

**CITY OF FARMINGTON
CITY COUNCIL WORK SESSION AGENDA
May 17, 2016 – 9:00 a.m.**

DEPARTMENT HEAD REPORTS

1. Employee of the Month Program awards (Employee Council President Kathy Farley)
2. Farmington Electric Utility System – Initiation of a Cost of Service Study (Sue Nipper Greaves and NewGen Strategies and Solutions LLC)

Action Requested of Council:

Information only.

Background/Rationale:

A Cost of Service Study for electric utility rates is routinely obtained every three to five years. The community solar initiative has prompted this study to be obtained at the three year mark.

3. Consideration of Resolution No. 2016-1588 adopting an official preliminary budget for the City of Farmington, New Mexico for Fiscal Year 2017 and requesting state approval (Rob Mayes)-----1

Action Requested of Council:

Adopt Resolution No. 2016-1588.

Background/Rationale:

The attached resolution and DFA (Department of Finance and Administration) recap sheet summarize the City of Farmington's preliminary budget for Fiscal Year 2016-2017.

Staff Recommendation:

Adopt Resolution No. 2016-1588.

Instructions Upon Approval:

The FY2017 preliminary budget will be submitted to DFA for review and approval.

4. Consideration of Resolution No. 2016-1589 approving the fourth revision to the FY16 Budget and requesting State approval (Andy Mason) -----2

Action Requested of Council:

Adopt Resolution No. 2016-1589.

Background/Rationale:

The attached resolution, budget adjustment and recap sheet detail the various revenue and expense accounts requiring adjustment.

Staff Recommendation:

Adopt Resolution No. 2016-1589.

Instructions upon Approval:

The budget adjustment will be submitted to the State Department of Finance and Administration for review and approval.

Budgetary Impact:

Budget Adjustment #4 reflects all necessary revenue and expense budget adjustments.

5. Open meetings resolution setting and establishing a regular meeting day, time and place for City Council Work Sessions pursuant to City Council Resolution No. 2013-1466 (Jennifer Breakell) -----3

6. Proposed ordinance authorizing the execution and delivery of a Loan and Subsidy Agreement ("Loan Agreement") between the City and the New Mexico Finance Authority, evidencing a special limited obligation of the City to pay a principal amount of no more than \$2,448,240, together with interest, expenses and administrative fees, and to accept a loan subsidy of no more than \$816,080, for the purpose of financing the costs of a water system improvement project; providing for the payment of the principal of, administrative fees and interest due under the Loan Agreement solely from the net revenues of the City's water system; setting an interest rate for the loan; approving the form of and other details concerning the Loan Agreement; ratifying actions taken; repealing all action inconsistent with this ordinance; and authorizing the taking of other actions in connection with the execution and delivery of the Loan Agreement (Jennifer Breakell and David Sypher) -----4

Action Requested of Council:

Grant permission to publish Notice of Proposed Ordinance.

Background/Rationale:

The 2P Waterline Project is currently programed in phases in the City's five year Capital Improvement Plan in conjunction with the adopted Infrastructure Capital Improvement Plan, ranking as the number two project.

In May 2015, Public Works submitted a Project Interest Form at the request of the New Mexico Environment Department ("NMED") for the Drinking Water State Revolving Loan Fund Program. On June 26, 2015, the Public Works Department was notified that the project for the replacement of water lines was ranked 5th and qualified only for a \$80,000 grant match, which was

determined to not be advantageous to the City. On July 31, 2015, New Mexico Finance Authority ("NMFA") responded to the City with a minimum grant potential of \$500,000 and the ability to phase the project with each phase being eligible for additional funds in subsequent years.

