Mayes pointed out that the area being studied for annexation along US 64 is essentially an existing industrial park and there is room for growth and the City already provides sewer and electrical services.

There being no further discussion, a motion was made by Councilor Sandel, seconded by Councilor McCulloch to direct staff to meet with the principal property owners and businesses located along U.S. Highway 64 to determine their interest in annexation and to report their findings and a cost/benefit analysis to the Council at a later date, and upon voice vote the motion carried unanimously.

Councilor Fischer explained that even though she is not supportive of the proposed annexation, she is not opposed to authorizing the study.

FISCAL YEAR 2014 BUDGET HEARING #1 - CAPITAL IMPROVEMENT
PLAN/STRATEGIC PRIORITIES

Directing the Council's attention to pages 2.0 through 2.9 of the agenda materials, City Manager Rob Mayes explained that the purpose for today's discussion is to provide the Council an opportunity to review the proposed Fiscal Year 2014 Capital Improvement Plan ("CIP") and to direct staff on how to proceed with budgeting the capital items. He noted that this is the first of a series of meetings being scheduled to discuss the Fiscal Year 2014 budget.

Referring to page 2.0 of the agenda materials, Mayor Roberts asked why the ending cash balance for the General Fund for Fiscal Year 2013 shows \$3.8 million but the beginning cash balance for Fiscal Year 2014 reflects \$5.9 million. In response, Mr. Mayes explained that there is no direct correlation between the two numbers because the ending cash balance reflects the budgeted amounts that were adopted by the Council and the beginning cash balance is an estimate of where the budget will actually be on July 1, 2013.

Councilor Sandel stated that it is difficult for him to discuss the projects in the CIP at this point in time because the Council does not yet know what the capital and operating budgets will be. In response, Mr. Mayes explained that this is the same process that has been followed for the past few years and reiterated that the purpose for today's discussion is to get the Council involved in the budgeting process as early as possible. He reminded Councilor Sandel that this is simply the first step in the budgeting process and assured him that the Council will have several more opportunities to discuss the CIP before they are asked to adopt the final budget. In response to further inquiry from Councilor Sandel, Mr. Mayes stated that the proposed CIP is based on a financial assumption that gross receipts tax revenues will decrease by 5 percent from the actual amount received in Fiscal Year 2013.

Discussion followed concerning the budget process that is being proposed and Mayor Roberts agreed that it is difficult to address the capital issues at this time. However, he commended Mr. Mayes for trying to involve the Council at the forefront of the process and stated that he believes that today's discussion could help staff formulate the budget that will be presented for consideration at the April 26, 2013 Special City Council Work Session.

Mr. Mayes responded to questions from Mayor Roberts concerning the proposed expenditures in the 408 Fund for Fiscal Year 2014. He also pointed out that staff will be seeking direction from the Council on which intersection they would like to see signalized, but noted that additional studies should be done before a final decision is made.

Noting that several constituents have complained about the water temperature at Lions Pool, Councilor Fischer questioned whether \$7,500 is enough money to repair the surge tanks. In response, Parks, Recreation & Cultural Affairs Director Cory Styron stated that this will be a relatively small repair and that he believes the \$7,500 is sufficient.

Noting that \$105,000 is programmed into the 202 Fund for landscaping at the new regional animal shelter, Councilor Fischer asked why this amount was not included in the bond proceeds. She also questioned whether parking will be an additional expense. In response, General Services Director Julie Baird explained that in order to get the ventilation system and size of the building that was being desired, it was decided to remove the landscaping component from the original budget. She also stated that the proposed parking is adequate for the staffing and visitation levels that are being projected at this time. Mr. Mayes reiterated that there were no budgetary constraints on the project in the beginning, but explained that as the project was being "fine-tuned" some decisions had to be made in order to complete the project within the budget (such as paying for the landscaping from the Parks Fund). He noted that it may be possible to use some of the bond contingency monies budgeted in the 402 Fund for the landscaping.

In response to inquiry from Councilor McCulloch, Mr. Styron explained that The Pet Project has close to \$500,000 in donations and will be using the funds to purchase pet cages, the washing machines and dishwasher, office furniture and equipment and some of the stainless steel items needed for the examination room.

Councilor Sandel voiced frustration because staff had indicated to the Council that the \$4 million budget was all-inclusive and that additional funds would not be needed. Furthermore, he stated that he is upset that staff has made decisions that should have involved the Council such as the determination that landscaping at the Regional Animal Shelter and the purchase of new mowing equipment is more important than the installation of restrooms at City parks. Mr. Mayes explained that the preliminary CIP contains staff's recommendations for capital projects but stated that the Council, ultimately, has the ability to determine which capital projects are to be funded during the upcoming fiscal year.

Councilor Sandel asked that staff provide the Council with the Fiscal Year 2011 expenditure amounts for operating and capital for comparison purposes before the April 26, 2013 Special City Council Work Session. Furthermore, he asked for an explanation as to why the new projects that are programmed on the preliminary CIP are critical for funding in Fiscal Year 2014.

There being no further business to come before the Council, the meeting was adjourned at 11:00 a.m.

APPROVED this 14th day of May, 2013.

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Fuhrman, City Clerk