

Minutes of the Regular Meeting of the Gallup City Council, City of Gallup, New Mexico, held in the Council Chambers at City Hall, 110 West Aztec, at 7:00 p.m. on Tuesday, May 11, 2010.

The meeting was called to order by Mayor Harry Mendoza.

Upon roll call, the following were present:

Mayor:	Harry Mendoza
Councilors:	John J. Azua Mike Enfield Allan Landavazo E. Bryan Wall
Also present:	R. David Pederson, City Manager & City Attorney

Discussion from the previous Work Session continued regarding the following item:

5. New Mexico Environmental Department and Chiamonte Mine Storm Water Drainage – Stan Henderson, Executive Director, Public Works Division

Mr. Pederson suggested that he send a letter on behalf of the City to Ron Curry, Cabinet Secretary of the New Mexico Environment Department (NMED), advising that the Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department is liable for the perceived problem that exists with the Chiamonte Mine. There were no objections from the Mayor and Councilors.

The following members of the McKinley County Quilters' Guild arrived for their presentation of a quilt to the Mayor and Councilors: Sandy Elliott, Eleanor Moller, Nellie Kelsey and Josephine Yurcic. The quilt contains local landmarks and historical sites in the Gallup area. The members of the Guild thanked the Mayor and Councilors for use of the Larry Brian Mitchell Recreation Center for their activities. Councilor Azua recommended providing the Guild with hangers, racks and related accessories for the Guild's use at the recreation center.

6. Fiscal Year 2011 Budget Presentation – Judi Starkovich, Executive Director, Administrative Services Division

Mrs. Starkovich presented the proposed preliminary budget for the next fiscal year, which includes the Budget Message for 2011, Five Year General Fund Cash History, Five Year General Fund Revenue Comparison, Five Year General Fund Expenditure Comparison, Recommended Capital Outlay and Budget Recap. She presented figures for the City's unrestricted cash balance which has experienced a decrease beginning with an ending cash balance of \$7.6 million in fiscal year 2009 to an unrestricted cash

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balance of \$3,880 projected for fiscal year 2011 after retaining a 9% reserve requirement in the amount of \$2.3 million. The higher cash balance in fiscal year 2009 was due to higher revenues generated at that time; however, revenues for fiscal year 2011 are budgeted flat due to the current economic conditions. Within the current fiscal year, the City's revenues have not increased as in past years resulting in a projected ending cash balance of about \$5.2 million, which is the lowest it has ever been during the past 10 years. Expenditures for fiscal year 2011 are budgeted at \$26.2 million and net transfers are at \$3.4 million, which results in a deficit (expenditures over revenues) of \$2.8 million, which will require the use of cash balance to offset the City's budget shortfall. In reviewing the revenue figures for the City, there is a projected increase in non-recurring revenue since lodgers' tax revenues will be used to fund improvements to Red Rock Park. If revenues increase at a rate higher than 1%, lodgers' tax funds will not be transferred to the general fund for Red Rock Park improvements. Mr. Pederson said \$1.2 million in revenue was set aside (\$400,000 per year) for Americans with Disabilities Act (ADA) compliance issues for Red Rock Park which have not been expended yet. In order to balance the budget, Mr. Pederson said he instructed Mrs. Starkovich to transfer the \$1.2 million to the general fund and to reduce the original reserve requirement from 11% to 9%, which is 1% more than the State's requirement. Mrs. Starkovich said there are three categories of expenditures for the general fund are personnel, operating and capital outlay. All of the City's three labor unions have pay increases included in each contract and have been duly budgeted for fiscal year 2011. Departmental operating budgets for fiscal year 2011 have been cut 10% from fiscal year 2010 budgeted levels. The increases in expenditures for fiscal year 2011 are due to costs for the new public safety building, maintenance of the old public safety building for Municipal Court and the new Westside Fire Station. Other increases in expenditures include funds allocated for Wright Express, the Business Improvement District, and CARE 66 Affordable Housing Project. Mr. Pederson said if the Municipal Court is relocated to Magistrate Court, the City will still have an added expense since the Court will become a tenant of the County and the old public safety building will be closed. Mrs. Starkovich said the City has cut-off departments from submitting requisitions for purchase orders to prevent departments from spending down their budgets this fiscal year. Only ordinary, regular purchases will be allowed for the remainder of the fiscal year. Capital outlay for fiscal year 2011 has been drastically reduced as only \$96,000 has only been budgeted primarily for police cars. Mr. Pederson said he advised department head that if revenues increase during the next fiscal year, original capital outlay requests will be considered on a case by case basis, possibly around mid-year next fiscal year.

Councilor Enfield asked about the threshold amount that is approved by the City Manager. Mrs. Starkovich said any tangible asset over \$5,000 is considered capital outlay and is approved in the budget by the Mayor and Councilors. Mrs. Starkovich

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referred to Exhibit D of the budget packet which lists the departmental requests for capital outlay and the items that are recommended for approval.