On August 11, 2015, the Council approved Resolution No. 2015-1569 along with the non-binding project application for the funding through a loan/grant for \$3.2 million from NMFA through the Drinking Water State Revolving Loan Fund Program through the Drinking Water Bureau. The loan will be administered by NMFA in the amount of \$3.2 million with an interest rate of 2 percent over 20 years with a proposed 15 to 25 percent forgiveness of principal. On September 17, 2015, the Public Works Department was advised by NMFA that the project would receive a subsidy of 25 percent forgiveness (\$800,000) on the proposed 2P Waterline Project - Phase I. The amortized payment is proposed to be provided within the planned and budgeted renewal and replacement (R&R) revenue at approximately \$150,000 per year.

On December 15, 2015, the Council authorized the Mayor to sign Binding Commitment Letter DW 3397 and any future paperwork required by NMFA to complete the loan process for the 2P Waterline Project.

The subject ordinance authorizes the execution and delivery of a Loan and Subsidy Agreement for the project.

Project Description:

NMFA, through the Drinking Water Revolving Loan Fund, has approved the City of Farmington's application to replace approximately 9,300 lineal feet of antiquated and undersized pipeline at an estimated \$3.2 million for Phase 1.

This improvement to the aging water infrastructure is one of many phased improvements to the City of Farmington potable water system. The City grew rapidly in the decade of the 1950's with the population expanding from approximately 3,600 to more than 23,000; with that rapid expansion came installation of many miles of sewer and water lines. While many of these older utility lines have since been replaced, many more remain in the system and are either undersized, nearing their 50-year life expectancy or both. The tuberculated cast iron waterlines are restricting the effective inside diameter and thus the capacity. To meet growing demands on the system and to improve water quality and fire suppression capabilities in south Farmington, the project will also upsize the pipeline. The City has adopted water and sewer rate changes and implemented a new, essential "renewal and replacement (R&R)" charge for the purpose of funding an aggressive replacement program for this aging infrastructure. Nevertheless, it is apparent the scale of the replacements needed would be greatly assisted with grant funds over the next ten years augmenting the projected R&R revenues.

The Murray Drive 2P Waterline is a three phased project. Phase 1 extends from Camina Flora on Highway 64 to Sandstone Avenue and

North on Sandstone Avenue to Southside River Road. Phase 1 comprises about 9,300 lineal feet of pipeline. The total project cost estimate for all three phases is \$8.2 million.

Staff Recommendation:

Grant permission to publish Notice of Proposed Ordinance.

Instructions Upon Approval:

Proceed with publication of Notice of Proposed Ordinance with final action being scheduled for June 14, 2016.

Budgetary Impact:

This project is accounted for in the proposed Fiscal Year 2017 Water Fund budget and Capital Improvement Plan.

- 7. Bid for purchase of switchgear for 20th Street (Kristi Benson) -----5

Action Requested of Council:

Approve recommendation for award.

Background/Rationale:

Bids for purchase of switchgear for 20th Street (Electric) will be opened on May 16, 2016. This is a rush order for equipment needed for the 20th Street project.

Staff Recommendation:

A recommendation will be made from the floor by the Acting Chief Procurement Officer.

COUNCIL BUSINESS

AGENDA ITEM SUPPORT MATERIALS ARE AVAILABLE FOR INSPECTION AND/OR PURCHASE AT THE OFFICE OF THE CITY CLERK, 800 MUNICIPAL DRIVE, FARMINGTON, NEW MEXICO.

ATTENTION PERSONS WITH DISABILITIES: The meeting room and facilities are fully accessible to persons with mobility disabilities. If you plan to attend the meeting and will need an auxiliary aid or service, please contact the City Clerk's Office at 599-1106 or 599-1101 prior to the meeting so that arrangements can be made.

