

Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, November 1, 2011 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	Dan Darnell Mary M. Fischer Gayla McCulloch Jason Sandel

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
DEPUTY CITY CLERK	Melody Coyner

PRESENTATION/MANCOS SHALE

Utilizing a powerpoint presentation, Merrion Oil & Gas Operations Manager Steve Dunn stated that shale has come to the forefront as a major production formation primarily due to 1) a production stimulation technique known as hydraulic fracturing; and 2) horizontal drilling. He briefly reviewed the shale plays in the United States, pointing out the Mancos shale play in New Mexico and noting that the Mancos shale is known by other names (e.g. Gallup, Tocito, Niobrara, Baxter and Hilliard), depending upon its location and specific zone. He reviewed the Mancos shale dry gas, wet gas (containing hydrocarbon liquids) and oil target areas in the San Juan Basin ("Basin"), noting that the oil "fairway" is approximately 3400 square miles with a potential recovery of up to 1.5 billion of the estimated 30 billion barrels of oil in place. He stated that the Mancos shale in the Basin could lead to the drilling of as many as 13,000 additional wells, a potential capital investment of as much as \$65 billion and the reinvigoration of drilling support services. He pointed out that the bad news is that there are still a lot of unknowns (what is possible is not probable); because the Basin acreage is "held by production", there is a lack of incentive for companies in the Basin to try the Mancos shale at this time; and outsiders have to "buy their way in". However, he stated that the good news is that companies are exploring the Mancos shale; there could be more drilling by next year; and, if positive results are achieved, the potential for the local economy is significant. In closing, he encouraged diversification of the local economic base regardless of what happens with the Mancos shale.

Following discussion concerning the potential recovery from the Mancos shale and the lack of infrastructure to sustain this type of production, it was the consensus of the Council to direct City Manager Rob Mayes to reach out to organizations involved in development of the Mancos shale in order to have an active voice as more is learned of the potential and the impact on the local economy. Councilor Sandel pointed out that the northern oil sands area of Canada is a good example of how private enterprise and government can work together to provide the necessary infrastructure in this type of circumstance.

Brief discussion followed concerning projected trends in natural gas and oil prices.

PROPOSED CONSTRUCTION LOAN FOR THE WASTEWATER TREATMENT PLANT/CLEAN WATER STATE REVOLVING LOAN FUND

Providing opening remarks, Public Works Director Jeff Smaka stated that in 2004, the City completed Phases I and II of a multi-phase expansion of the wastewater treatment plant ("plant") as proposed in the Preliminary Engineering Report by HDR Engineering Inc. and presented to the Council in 1998. He noted that Phases I and II were financed by a

\$14.18 million, 20-year loan from the Clean Water State Revolving Loan Fund ("CWSRF") at three percent interest and that the annual payment of principal and interest is \$952,998 through 2026. He further stated that in February 2011, the New Mexico Environmental Department ("NMED") solicited applications for funding through the CWSRF from communities throughout the state and that the City submitted its application in March 2011 for the construction of Phase III of the plant expansion to add a medium rate activated sludge ("MRAS") basin and final clarifier. He noted that the City received notification of approval of its application on September 27, 2011, but that the State wanted to add the ultraviolet ("UV") disinfection system that had been proposed the previous year as part of the American Recovery and Reinvestment Act Stimulus Program. He reported that Phase III will add redundancy and future capacity to the plant by construction of a second MRAS basin and final clarifier and will also replace the existing chemical disinfection system with state-of-the-art green technology UV disinfection, reducing chemical costs and eliminating the discharge of chemicals into the San Juan River. He stated that the estimated construction cost of Phase III is \$5.5 million and that the annual payment on a \$5.5 million, 20-year loan from the CWSRF Program at three percent interest would be approximately \$370,000. He requested permission to draft an ordinance as required for the loan application by the NMED and the New Mexico Finance Authority ("NMFA").

In response to inquiry from Mayor Roberts, Mr. Smaka stated that there is currently an issue with the City's discharge permit related to total dissolved solids ("TDS"); but that the UV component of the Phase III project will have a positive impact due to the reduction in chemical usage. He noted that staff will provide the Council with information on the TDS issue in the near future.

Utilizing a powerpoint presentation, HDR Engineering, Inc. Vice President and Senior Engineer Bill Zimmerman provided a technical overview of the plant, its operation and the proposed projects in Phases III and IV (Phase III - MRAS basin, secondary clarifier and UV disinfection; and Phase IV - MRAS basin, secondary clarifier, solids handling facility and decommission of the trickling filters). He pointed out that the current design capacity of the plant is 6.67 million gallons per day ("MGD") and that the current wastewater flow is approximately 6.0 MGD.