Mrs. Starkovich said there are no new positions for personnel in the budget and over-time and part-time amounts are budgeted at fiscal year 2010 levels. The majority of the transfers out of the general fund are for debt service and capital projects, including gross receipts tax revenue dedicated to infrastructure improvements. The general fund receives funding for shared services from Gallup Joint Utilities at 5.5% of budgeted revenues, which is budgeted at \$1.6 million for fiscal year 2011. Overall the budget is balanced at this time and the Mayor and Councilors may recommend changes to the budget; however, additions to the budget will require cuts in other parts in the budget.

The Mayor and Councilors proceeded with the Regular Meeting Agenda.

Presented to the Mayor and Councilors for their approval were the Minutes of the Work Session and Regular Session of April 27, 2010.

Councilor Landavazo made the motion to approve the aforementioned Minutes. Seconded by Councilor Enfield. Roll call: Councilors Landavazo, Enfield, Wall, Azua and Mayor Mendoza all voted aye.

Presented to the Mayor and Councilors were the following Consent Agenda Items:

1. Request for Street Closures for the Gallup Lions Club Rodeo Parade and Barbeque to be Held on Saturday, June 12, 2010 – Scott Clawson and John Sakasitz, Gallup Lions Club

Mayor Mendoza asked if there were any questions concerning the proposed street closures. There were none.

Councilor Landavazo commended the members of the Gallup Lions Club for their work and planning in hosting the event. Councilor Wall concurred.

Mr. Clawson thanked the Mayor and Councilors for the use of City facilities, assistance from City personnel and for their support in hosting the rodeo. Mr. Clawson said the Gallup Lions Club received an award from the New Mexico Rodeo Association for hosting the 2009 Lions Club Rodeo as the Lions Club has experienced an increase of about 40% in contestants participating in the rodeo.

2. Award of Operations and Maintenance Contract for the Wastewater Treatment Plant and Lift Stations – Lance Allgood, Executive Director, Gallup Joint Utilities Division

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Mr. Allgood said one of the main issues affecting the City's Wastewater Treatment Plant is attracting and retaining certified personnel to maintain the Plant. City staff has spent several weeks examining the option of possibly entering into a partnership with a private entity for the operation of the Plant. The City issued requests for interest and qualifications for the operations and maintenance of the Plant and sewage lift stations in November 2009. Based on the four responses received, Severn Trent Environmental Services (STES) and CH2M Hill/OMI (OMI) were selected to receive proposals. The City received proposals from STES and OMI on February 10, 2010 and requests for Best and Final Offers were issued to both firms on March 17, 2010. Based on the evaluation of the technical and price proposals, STES was ranked the highest of both firms. Following negotiations of a final contract with STES, Mr. Allgood recommended the award of the five year contract to STES, with the option for STES to renew the contract for an additional three years. If the contract is approved, the contract would go into effect July 1, 2010. Prior to the effective date of the contract STES would interview and evaluate the City's existing employees at the Plant that are interested in working for STES. If the City's existing employees are not interested in working for STES, the employees would have seniority in applying for other vacant positions within the City in accordance with the contract with the United Mine Workers of America (UMWA). If the affected employees are not hired in other City positions by July 1, 2010, the employees would be laid-off and placed on a list for consideration for other City positions.

Councilor Enfield asked about the consideration of City employees by STES. Mr. Allgood said STES will have their Human Resources personnel conduct interviews with the City's existing employees and will provide information to potential employees concerning benefit packages and salaries offered by STES. Councilor Enfield commended Mr. Allgood for his work in bringing the contract to the Mayor and Councilors to consider.

Mayor Mendoza said he read the entire contract and commended Mr. Allgood for his work. Mr. Allgood said the City also contracted with professional consultants who provided guidance during the process.

Councilor Azua asked if there are any anticipated conflicts with the UMWA. Mr. Pederson said the City will provide notice to the UMWA as required under the collective bargaining agreement and there are no provisions in the agreement with UMWA which would allow for any protests or objections to the proposed contract with STES. While there are no guarantees for continued employment for the City's employees at the plant, STES will most likely hire interested City's employees which may open up career opportunities within STES for said employees. Councilor Azua asked if STES will be able to address the odor problem at the Plant. Mr. Allgood said STES has a contractual obligation to operate the Plant properly and will work towards reducing the odor to an acceptable level. Mr. Allgood said the odor at the Plant cannot be totally eliminated without spending large amounts of money to strip the odors.