RESOLUTION NO. 2016-1588

A RESOLUTION ADOPTING AN OFFICIAL PRELIMINARY BUDGET FOR THE CITY OF FARMINGTON, NEW MEXICO FOR THE FISCAL YEAR 2017 AND REQUESTING STATE APPROVAL

WHEREAS, the Governing Body of the City of Farmington, a municipal corporation and political subdivision formed and existing under the laws of the State of New Mexico, has developed a preliminary budget for Fiscal Year 2017; and

WHEREAS, said budget was developed on the basis of need, with cooperation from all user departments and elected officials, and with public input accepted at one separate open forum meeting; and

WHEREAS, the official meetings for the review of said documents were duly published and held in compliance with the State Open Meetings Act; and

WHEREAS, it is the majority opinion of the City Council of the City of Farmington that the proposed preliminary budget, containing an estimated beginning cash balance of \$100,884,646 with a total revenue projection of \$231,018,565, a total expenditure projection of \$257,241,115 and an estimated ending cash balance of \$74,662,096 meets the City's budgetary requirements as preliminarily determined for Fiscal Year 2017; and

WHEREAS, it is necessary to submit this budget to the New Mexico Department of Finance and Administration by June 1, 2016 for review and approval;

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Governing Body of the City of Farmington, State of New Mexico, hereby adopts the FY2017 Preliminary Budget herein above described and requests approval from the Local Government Division of the Department of Finance and Administration.

PASSED, SIGNED, APPROVED AND ADOPTED this 17th day of May, 2016.

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Smylie, City Clerk

(A) PROPERTY TAX CATEGORY	(B) ESTIMATED VALUATIONS	(C) OPERATING TAX RATE	(D) TOTAL PRODUCTION [C X D]	FOR LOCAL GOVERNMENT USE:
RESIDENTIAL	722,204,327	0.001410	1,018,308	
NON-RESIDENTIAL	390,537,032	0.002225	868,945	
OIL & GAS PRODUCTION	7,203,412	0.002225	16,028	
OIL & GAS EQUIPMENT	1,232,889	0.002225	2,743	
COPPER			-	
Collection Rate			96.65%	
TOTAL PRODUCTION			1,842,174	

(E) FUND TITLE	(F) FUND NUMBER	(G) (UNAUDITED) ESTIMATED BEGINNING BALANCE	(H) BUDGETED REVENUES	(I) BUDGETED TRANSFERS	(J) BUDGETED EXPENDITURES	(K) ESTIMATED ENDING FUND CASH BALANCE	(L) LOCAL RESERVES UNAVAILABLE FOR BUDGETING	(M) ADJUSTED ENDING CASH RESERVES
General Fund	101	13,554,745	51,498,604	4,805,018	59,303,622	10,554,745	4,941,969	5,612,777
GRT-Streets	201	4,575,172	7,883,111	(68,275)	11,797,513	592,495		592,495
GRT-Parks	202	891,919	2,430,264	-	3,278,334	43,849		43,849
Parks Development Fees	211	383,440	8,000		75,000	316,440		316,440
Library Gifts and Grants	213	298,800	102,200		75,000	326,000		326,000
PRCA Gifts and Grants	214	383,127	454,415	-	487,648	349,894		349,894
Museum Gifts and Grants	217	161,857	80,500		136,100	106,257		106,257
Red Apple Transit Grant	221	2,818	1,105,746	432,540	1,538,286	2,818		2,818
General Governmental Grants	222	(166,829)	760,165	58,144	651,480	0		0
CDBG Grant	223	128,374	521,034	-	649,408	(0)		(0)
Lodgers Tax	230	316,930	1,285,500	-	1,363,991	238,439		238,439
Convention Center Fee	231	800,500	802,000	(173,832)	-	1,428,668		1,428,668
State Police Protection	240	-	108,650		108,650	-		-
Region II Narcotics	246	(194,661)	595,081	30,000	430,419	1		1
COPS Grant	248	100,091	201,854	86,579	388,433	91		91
Law Enforcement Block Grant	249	(0)	37,153		37,153	(0)		(0)
State Fire	250	-	596,608	(162,206)	310,032	124,370		124,370
Penalty Assessment	251	12,229	155,150		155,000	12,379		12,379
Community Dev. Grant Projects	401	333,156	5,789,766	962,537	6,640,460	444,999		444,999
General Gov'n't Fund 408	408	1,341,070	35,000	-	1,317,358	58,712		58,712
Airport Grants	409	40,110	1,491,481	8,002	1,539,593	(0)		(0)
MRA	411	1,320,984	8,000	-	300,000	1,028,984		1,028,984
Convention Center Capital Project	415	188	-	173,832	174,020	0		0
Sales Tax Bond Retirement	501	207,429	5,000	1,628,769	1,628,769	212,429		212,429
Electric Enterprise	601	54,549,971	101,797,377	(5,339,808)	105,572,941	45,434,599	17,556,218	27,878,381
Water Enterprise	602	10,763,179	20,037,123	(837,068)	24,173,683	5,789,551		5,789,551
Wastewater Enterprise	603	6,531,895	17,397,631	(404,232)	19,424,381	4,100,913		4,100,913
Sanitation Enterprise	604	2,479,357	6,036,152	(1,200,000)	5,952,426	1,363,083		1,363,083
Health Insurance	701	2,068,796	9,795,000	-	9,731,415	2,132,381		2,132,381
Grand Total		100,884,646	231,018,565	-	257,241,115	74,662,096	22,498,187	52,163,909