Responding to Mayor Roberts, Mr. Smaka stated that he will investigate how much the population can grow before wastewater flow reaches the plant capacity of 6.67 MGD.

In response to inquiries from Mayor Roberts, Mr. Smaka stated that electricity for the UV disinfection system will cost \$8000 to \$10,000 per year, but that the resulting reduction in chemical usage will provide significant savings on the \$150,000 to \$180,000 annual cost of chemicals. He further stated that the \$370,000 annual payment on the \$5.5 million loan will be funded by existing revenues of the wastewater system. However, he noted that wastewater base rates were not changed when the City amended the water and wastewater rate structure in 2006 and stated that it will be necessary to review the wastewater base rates at some point in the future.

Thereupon, a motion was made by Councilor Darnell, seconded by Councilor McCulloch to direct staff to draft an ordinance as required for the loan application by the NMED and NMFA.

In response to inquiry from Councilor Fischer, Mr. Smaka stated that all phases of the plant expansion cannot be completed without a rate increase. Prior to a rate increase, Councilor Fischer expressed a desire for staff to explore cost-cutting options.

Responding to concern expressed by Councilor Fischer regarding a perceived lack of room for plant expansion, Mr. Smaka stated that the current site will accommodate Phases III and IV.

The Mayor called for the vote upon the motion to direct staff to draft an ordinance as required for the loan application by the NMED and NMFA, as recommended by staff. The roll was called with the following result:

Those voting aye:	Dan Darnell
	Mary M. Fischer

Gayla McCulloch
Jason Sandel

Those voting nay: None

The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried.

INTRODUCTION/CAPITAL PROJECTS AND INFRASTRUCTURE INVESTMENT PLAN

City Manager Rob Mayes stated that the Capital Projects and Infrastructure Investment Plan ("Plan") is being presented in four priority tiers, noting that Tier 1 is funded by the current cash balance in the 408 Fund and that Tiers 2, 3 and 4 could be funded by extending the current gross receipts tax ("GRT") bond debt by three, eight and ten years, respectively, while maintaining the actual debt payment at its current level of approximately \$1,500,000 per year. He stated that the recommended new projects and infrastructure improvements in all tiers represent a consensus of departmental needs and forecasts from staff. Furthermore, he stated that the Plan is a working document to be used as a tool to begin looking forward to capital projects and smaller dollar projects he categorizes as investment or reinvestment in current infrastructure. In closing, he stated that the purpose of today's presentation is introductory only and that, if Council desires, the Paul Cassidy of RBC Capital Markets will provide a full briefing on the current GRT bond debt which is placed through his company and available bond extension options for consideration at the November 15, 2011 Work Session. He requested general direction on how to move forward procedurally in this matter and what other projects the Council would like to consider.

Mayor Roberts stated that it is his belief that it would be sound fiscal planning to extend the bond debt to accommodate an accumulation of funds to do many of the Plan projects and that he supports Mr. Cassidy briefing the Council.

Following brief discussion, it was the consensus of the Council to have Mr. Cassidy brief the Council on the current GRT bond debt and available bond extensions at the November 15, 2011 Work Session.

In response to inquiries from Councilor Fischer, Mr. Mayes stated that the City Hall roof has been replaced over the last two years and that staff will present options for Piñon Hills Golf Course in the near future and if Council chooses an option that impacts the Plan, it will be included in future Plan discussions.

Contending that there is a mold problem in City Hall and that the HVAC is inadequate, Councilor Fischer expressed a desire that assessments of the condition of all City buildings be conducted in order to plan for needed repairs/improvements.

Councilor Fischer expressed concern with the lack of commitment from San Juan County ("County") to the animal shelter project ("shelter") and with the proposed design and construction changes, stating that the City can "either do it right or do it cheap". In response, Mayor Roberts stated that shelter discussions have focused on doing it right at a lower cost. Mr. Mayes stated that staff is presenting the shelter as a high-priority project; that the proposal presented today contemplates building it debt free in Tier 1; and that there will be a separate presentation regarding the latest developments in terms of research on construction materials, design, cost and location. Furthermore, he stated that staff is working very closely with the County, but that they cannot vote on a firm commitment until the City provides them with a final plan and cost for the project. Following discussion regarding the original shelter site near the detention center and an alternate location at Animas Park, Councilor Fischer expressed a desire to choose a location that works for everyone.

Regarding additional projects the Council would like to consider, Councilor McCulloch expressed a desire to explore options for a new City Hall complex in downtown Farmington. Councilor Darnell questioned whether the City should remodel the existing Civic Center or build a new conference center and whether a new police department could be located in the Metropolitan Redevelopment Area ("MRA") or the Tibbetts Middle School building when it is vacated. Mayor Roberts noted that he and Mr. Mayes met with Farmington Municipal Schools Superintendent Janel Ryan to

express an interest in being involved in discussions regarding potential uses of the Tibbetts Middle School property.