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Councilor Wall asked about the cost per year to have STES operate and maintain the Plant. Mr. Allgood said cost for operations and maintenance of the Plant will be \$1,116,826.00 with \$150,000 of the total amount specified for maintenance items. If all of the funds are not expended at the end of the year, the funds will be returned to the City. Councilor Wall asked how the contract amount compares to the City's annual costs for operating the Plant itself. Mr. Allgood said based on dollar amounts in the City's fiscal year 2010 budget it would cost \$750 more to enter into the contract with STES. Councilor Wall asked if the City could negotiate further to require STES to hire all of the existing City employees at the Plant. Mr. Allgood said the City negotiated the issue to the furthest extent; however, STES is providing a guarantee to operate the plant in compliance with all environmental laws and will be liable for any compliance issues or associated fines. Mr. Allgood said STES cannot be expected to hire the existing personnel and guarantee compliance with environmental laws. Councilor Wall asked about the provisions of new equipment at the Plant. Mr. Allgood said STES will be responsible for the first \$5,000 for capital purchases and the City will be responsible for capital purchases beyond the first \$5,000. The \$150,000 as previously mentioned will be used for routine maintenance items. Since the City owns the plant, the City will be responsible for major capital improvements; however, STES has provided some equipment and capital improvements in their cost proposal. Councilor Wall asked if the cost of the contract will increase annually. Mr. Allgood said there is a cost escalator included in the contract which is based on 75% of the Consumer Price Index or sewage flow. Councilor Wall asked if STES inspected the Plant. Mr. Allgood said both firms performed on-site inspections of the Plant and obtained the City's reports for their evaluation of the Plant.

The Mayor and Councilors commended Robert Sekiya, Assistant Wastewater Superintendent, and the City's Wastewater personnel for their work in operating and maintaining the Wastewater Treatment Plant.

Following discussion, Councilor Enfield made the motion to approve Consent Agenda Items 1-2. Seconded by Councilor Azua. Roll call: Councilors Enfield, Azua, Landavazo, Wall and Mayor Mendoza all voted aye.

The following Discussion/Action Topic was presented to the Mayor and Councilors:

3. Capital Improvement Projects – R. David Pederson, City Manager

Mr. Pederson said he along with Mrs. Starkovich and Mark Valenzuela of George K. Baum & Company, will travel to San Francisco, California to meet with the City's bond rating firms and underwriting firms. Mr. Pederson said Mr. Valenzuela is very optimistic for the City being able to improve its bond rating due to its strong fiscal condition. The proposed Bond Ordinance will be presented to the Mayor and Councilors at the next Regular Meeting for action.

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Comments by Public on Non-Agenda Items:

Ben Welch, Executive Director, Parks and Recreation Division, asked for the consensus of the Mayor and Councilors to consider a request for street closures for the Run for Wall event to be held on May 20, 2010. Jackie McKinney, coordinator of the event, was involved in an accident and was not able to meet the deadline for the Council Agenda requirements to formally present the request for street closures for the event. Mayor Mendoza asked if the Event Permit Application could be submitted as soon as possible. Mr. Welch said the Application has been submitted; however, the request for the street closures needs to be addressed. If there is consensus to approve the street closures for the event, it will be formally approved at the next Regular Meeting retroactively. It was the consensus of the Mayor and Councilors to allow the street closures in connection with the Run for the Wall event.

Comments by Mayor and City Councilors:

Councilor Wall said the arch sculpture was on the quilt that was presented to the Mayor and Councilors by the Quilters' Guild. He recommended restoring the lights on the arch sculpture and suggested hot air balloons be painted on the existing mural on the wall of City Hall. Mr. Welch said the lights have been restored on the arch sculpture. Mr. Pederson said he will find an artist to paint the hot air balloons on the mural.

Comments by City Manager:

Mr. Pederson reminded the Mayor and Councilors for their recommendations for appointments to the City Council Task Forces. He said Mayor Mendoza has already recommended the appointments of Jackie McKinney, Mark Yoder, Paul McCollum and Ben Chavez to the Major Facilities Task Force. He is currently awaiting recommendations from the Men's and Women's Golf Associations for appointments to the Golf Course Task Force. He asked the Councilors for their recommendations to the remaining Task Forces by the end of the week in order to move forward with the process. Once the appointments have been made to the Task Forces, he recommended holding an informal organizational meeting to determine meeting schedules for public hearings.

Councilor Wall said an elevator could be obtained and installed through the efforts of CARE 66 for the Gallup Joint Utilities building at a cost of about \$60,000, which would result in a substantial cost savings for the City. Mr. Pederson said the equipment that could be obtained from CARE 66 is the cage itself which is only a very minor portion of the costs involved for all of the equipment and installation costs of the project. The facility will require two elevators since the facility contains a barrier wall with two old buildings that was previously welded together. Councilor Wall asked about the costs for the full project. Mr. Pederson said City staff is obtaining a second opinion from another architect and the cost of the project may be several hundreds of thousands of dollars to

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complete. Mr. Pederson also said staff is obtaining a second opinion for the installation of a cooling system at the Fitness Center.

There being no further business, Councilor Azua made the motion to adjourn the meeting. Seconded by Councilor Enfield. Roll call: Councilors Azua, Enfield, Wall, Landavazo, and Mayor Mendoza all voted aye.



Harry Mendoza, Mayor

ATTEST:



Alfred Abeita, City Clerk

Approved 5/25/2010