

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, April 12, 2011.

The meeting was called to order by Mayor Jackie McKinney.

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

Mayor:	Jackie McKinney
Councilors:	Mike Enfield Allan Landavazo E. Bryan Wall
Excused:	Cecil Garcia, Councilor
Also present:	R. David Pederson, City Manager & City Attorney

Mayor McKinney called for a moment of silence for Councilor Garcia's mother, Mercedes Garcia, who passed away over the weekend.

The Mayor and Councilors presented a Proclamation and Certificates of Achievement to the Gallup High School Bengal Girls Dance Team – 2011 New Mexico Class 4A Champions: Anisa Armijo, Alexis Azua, Brooke Duckett, Erin Duckett, Erin Gutierrez, Brittani Herrera, Jasmyn Herrera, Jayde Herrera, Brittany Jimenez, Ashley Kinsel, Bianca Lopez, Julieann Lopez, Tamara Lopez, Teresia Martinez, Shawnia Montano, Alexi Overman, Eryka Paredes, Crystal Purdy, Ashlee Sanchez, Alicia Silva, Sydney Silva, Tinisha Spencer, Lazandra Tabaha, Victoria Trujillo; Head Coach Kristy Tiley and Assistant Coach Val Silva.

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

1. Water Supply Agreement Between the City of Gallup and the Jicarilla Apache Nation – Lance Allgood, Executive Director, Gallup Joint Utilities Division

Mr. Allgood said the officials from the Jicarilla Apache Nation have approved and executed the proposed Agreement. Mr. Allgood presented an overview of the Agreement as follows:

- The Nation will make available for delivery up to 7,500 acre feet of water per year to the City for a period of 40 years from the first date of water delivery to the City;

MINUTES

City Council Work Session – 4/12/2011

Page 2

- Provisions to address water shortages;
- An annual payment of \$30,000 by the City to the Nation as compensation for the lost opportunity for the Nation to market its water prior to delivery to the City;
- An annual Consumer Price Index (CPI) increase capped at 5% after the fifth year of the contract;
- Payment by the City based on the amount of water received in 1,000 gallon increments;
- Payment by the City of a base charge equal to the sum of the price for 3,260 units (approximately 1,000 acre feet) units;
- The base fee shall be paid by the City regardless of the amount of water delivered to the City;
- If deliveries exceed 3,260 units in any year, the sum due to the Nation for delivery on a per unit bases shall be reduced by an amount equal to the difference in actual amounts delivered and the base charge;
- Price of water will be determined one year prior to the delivery of water by the Nation.
- Provision of a market study by an independent third party contractor selected by both the City and the Nation to determine the market price that the City will pay the Nation for water.

Councilor Wall asked if representatives from the federal or state government were involved in the contract negotiations. Mr. Allgood said the state and the federal governments were not involved in the contract negotiations since neither entity is a party in the contract. Since the contract makes reference to the Nation's agreement with the federal government, the federal government will be required to approve the water agreement between the City and the Nation. Councilor Wall asked if the City will be able to recover the annual \$30,000 payments to the Nation once the City takes delivery of the water. Mr. Allgood responded no since the City will need to compensate the Nation for the Nation's lost opportunity to market its water for other purposes until 2024.

Councilor Enfield said commended Mr. Allgood for his work in negotiating the contract.

Councilor Landavazo asked about the location of Reaches 12 and 13. Mr. Allgood said the Reaches are located on the City's end at the Yah-ta-hey junction. Councilor Landavazo asked about the responsibility of the measurement and reconciliation of the delivery of water. Mr. Allgood said the Project Operator will meter the water to the City at the San Juan River. The system will also account for the City's water coming in less the amount of water being delivered out to the Navajo Nation Chapters.

MINUTES

City Council Work Session – 4/12/2011

Page 3

Councilor Wall asked if the pump stations were included in the price of water in the contract. Mr. Allgood responded no since the contract only provides for the cost of the water itself and the pump stations would be covered under an operations contract. Mr. Allgood also said the City will need to enter into a repayment contract with the Bureau of Reclamation to cover the capital costs of the project, which will be presented to the Mayor and Councilors for their consideration within the next few weeks. Councilor Wall asked if specialists from the State could assist the City in negotiating the contracts for the project. Mr. Allgood said the negotiations on the repayment contract with the Bureau of Reclamation are near completion. Mr. Allgood also said the City, the Jicarilla Apache Nation and the Navajo Nation have worked closely together to ensure that each entity's interests are covered.

Councilor Landavazo said the Water Supply Agreement with the Jicarilla Apache Nation is a significant milestone in Gallup's history. Mr. Pederson said the Agreement is also a key component of complying with federal legislation for a 40 year water supply for the project.