City of Farmington
FY2017 Preliminary Budget

Changes to Preliminary Budget From Initial Proposed Budget

	Fund	Amount
All City of Farmington Revenue Initially Reported		248,116,123
Wildland Seasonal Firefighters	101	64,591
State Police Protection Grant Actual Award Received	240	(600)
RegionII Narcotics Task Force Grant Revenue Adjustment	246	1,493
COPS Grant Revenue Adjustment	248	3,437
Total Adjusted Revenue		248,185,044
All City of Farmington Expenditure Initially Reported		274,338,391
Wildland Seasonal Firefighters	101	64,591
State Police Protection Grant Actual Award Received	240	(600)
RegionII Narcotics Task Force Grant Adjustment	246	1,492
COPS Grant/Match Adjustment	248	3,720
Total Adjusted Expenditure		274,407,594
Net Change		(282)

City of Farmington
 Budget Evaluation - General Fund
 FY2016 Adjusted Budget Compared to FY2017 Preliminary Budget

REVENUE

5/12/2016

	FY2016 Adjusted Budget	FY2017 Preliminary Budget	Variance	% Variance
a) Gross Receipt Tax	40,371,865	36,062,502	(4,309,363)	(10.67%)
a) Gross Receipt Tax-Hold Harmless 1/4th% Increment	-	4,359,755	4,359,755	
b) Property Taxes	1,807,102	1,842,172	35,070	1.94%
c) Electric Dividend	5,629,584	5,344,776	(284,808)	(5.06%)
d) Other Revenue	10,293,765	10,470,507	176,742	1.72%
e) 408 Fund Transfer	3,000,000	3,000,000	-	0.00%
Total Revenue	61,102,316	61,079,712	(22,604)	(0.04%)
408 Transfer	(3,000,000)	(3,000,000)	-	
Total Revenue (net of 408 Transfer)	\$ 58,102,316	\$ 58,079,712	\$ (22,604)	(0.04%)

EXPENDITURE

a) Salaries & Benefits	46,840,450	47,356,781	516,331	1.10%
b) Operating	19,394,719	19,031,777	(362,942)	(1.87%)
c) Capital	282,401	268,437	(13,964)	(4.94%)
d) Transfers	(6,581,879)	(6,738,108)	(156,229)	2.37%
d) Transfers-CRT	5,851,480	3,000,000	(2,851,480)	(48.73%)
e) Debt Service	1,166,625	1,160,825	(5,800)	(0.50%)
Total Expenditures	66,953,796	64,079,712	(2,874,084)	(4.29%)
	(5,851,480)	(3,000,000)	2,851,480	(48.73%)
Total Expenditure (net of Cash Reserve Transfer)	\$ 61,102,316	\$ 61,079,712	\$ (22,604)	(0.04%)

