

Minutes of the Work Session of the Gallup City Council, City of Gallup, New Mexico, held in the Council Chambers at City Hall, 110 West Aztec, at 6:00 P.M. on Tuesday, September 28, 2010.

The meeting was called to order by Mayor Harry Mendoza.

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

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

Mr. Pederson advised that Councilor Enfield is not able to be in attendance due to a family emergency.

Presented to the Mayor and Councilors were the following discussion items:

1. Presentation on the Initial Odor Assessment and Noise Control Plan for the Wastewater Treatment Plant – Dennis Wing, Severn Trent Environmental Services

Lance Allgood, Executive Director, Gallup Joint Utilities, introduced Dennis Wing, Project Manager, Severn Trent Environmental Services.

Mr. Wing provided a power point presentation on the Initial Odor Control Assessment and Noise Control Plan. A copy of said power point presentation is attached hereto and made a part of these official Minutes. Following his presentation, Mr. Wing asked the Mayor and Councilors if they received any recent comments or complaints regarding odor control at the Wastewater Treatment Plant. Councilor Wall said residents from the west side of town have provided positive comments regarding the improvements made in addressing the odor control problem at the Plant. Mr. Pederson said there have been very few complaints concerning odor problems at the Plant during the past few months. Councilor Azua said he received a few comments that the odor is not as noticeable as in previous times. Mr. Wing said there will always be odors from the Plant area due to the sludge that has been deposited on the nearby fields; however, his company will do whatever is necessary to control the odors. Mayor Mendoza asked if the recent moisture helped control the odor from the fields. Mr. Wing said the odors normally appear right after every rainfall; however, the odors have not been offensive. Councilor Landavazo asked about the recommended monitoring equipment for employee safety. Mr. Wing said his company purchased personal hydrogen sulfide

MINUTES

City Council Work Session – 9/28/2010

Page 2

(H₂S) monitors to help employees detect safe and harmful exposure areas. Councilor Landavazo asked about the safety procedures used by employees entering manholes to the City's sewer system. Mr. Wing said employees utilize detectors to measure hydrogen sulfide, oxygen levels, explosive limits and carbon dioxide prior to entering manholes; however, his employees will not enter into the sewage system manholes but will utilize the fall protection and ventilation equipment at the Plant. Mr. Wing also said when employees enter "permit required" confined spaces, a safety check list must always followed. Councilor Wall commended Mr. Wing for his work in improving the odor control problem at the Plant and for providing sufficient safety procedures for the employees at the Plant. Councilor Wall also provided an overview of his own work as a State Representative in getting the Wastewater Treatment Facility Act passed by the State Legislature in 1972. Mr. Pederson said City staff will follow-up with Severn Trent Environmental Services regarding the recommendations and the corrective actions to be made at the Plant.

2. Refunding of the 2004 General Obligation Bonds – R. David Pederson, City Manager/City Attorney

Mayor Mendoza said he asked Kit Caldwell of Southwest Securities, Inc. to examine the possibility of refunding the 2004 General Obligation Bonds. Following Mr. Caldwell's analysis, Mayor Mendoza said it was determined that the possible savings of about \$250,000 could not be used for the City's General Fund.

Mr. Caldwell said the 2004 General Obligation Bonds in the par amount of \$4 million run through 2020 and the existing interest rates of the bonds starting in 2011 would run between 3% to about 4.2%. By refunding the 2004 Bonds under the current market conditions, the interest rates would run from .5% to 2.6%. As Mayor Mendoza indicated, the savings to the taxpayers would be about \$250,000 or \$25,000 per year for the life of the bonds. By refunding the 2004 Bonds would result in a net present value savings of about 6% which is double the recommended minimum savings of 3%.

Councilor Landavazo asked what the savings could be used for if the savings could not be used for the City's budget. Mr. Caldwell said refunding the bonds would reduce the amount of taxes paid by the property owners. Mr. Pederson said refunding the 2004 Bonds would illustrate to the public that the Mayor and Councilors are good stewards of the public's money by helping to reduce the financial burden to the taxpayers. Councilor Landavazo asked if the refunding of the bonds would affect all property owners county wide or if the proposed bond issue would be inclusive to city property owners. Mr. Caldwell and Mayor Mendoza said the proposed bond issue would only benefit city property owners. Mr. Pederson said the 2004 General Obligation Bonds are only secured by city property taxes. Mr. Caldwell also said refunding of the 2004 General Obligation Bonds could not have been connected with the 2010 Gross Receipt

MINUTES

City Council Work Session – 9/28/2010

Page 3

Tax Refunding and Improvement Revenue Bond Issue in June 2010 since both bond issues involve two different revenue streams. Mr. Pederson said City staff will work with Mr. Caldwell and the City's financial advisors to bring the matter before the Mayor and Councilors for action at the next regular meeting.