Mayor McKinney said the City would begin paying the annual payment of \$30,000 to the Jicarilla Apache Nation until 2024 which is the anticipated completion date of the project. He said if the project is completed in 2020, then the City would not have to pay the annual payment for the four remaining years of the contract. Mr. Allgood concurred as there are provisions in the agreement to prorate the annual payment upon completion of the project. Mayor McKinney said the City's maximum exposure is \$390,000 for the next 13 years to guarantee water rights as specified in the Agreement. Mr. Allgood concurred. Mayor McKinney posed additional questions to Mr. Allgood concerning the City's budget and the payment conditions of the Agreement as well as formal approval of the Agreement by the Secretary of the Interior. Mayor McKinney commended Mr. Allgood for his work in negotiating the Agreement. Mr. Allgood said the federal government has authorized \$180 million for the project with the first \$60 million being made available as early as October 2011 for construction.

2. Proposed Issuance of a Civilian Security Agency License to Johnny Moreno d/b/a Moreno Security Services – Chief Robert Cron, Gallup Police Department

Chief Cron said he conducted an investigation of Mr. Moreno in accordance with City Ordinance. Based on his investigation, Chief Cron recommended approval of the issuance of the license to Mr. Moreno to conduct business as a Civilian Security Agency.

MINUTES

City Council Work Session – 4/12/2012

Page 4

Mayor McKinney asked if Mr. Moreno has already been conducting business. Chief Cron said Mr. Moreno was previously involved with another security business and is now pursuing a separate license to conduct business on his own.

3. Fiscal Year 2010 Audit Report – Judi Starkovich, Executive Director, Administrative Services Division

Mrs. Starkovich asked the Mayor and Councilors for their acceptance of the audit report and to authorize final payment to the City's auditor, Griego Professional Services, LLC, in the amount of \$11,609.50. The total cost of the audit is \$37,450.00. Overall, the City received an unqualified opinion of the City's financial statements which is the best opinion to receive from the auditor. The audit revealed two findings; one dealing with itemized receipts and the second finding, for not submitting the City's audit report to the State Auditor in a timely manner. The late submission of the audit was due to the Housing Authority, which is a component unit of the City, having difficulties with its financial system. Corrective action will be taken by the City to address both findings.

Councilor Wall asked if the Housing Authority's findings will hinder the City's efforts in obtaining grants. Mrs. Starkovich said the findings are separately identified in the audit report and should not affect the City's ability to obtain grants. Mrs. Starkovich recommended assisting the Housing Authority to address its findings since it would ensure future funding for the Housing Authority.

Since the findings of the Housing Authority have been a recurring issue, Councilor Enfield asked if the City could mandate the requirements that need to be met by the Housing Authority. Mr. Pederson said two years ago the Department of Housing and Urban Development (HUD) changed its entire accounting system for public housing authorities which created many difficulties for the Gallup Housing Authority. Regardless of the fact that the City does not control the day to day operations of the Housing Authority, the financial activities of the Housing Authority are part of the City's audit report in accordance with State law. Mr. Pederson said City staff will meet with the Executive Director and the Board of Commissioners of the Housing Authority to offer its assistance in addressing the deficiencies in the financial activities of the Housing Authority. City staff will strongly suggest to the Housing Authority that it should obtain the services of a specialized accountant to restructure their financial system or to contract with or to employ a finance professional to maintain their financial statements and activities. If the adverse financial findings continue, it may jeopardize the Housing Authority's funding status with HUD.

Councilor Landavazo said the findings relating to the Housing Authority was discussed

MINUTES

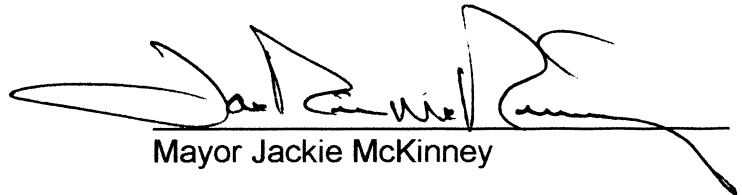
City Council Work Session – 4/12/2011

Page 5

by City officials about six months ago and to date the problem has not been resolved.

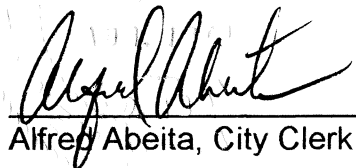
Mayor McKinney said he met with Mr. Pederson and Mrs. Starkovich concerning the status and the financial findings of the Housing Authority. Mayor McKinney said since the City Council appoints the members of the Housing Authority's Board of Commissioners, the Council needs to exercise its authority with the Commissioners to require them to take corrective action and to address the findings. In addressing the problem, Mayor McKinney said the City should offer its guidance to the Housing Authority rather than offering a handout at the City's expense.

There being no further business, the Work Session adjourned.



Mayor Jackie McKinney

ATTEST:



Alfred Abeita, City Clerk

Approved 4/26/2011