Total Revenue-Total Expenditures	\$ (5,851,480)	\$ (3,000,000)	\$ 2,851,480	(48.73%)
Total Revenue (net of 408 Transfer)-Total Expenditure(net of CRT)	\$ -	\$ -	\$ -	-

RESOLUTION NO. 2016-1589

A RESOLUTION APPROVING THE FOURTH REVISION TO THE FY2016 BUDGET
AND REQUESTING STATE APPROVAL

WHEREAS, the City Council of the City of Farmington hereby finds that it is necessary and proper to make this fourth revision to the City's FY2016 budget due to various revenue and expense budget adjustments; and

WHEREAS, revenue will be increased by \$361,782 for a total revenue budget of \$225,944,441 and expenditures will increase by \$401,767 for a total expenditure budget of \$253,299,857; and

WHEREAS, the City has sufficient financial resources to fund this revision; and

WHEREAS, it is necessary to submit these budget adjustments to the New Mexico Department of Finance and Administration for review and approval.

NOW THEREFORE, BE IT RESOLVED by the Governing Body of the City of Farmington:

That the attached fourth revision to the City of Farmington's FY2016 Budget is hereby approved; and

That a copy of this Resolution and the approved budget revision shall be forwarded to the Department of Finance and Administration for state review and approval.

PASSED, SIGNED, APPROVED AND ADOPTED this 17th day of May, 2016.

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Smylie, City Clerk

DFA
FUND FUND

FUND	FUND	PROGRAM/PROJECT	DEPT./DIVISION	ACCOUNT #	REVENUE	EXPENDITUR
299	231	Convention Center Fee Fund Transfer to Convention Center Capital Projects Fund	CONVENTION CENTER FEE FUND	231-3550-451.82-30		22,0
300	415	Transfer from Convention Center Fee Fund	CONVENTION CENTER FEE CAPITAL PROJECTS FUND	415-0000-391-85-00	22,000	
300	415	Property Improvements and design to the Civic Center	CONVENTION CENTER FEE CAPITAL PROJECTS FUND	415-3550-451.XX-XX		20,4
					<u>22,000</u>	<u>42,4</u>

Adjust Convention Center Fee Capital Projects Fund budgeted expenditures to include demolition of existing buildings, paving of the Arlington parking lot, and the new Civic Center design. The capital projects are funded by the Convention Center Fee accounted for in the 231 special revenue fund.

101	101	Charges for Services- Outside Agency	GENERAL FUND	101-0000-348.10-00	184,000	
101	101	Fleet Billing Adjustment - Inside Labor	GENERAL FUND	101-xxxx-411.xx-xx		194,2
					<u>184,000</u>	<u>194,2</u>

Vehicle Maintenance Accounting Procedural Change.

299	213	Farmington GO Bond Grant and Donation Revenue	LIBRARY GIFTS AND GRANTS	213-0000-3XX.XX-XX	81,476	
299	213	Farmington GO Bond Grant Expenditures	LIBRARY GIFTS AND GRANTS	213-1515-412.XX-XX		90,7
					<u>81,476</u>	<u>90,7</u>

To adjust Library GO Bond revenue and expenditures to actual award amounts. In addition, budget expenditures related to additional donations collected.

500	601	Electric Utility over-estimate of Safety Division cost allocation to the General Fund	ELECTRIC UTILITY	601-6005-551.81-96		57,7
500	101	Electric Utility over-estimate of Safety Division cost allocation to the General Fund	GENERAL FUND	101-0000-391.50-02	57,794	
500	601	Electric Utility under-estimate of Safety Division cost allocation to the Water & Wastewater Utility Funds	ELECTRIC UTILITY	601-0000-391.XX-XX	16,512	
500	602	Electric Utility under-estimate of Safety Division cost allocation to the Water Utility Funds	WATER UTILITY	602-5505-651.81-10		8,2
500	603	Electric Utility under-estimate of Safety Division cost allocation to the Wastewater Utility Funds	WASTEWATER UTILITY	603-5535-751.81-10		8,2
					<u>74,306</u>	<u>74,3</u>

The Safety Division operations, which provides services to the General Fund and the Electric, Water, and Wastewater Utility Funds, was moved to the Electric Utility in FY2014. At that time, an estimated amount was determined for the cost allocation reimbursing the Electric Utility for General Fund, Water Utility, and Wastewater Utility's share of the Safety Division expenditures. This transfer adjusts the estimated cost allocation amount to the actual expenditures incurred by each fund.

