Special Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, May 7, 2019 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**
Nate Duckett

**COUNCILORS**
Linda G. Rodgers
Sean E. Sharer
Jeanine Bingham-Kelly
Janis Jakino

constituting all members of the Governing Body.

Also present were:

**CITY MANAGER**
Rob Mayes

**ASSISTANT CITY MANAGER**
Julie Baird

**CITY ATTORNEY**
Jennifer Breakell

**CITY CLERK**
Dianne Smylie

**DEPUTY CITY CLERK**
Andrea Jones

**ORDINANCE NO. 2019-1317/AMENDING ORDINANCE NO. 2019-1315 PERTAINING TO STREET IMPROVEMENTS**

City Attorney Jennifer Breakell presented an ordinance amending Ordinance No. 2019-1315 pertaining to the Series 2019 street improvements bond and stated that notice of intent to consider said ordinance has been published two weeks prior to final action upon the ordinance as required by Section 3-17-3 NMSA 1978 Compilation. She recommended the ordinance, if adopted, be given the number 2019-1317. The title of the ordinance being:

**AMENDING AND RESTATING ORDINANCE NO. 2019-1315; AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF THE CITY OF FARMINGTON, NEW MEXICO MUNICIPAL GROSS RECEIPTS TAX IMPROVEMENT REVENUE BONDS, SERIES 2019, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $13,500,000 FOR THE PURPOSE OF DEFRAYING THE COSTS OF DESIGNING, ENGINEERING, CONSTRUCTING, ACQUIRING AND IMPROVING STREETS AND TRAFFIC IMPROVEMENTS, AND PAYING COSTS OF ISSUANCE OF THE SERIES 2019 BONDS; PROVIDING THAT THE BONDS WILL BE PAYABLE FROM MUNICIPAL GROSS RECEIPTS TAX REVENUES DISTRIBUTED TO THE CITY PURSUANT TO SECTION 7-1-6.12 NMSA 1978, PROVIDING THAT THE MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, REDEMPTION PROVISIONS AND OTHER DETAILS OF THE BONDS WILL BE ESTABLISHED IN A BOND PURCHASE AGREEMENT AND PRICING CERTIFICATE, AND DELEGATING AUTHORITY TO THE CITY MANAGER AND CITY ADMINISTRATIVE SERVICES DIRECTOR TO APPROVE THE FINAL TERMS OF THE BONDS AND TO EXECUTE AND DELIVER THE BOND PURCHASE AGREEMENT; PROVIDING FOR THE EXECUTION OF THE BONDS AND OTHER DOCUMENTS AND AGREEMENTS RELATING TO THE BONDS BY AUTHORIZED OFFICERS OF THE CITY; RATIFYING ACTION PREVIOUSLY TAKEN IN CONNECTION THEREWITH; AND REPEALING ALL ORDINANCE IN CONFLICT HEREWITH.**

After consideration of Ordinance No. 2019-1317, a motion was made by Councilor Sharer, seconded by Councilor Rodgers that said ordinance be passed and adopted as presented. The roll was called with the following result:

Those voting aye: Linda G. Rodgers
Sean E. Sharer
Jeanine Bingham-Kelly
Janis Jakino

Those voting nay: None

The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried and Ordinance No. 2019-1317 was duly passed and adopted.

**AMENDED AND RESTATE AGENCY AGREEMENT/ENCANT ENERGY LLC, ENCHANT ENERGY CORPORATION AND ACME EQUITIES LLC**
City Attorney Jennifer Breakell explained that the proposed Amended and Restated Agency Agreement between the City, Enchant Energy LLC, Enchant Energy Corporation and Acme Equities LLC is essentially changing the name from Acme Equities LLC to its wholly owned entities Enchant Energy LLC and Enchant Energy Corporation.

Thereupon, a motion was made by Councilor Rodgers, seconded by Councilor Jakino to approve the Amended and Restated Agency Agreement, as presented, and upon voice vote the motion carried unanimously.

LETTER OF COMMITMENT AND CO-APPLICANT/U.S. DEPARTMENT OF ENERGY GRANT/CARBON SEQUESTRATION FEASIBILITY STUDY

City Attorney Jennifer Breakell reported that Enchant Energy is applying for a U.S. Department of Energy grant regarding a carbon sequestration feasibility study at San Juan Generating Station ("SJGS") and is requesting the City's participation as a co-applicant, noting that the City has site access to SJGS as an owner which is a requirement of the grant. She confirmed that there is no cost to the City for the study outside of her time spent on the grant preparation and Electric Utility Director Hank Adair stated that the grant would cover the study's full cost which is estimated at $5 million.