John Archuleta of George K. Baum & Company said the tax rate for debt service funding is currently \$2.20 per thousand in property taxes. By refunding the 2004 Bonds, the rate would be reduced to under \$2.00 per thousand in property taxes.

The following items that will be considered during the next regular session were presented to the Mayor and Councilors for discussion only:

1. Formal Bid No. 1018; Construction Contract Award for the New Eastside Fire Station – Ron Caviggia, Purchasing Director

Mr. Caviggia presented the bid results for the construction of a new Eastside Fire Station to be located at 3200 Church Rock Drive. He said original estimates for the project were about \$2.2 million and proceeds from the recent bond issue will be used for the project. Based on the bid results, he recommended award of the bid to Kingston Contracting in the amount of \$1,370,232.50.

Councilor Wall asked what will happen to the current Eastside Fire Station once the new building is constructed. Mr. Pederson said the City will exchange the property with the County since the County has requested the old Eastside Fire Station to be used for its Homeland Security operations. Mr. Pederson also said the County expressed interest in the previous Northside Fire Station on Maloney Avenue; however, the Gallup Fire Department is utilizing the facility for its Fire Prevention Bureau and department training. The City would also lose fire fund money if it gave up the previous Northside Fire Station facility. Councilor Wall asked if there were subcontractor listings for this project. Mr. Caviggia responded yes since there are specific statutory requirements for the subcontractors listing which is either \$5,000 or one-half of one percent of the architect's or engineer's estimate. Councilor Wall asked about the amendments for the bid. Mr. Caviggia said addendums for the project may be issued to change the specifications or materials for the project.

Councilor Landavazo asked if the scope of work also includes the demolition of the existing concession stand and construction of a new concession stand with public restrooms at the Indian Hills ball field. Mr. Caviggia said the bid is solely for the construction of the new fire station. Mr. Pederson said since the bid amount was about 1/3 lower than the architect's estimate, he is hopeful the bids for the remaining projects will also come in lower than expected which will result in additional funds to be used for the concession stand project, lighting improvements for recreational facilities and other projects as well.

MINUTES

City Council Work Session – 9/28/2010

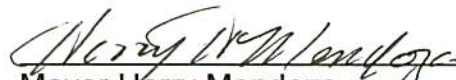
Page 4

3. Annual Write-off of Bad Debts – Judi Starkovich, Executive Director, Administrative Services Division

Mrs. Starkovich presented an overview of the proposed write-off of all outstanding accounts receivable invoices and all terminated utility accounts that are at least four years old and/or bankruptcy cases. She said the City does not forgive the debts as staff is actively working on several of the accounts in hopes of collecting them. The amount of the utility write-off is \$112,400.33 which represents 3.25% of the City's utility sales income. The proposed accounts receivable write-off is \$2,756.77 which represents 1.09% of the total balance as of June 30, 2010.

Mayor Mendoza asked how this year's write-offs compare with the state average. Mrs. Starkovich said the averages presented in previous years were from other utility companies. The proposed write-offs this year are higher than the industry average of 1% of annual sales which are mainly due to bankruptcies. Discussion followed concerning some of the outstanding amounts on the proposed list of write-offs and the City's collection efforts and utility policies. Mr. Pederson said the two month deposit requirement is a way to protect the City from customers defaulting on their utility bills. Councilor Landavazo asked if City staff is being consistent with every residential or commercial customer with regard to the two month deposit requirement. Mrs. Starkovich responded yes since the computer system properly calculates the deposits required for every account. Mr. Pederson said he and Mayor Mendoza usually receive complaints from customers concerning the two month deposit requirement since customers are not willing to pay high deposits for utility service. Councilor Wall asked about the City's overall delinquent utility bills. Mrs. Starkovich estimated the outstanding amount to be about \$1 million in delinquent utility bills. Mr. Pederson also said it does not mean the estimated figure is not collectable since the City has tighten-up its cut-off procedures. Mr. Pederson also said the City's utility ordinance will be revised to conform to state law with regard to the provision of services during the winter months and for customers with documented medical conditions.

Due to time limitations, the Work Session adjourned.



Mayor Harry Mendoza

ATTEST:



Alfred Abeita, City Clerk

Approved 10/14/2010