RESOLUTION

A RESOLUTION SETTING AND ESTABLISHING A REGULAR MEETING DAY, TIME AND PLACE FOR THE CITY COUNCIL WORK SESSION PURSUANT TO CITY COUNCIL RESOLUTION NO. 2013-1466 AS RATIFIED

WHEREAS, pursuant to the provisions of Resolution No. 2013-1466 as ratified, each board, commission, committee or other policy making body of the City of Farmington which holds regular meetings shall annually establish a regular meeting day, time and place; and

WHEREAS, the City Council of the City of Farmington has determined and does recommend that the regular meeting day, time and place of the City Council Work Session of the City of Farmington and the location where a copy of the agenda of such meetings may be obtained shall be as set forth in this resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FARMINGTON:

That the regular meeting day, time and place of the City Council Work Session of the City of Farmington shall be held on the third Tuesday of each month at 9:00 a.m. All meetings are held in the Executive Conference Room, Municipal Building, 800 Municipal Drive, Farmington, New Mexico and the location where a copy of the agenda of the regular meeting may be inspected seventy-two (72) hours in advance of such meeting shall be at the City Clerk's Office, Municipal Building, 800 Municipal Drive, Farmington, New Mexico.

PASSED, SIGNED, APPROVED and ADOPTED this _____ day of May, 2016.

By _____
Tommy Roberts, Mayor

ORDINANCE NO. 2016-XXXX

AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AND SUBSIDY AGREEMENT ("LOAN AGREEMENT") BY AND BETWEEN THE CITY OF FARMINGTON, NEW MEXICO (THE "GOVERNMENTAL UNIT") AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL UNIT TO PAY A PRINCIPAL AMOUNT OF NO MORE THAN \$2,448,240, TOGETHER WITH INTEREST, EXPENSES, IF ANY, AND ADMINISTRATIVE FEES THEREON, AND TO ACCEPT A LOAN SUBSIDY OF NO MORE THAN \$816,080, FOR THE PURPOSE OF FINANCING THE COSTS OF A WATER SYSTEM IMPROVEMENT PROJECT; PROVIDING FOR THE PLEDGE AND PAYMENT OF THE PRINCIPAL OF, ADMINISTRATIVE FEES AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE NET REVENUES OF THE GOVERNMENTAL UNIT'S WATER SYSTEM; SETTING AN INTEREST RATE FOR THE LOAN; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS ORDINANCE; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT.

Capitalized terms used in the following recitals have the same meaning as defined in Section 1 of this Ordinance, unless the context requires otherwise.

WHEREAS, the Governmental Unit is a legally and regularly created, established, organized and existing municipality under the general laws of the State; and

WHEREAS, the Governing Body has determined and hereby determines that the Project may be financed with amounts borrowed under the Loan Agreement and that it is in the best interest of the Governmental Unit and the public it serves that the Loan Agreement be executed and delivered and that the financing of the construction of the Project take place by executing and delivering the Loan Agreement; and

WHEREAS, the Governing Body has determined that it may lawfully pledge the Pledged Revenues for the payment of amounts due under the Loan Agreement; and

WHEREAS, other than as described in Exhibit "A" to the Loan Agreement, the Pledged Revenues have not heretofore been pledged to secure the payment of any obligation which is currently outstanding; and

WHEREAS, there have been presented to the Governing Body, and there presently are on file with the City Clerk, this Ordinance and the form of the Loan Agreement; and