Following brief consideration, a motion was made by Councilor Jakino, seconded by Councilor Sharer to approve the letter of commitment and to authorize the City to become a co-applicant for a U.S. Department of Energy grant for a carbon sequestration feasibility study at San Juan Generating Station, as presented, and upon voice vote the motion carried unanimously.

FISCAL YEAR 2020 PRELIMINARY BUDGET

City Manager Rob Mayes commended Acting Administrative Services Director Teresa Emrich, Financial Analyst Olena Erickson, Controller Brooke Quintana and Staff Accountant Ross Devargas for their tireless efforts during the current budget process and he emphasized that the preliminary budget being presented today is not “set in stone”. He discussed the current state of the City's financial atmosphere and he reported that the ConocoPhillips to Hilcorp transition, job losses at San Juan Mine, the reduction of local construction projects and the gross receipts tax ("GRT") hold harmless distribution reductions have all significantly impacted the City's GRT revenue. Mr. Mayes explained that the newly-enacted legislation regarding GRT on internet sales will provide the City with $500,000 in each of the next two fiscal years until the full percentage is allotted in Fiscal Year 2022 ("FY22") and he stated that staff is projecting GRT revenue for FY20 level with the budgeted revenue for FY19, noting that the projection is two percent higher than the current projected actual FY19 revenue. He announced that the proposed preliminary budget includes a two percent raise for all employees and strong investments in Public Safety (Police and Fire) and Information Technology ("IT") and pointed out that funding for Park Rangers and the ARU (Alternative Response Unit) is proposed to utilize monies from the Community Transformation and Economic Divestiture Partnership ("CTEDP") Fund. He pointed out that deferred maintenance and aging facilities are areas of concern that are not addressed in this budget and he stated that staff is recommending that the Farmington Indian Center ("FIC") and the E3 Children's Museum ("E3") buildings be closed, emphasizing that it is recommended that the programming and mission of those valuable services be relocated to existing facilities such as the Bonnie Dallas Senior Center and the Farmington Museum at Gateway Park. He explained that this type of service consolidation helps to eliminate redundancy and move the City toward financial sustainability and noted that this is likely the beginning of several tough decisions regarding the City's financial sustainability and the services it provides to the community.

Mayor Duckett expressed his desire to maintain the mission and programming of the FIC and E3 if the facilities are closed, noting that the museum and library are natural places for additional children's programming and he stated that he believes additional IT support is an important area of need.

Councilor Sharer agreed that relocating the programming of the FIC and E3 is the “right move” and he stated that he is not opposed to the two percent employee raise, noting that employees are asked to take on more responsibilities as positions are left unfilled.

Councilor Rodgers expressed her support of the two percent employee raise and she requested that staff provide the Council with an up-to-date listing of all of the deferred maintenance with estimated associated costs.
Utilizing a PowerPoint presentation, Mr. Mayes explained the budget process and pointed out that there was an initial $7 million gap between departmental legitimate needs and the realistic projected revenues, noting that the preliminary budget is balanced without utilizing cash reserves. He reviewed the GRT revenue history and pointed out that the Consumer Price Index ("CPI") has increased by 24 percent since 2009 but that the City's GRT revenue is four percent below that same year despite implementation of all of the authorized Hold Harmless increments. Mr. Mayes reviewed the aggregate GRT tax rates with regard to City, State and County and he reported that the City also has relatively low property taxes and offers low electric and water utility rates along with infrastructure that is well maintained. He reviewed the local option GRT unimposed increments and explained how the Hold Harmless GRT phase-out imposed by the State Legislature is negatively impacting current and future budgets. He provided an expenditure summary broken down by fund along with pie charts illustrating expenditures and revenue sources, but stated that the preliminary FY20 General Fund budget is 0.9 percent ($566,221) less than the FY19 adjusted budget.

RECESS

Mayor Duckett called a recess at 10:27 a.m.

The meeting was reconvened by the Mayor at 10:36 a.m. with all members of the Council being present.

In response to the Mayor's inquiry, Acting Administrative Services Director Teresa Emrich detailed the City's current debt service obligations.

Directing the Council's attention to the spreadsheet titled, "Governmental Funds GRT Expenditure Budget Evaluation (101, 201, 202, and 203 Funds)", Mr. Mayes explained how the spreadsheets are formatted and pointed out that the "Total Adjustments" column in red ink is the difference between departmental staff's requested expenditures versus the proposed FY20 budgeted amount. He briefly reviewed the expenditure summary by each fund and announced that this spreadsheet is a "reCAP" of the numerous detailed expenditure spreadsheets included in the budget books that have been provided to the Council. At Councilor Rodgers' request, Mr. Mayes reviewed the process of eliminating expenditure requests to achieve a balanced budget.