Councilor Sandel expressed concern that the Plan does not explore funding options for the unfunded projects (e.g. Piñon Hills Bridge and Extension, Fire Station #7, etc.).

Lengthy discussion followed concerning additional funding options.

Councilor Sandel expressed his appreciation to staff for their effort in preparing the Plan, stated that he supports building a new conference center instead of remodeling the Civic Center and expressed a desire to address the issue of the Crouch Mesa water supply in anticipation of annexation. Contending that typically the rule is that you do not buy anything with bond funding that does not last at least the life of the bond, he recommended that items such as computer modules; strategic plans; and studies be funded with operational funds.

Following brief discussion, Mayor Roberts expressed a desire to have funds made available for a feasibility study for the expansion/widening of Butler Avenue from north of 20th Street to Apache Street.

Following further discussion, it was the consensus of the Council to postpone Mr. Cassidy's presentation to allow time for staff to provide information on different funding sources including a "set aside" of a portion of current GRT revenue, bonding a GRT increase of 1/8 percent and 1/4 percent, general obligation ("GO") bonds, direct loan from the Farmington Electric Utility and state and federal funding.

Councilor Sandel suggested that staff contact accountant Brandon Jakino to obtain a copy of an economic and GRT analysis related to potential revenues from annexation of Crouch Mesa. Following brief discussion, Mr. Mayes was directed to contact Mr. Jakino to request a copy of the analysis.

APPA *eco@home* NEWSLETTER

Providing opening remarks, Electric Utility Director Maude Grantham-Richards stated that *eco@home* is a quarterly newsletter for electric utility customers which provides energy saving ideas, at no or low cost, resulting in savings to the electric utility due to decreased demand. She further stated that the cost of the newsletter is \$1.12 per customer per year and an additional \$1 per customer for direct delivery, for a total cost of \$2.12 per customer per year. In addition, she stated that the Farmington Electric Utility System ("FEUS") logo will appear on the front cover of the newsletter. Noting that the electric utility has approximately 35,000 utility customers (some of which are duplicates because they have multiple billing locations), the anticipated cost would be less than \$70,000 per year. In closing, she stated the Public Utility Commission ("PUC") supports staff's recommendation to provide the APPA/FEUS *eco@home* newsletter to utility customers on a quarterly basis and requested the Council's support.

Councilor Sandel expressed his preference for a local newsletter/magazine that communicates what is going on in the community, but stated that he does not object to staff's recommendation to provide *eco@home* to FEUS customers.

Following discussion, it was the consensus of a majority of the Council to support staff's recommendation to provide the APPA/FEUS *eco@home* newsletter to utility customers on a quarterly basis.

COUNCIL BUSINESS

Street Light/1165 Ute Street

Responding to Councilor Fischer, Assistant City Manager Bob Campbell stated that the bulb in the street light at 1165 Ute Street was changed from mercury vapor to LED, resulting in a significantly brighter light. Councilor Fischer suggested that staff explore whether the new light is in compliance with the "Night Sky Act". Electric Utility Director Maude Grantham-Richards stated that she will determine if the LED bulb can be replaced with a mercury vapor bulb.

Safe Treats

Councilor Darnell commended Government Relations Director/Downtown Coordinator Elizabeth Isenberg for the successful "Safe Treats" event in downtown Farmington last night.

CLOSED MEETING

Motion made by Councilor Darnell, seconded by Councilor McCulloch to close the meeting to discuss acquisition of real property (307 W. Main St.) and to receive advice from the City's legal counsel regarding a matter of threatened litigation concerning the acquisition of right-of-way for the planned extension of Piñon Hills Boulevard. The roll was called with the following result:

Those voting aye:	Dan Darnell Mary M. Fischer Gayla McCulloch Jason Sandel
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Those voting nay:	None
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The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried.

The Mayor convened the closed meeting at 11:20 a.m. with all members of the Council being present.

Following the closed meeting, during which meeting the matters discussed were limited only to those specified in the motion for closure, a motion was made by Councilor Sandel, seconded by Councilor Darnell to open the meeting for further business, and upon voice vote the motion carried unanimously.

The open meeting was reconvened by the Mayor at 11:37 a.m. with all members of the Council being present.

Mayor Roberts pointed out a typographical error in the agenda, stating that the location of the acquisition of real property is 119 W. Main Street instead of 307 W. Main Street.

There being no further business to come before the Council, the meeting was adjourned at 11:38 a.m.

APPROVED this 13th day of December, 2011.

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Fuhrman, City Clerk