WHEREAS, the Governing Body hereby determines that the Project to be financed by the Loan Agreement is to be used for governmental purposes of the Governmental Unit; and

WHEREAS, all required authorizations, consents and approvals in connection with (i) the use and pledge of the Pledged Revenues to the Finance Authority (or its assigns) for the payment of amounts due under the Loan Agreement, (ii) the use of the proceeds of the Loan Agreement to finance the Project, and (iii) the authorization, execution and delivery of the Loan Agreement, which are required to have been obtained by the date of the Ordinance have been obtained or are reasonably expected to be obtained prior to the Closing Date.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF FARMINGTON, SAN JUAN COUNTY, NEW MEXICO:

Section 1. Definitions. Capitalized terms defined in this Section 1 shall, for all purposes, have the meaning herein specified, unless the context clearly requires otherwise (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Administrative Fee" or "Administrative Fee Component" means the 0.25% annual fee payable to the Finance Authority as 0.125% of the Loan Agreement Principal Amount then outstanding as a part of each Loan

Agreement Payment for the costs of originating and servicing the Loan, as shown in the Final Loan Agreement Payment Schedule.

"Aggregate Disbursements" means, at any time after the Closing Date, the sum of all Disbursements.

"Aggregate Forgiven Disbursements" means the amount of Subsidy provided in the form of principal forgiveness, and shall at any time after the Closing Date be equal to the product of the Subsidy times the Aggregate Disbursements, up to the Maximum Forgiven Principal.

"Aggregate Repayable Disbursements" means, at any time after the Closing Date, the Aggregate Disbursements less the Aggregate Forgiven Disbursements.

"Approved Requisition" means a requisition in the form of Exhibit "C" to the Loan Agreement, together with supporting documentation submitted to and approved by the Finance Authority pursuant to Section 4.2 of the Loan Agreement.

"Authorized Officers" means the Mayor, Public Works Director, City Manager and City Clerk of the Governmental Unit.

"Bonds" means drinking water state revolving loan fund revenue bonds, if any, issued hereafter by the Finance Authority and related to the Loan Agreement and the Loan Agreement Payments.

"Closing Date" means the date of execution, delivery and funding of the Loan Agreement authorized by this Ordinance.

"DWSRLF Act" means the general laws of the State, particularly the Drinking Water State Revolving Loan Fund Act, NMSA 1978, §§ 6-21A-1 through 6-21A-9, as amended; NMSA 1978, §§ 3-31-1 through 3-31-12, as amended; and enactments of the Governing Body relating to this Ordinance including the Loan Agreement.

"Debt Service Account" means the debt service account established in the name of the Governmental Unit and administered by the Finance Authority to pay the Loan Agreement Payments under the Loan Agreement as the same become due.

"Disbursement" means an amount caused to be paid by the Finance Authority for an Approved Requisition for costs of the Project, including the Expense Fund Component.

"Drinking Water State Revolving Loan Fund" means the drinking water state revolving loan fund established by the DWSRLF Act.

"Environmental Protection Agency" means the Environmental Protection Agency of the United States.

"Expense Fund" means the expense fund hereby created to be held and administered by the Finance Authority to pay Expenses.

"Expense Fund Component" means an amount equal to one percent (1%) of each Disbursement for the Project, minus any amount forgiven under the Loan Agreement, simultaneously withdrawn and deposited in the Expense Fund to pay Expenses.

"Expenses" means the Finance Authority's costs of issuance of the Loan Agreement and the Bonds, if any, and periodic and regular fees and expenses incurred by the Finance Authority in administering the Loan Agreement, including legal fees.

"Final Requisition" means the final requisition of moneys to be submitted by the Governmental Unit, which shall be submitted by the Governmental Unit on or before the date provided for in Section 4.1(b) of the Loan Agreement.

"Final Loan Agreement Payment Schedule" means the schedule of Loan Agreement Payments due on the Loan Agreement following the Final Requisition, as determined on the basis of the Aggregate Repayable Disbursements.