Continuing with the presentation, Ms. Emrich reviewed in detail the proposed budgets for each department and division. In regards to the reductions in the City Manager/Public Affairs/Intra-Government budget, Mr. Mayes reported that the budget includes a contribution reduction of $73,660 to Four Corners Economic Development which will result in a total contribution of $80,000. Responding to Councilor Rodgers' question, Mr. Mayes confirmed that the City is self-insured with the exception of stop-loss insurance. At the Council's request, Library Director Karen McPheters discussed the impacts of the reduction to the Library's budget and happily announced that the traveling exhibit Thinking Money for Kids will be displayed in February 2020.

RECESS

The Mayor called a recess for lunch at 12:15 p.m.

The meeting was reconvened by the Mayor at 12:49 p.m. with all members of the Council being present.

Ms. Emrich resumed her review of the proposed budgets for the remaining departments and divisions. Concluding the presentation, Mr. Mayes pointed out that more in-depth spreadsheets are located in the budget books for Council's review and he requested that the Council provide staff with any input for the Capital Improvement Plan ("CIP") since there will not be an additional presentation or dedicated budget session regarding it.

Responding to Councilor Jakino's question, Mr. Mayes stated that if the E3 staff consolidation is approved, the staff will research the most efficient way to return the buildings to the private sector.

Following brief consideration, there was a consensus from the Council to proceed with the preliminary FY20 budget as presented and to notify the public of the potential consolidation of services of the Farmington Indian Center and the Children's Museum. Mr. Mayes clarified that the public input session is scheduled for the May 14, 2019 regular City Council meeting, formal action on the preliminary budget is scheduled for the May 21, 2019
regular City Council Work Session and final action is scheduled for the May 28, 2019 regular City Council meeting.

STRATEGIC PLANNING/COMMUNITY TRANSFORMATION AND ECONOMIC DIVERSIFICATION FUND

Directing the Council’s attention to the distributed handout titled, “CTED Activity Listing”, City Manager Rob Mayes reported that this is a long “laundry list” of projects that will be presented to the Council at next week’s Special Work Session and stated that staff is not providing any recommendations regarding any major projects for the Community Transformation and Economic Diversification (“CTED”) Fund. He explained that all or a portion of the CTED Fund monies could be bonded to accomplish large projects and he stated that approximately $10 million would be available if half ($2.2 million) of the annual funds were bonded for a 5-year period dependent on interest rates. Referring to the handout titled, “12 Year Fund Projection”, Mr. Mayes reviewed staff’s proposed budget for the next 12 years and discussed how the worksheet can assist the Council in planning bond cycles and associated projects.

Mayor Duckett expressed concern that the ARU (Alternative Response Unit) has been budgeted as a recurring expense out of the CTED Fund. In response, Mr. Mayes stated that staff is proposing this funding source because the unit works in concert with the approved Park Ranger unit which utilizes the CTED Fund. Councilor Sharer suggested that the CTED Fund provide the funding for the ARU for FY20 and consideration could be given to transfer the recurring expense to the new Public Safety Increment Fund in future years.

Councilor Rodgers questioned whether deferred maintenance of existing facilities such as the library and Piñon Hills Golf Course could utilize CTED Fund monies and requested that staff provide a listing of capital needs of City facilities. Mayor Duckett announced that the CTED Fund is intended to improve the quality of life, drive economic development and transform the community which includes “refreshing” existing facilities and he pointed out that building new facilities is not always the most beneficial option.

Mayor Duckett pointed out that the Comprehensive Plan update is a proposed expenditure in FY19 and FY20 and stated that he believes the updated plan is important especially with the implementation of the CTED Fund. Mr. Mayes reported that the Council will select the vendor for the Comprehensive Plan update after presentations from the top offerors are given at a future Council meeting.

The Council gave consensus to retain the ARU and Comprehensive Plan update expenditures in the CTED Fund for FY20.

Staff provided a brief update and answered various questions regarding the possibility of installing artificial turf on the baseball field at Ricketts Park, the new auditorium addition to the Farmington Museum, the Complete Streets project, the shade structures at Lake Farmington and the timeline and obstacles surrounding the completion of Bisti Bay at Brookside Park.

There being no further business to come before the Council, a motion was made by Councilor Rodgers, seconded by Councilor Sharer to adjourn the meeting at 2:17 p.m.

APPROVED this 28th day of May, 2019.

Nate Duckett, Mayor

ATTEST:

Andrea Jones, Deputy City Clerk