"Finance Authority" means the New Mexico Finance Authority, created by the New Mexico Finance Authority Act, NMSA 1978, §§ 6-21-1 through 6-21-31, as amended.

"Fiscal Year" means the period commencing on July 1 of each calendar year and ending on the last day of June of the next succeeding calendar year, or any other twelve-month period which any appropriate authority may hereafter establish for the Governmental Unit as its fiscal year.

"Governing Body" means the duly organized City Council of the Governmental Unit and any successor governing body of the Governmental Unit.

"Governmental Unit" means the City of Farmington, San Juan County, New Mexico.

"Gross Revenues" means all income and revenues directly or indirectly derived by the Governmental Unit from the operation and use of the System, or any part of the System, for any particular Fiscal Year period to which the term is applicable, and includes, without limitation, all revenues received by the Governmental Unit, or any municipal corporation or agency succeeding to the rights of the Governmental Unit, from the System and from the sale and use of water services or facilities, or any other service, commodity or facility or any combination thereof furnished by the System.

Gross Revenues do not include:

(a) Any money received as (i) grants or gifts from the United States of America, the State or other sources or (ii) the proceeds of any charge or tax intended as a replacement therefore or other capital contributions from any source which are restricted as to use;

(b) Gross receipts taxes, other taxes and/or fees collected by the Governmental Unit and remitted to other governmental agencies; and

(c) Condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption.

"Herein," "hereby," "hereunder," "hereof," "hereinabove" and "hereafter" refer to this entire Ordinance and not solely to the particular section or paragraph of this Ordinance in which such word is used.

"Interest Component" means the portion of each Loan Agreement Payment paid as interest accruing on the Aggregate Repayable Disbursements then outstanding, calculated from the date of each Disbursement.

"Interest Rate" means the rate of interest on the Loan Agreement as shown on the Term Sheet.

"Loan" means the funds to be loaned to the Governmental Unit by the Finance Authority pursuant to the Loan Agreement, up to the Maximum Principal Amount.

"Loan Agreement" means the loan and subsidy agreement and any amendments or supplements thereto, including the exhibits attached to the loan agreement.

"Loan Agreement Payment" means, collectively, the Principal Component, the Interest Component, Expenses, and the Administrative Fee Component to be paid by the Governmental Unit as payment on the Aggregate Repayable Disbursements under the Loan Agreement, as shown on Exhibit "B" thereto.

"Loan Agreement Principal Amount" means, as of any date of calculation, the Aggregate Repayable Disbursements (including the Expense Fund Component), up to the Maximum Repayable Amount.

"Maximum Forgiven Principal" means the maximum amount of loan subsidy available in the form of principal forgiveness, which is equal to seventy-five percent (75%) of the Maximum Principal Amount. The Maximum Forgiven Principal is \$816,080.

"Maximum Repayable Principal" means the maximum amount of Aggregate Repayable Disbursements repayable by the Governmental Unit pursuant to the Loan Agreement, and is equal to the Maximum Principal Amount less the Maximum Forgiven Principal. The Maximum Repayable Principal is \$2,448,240.

"Maximum Principal Amount" means \$3,264,320.

"NMSA" means the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented from time to time.

"Net Revenues" means the Gross Revenues of the System owned and operated by the Governmental Unit minus Operation and Maintenance Expenses of the System, indirect charges, amounts expended for capital replacements and repairs of the System, required set asides for debt and replacement requirements and any other payments from the gross revenues reasonably required for operation of the System.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the System, for any particular Fiscal Year or period to which such term is applicable, paid or accrued, related to operating, maintaining and repairing the System, including, without limiting the generality of the foregoing:

(a) Legal and overhead expenses of the Governmental Unit directly related and reasonably allocable to the administration of the System;

(b) Insurance premiums for the System, including, without limitation, premiums for property insurance, public liability insurance and workmen's compensation insurance, whether or not self-funded;

(c) Premiums, expenses and other costs (other than required reimbursements of insurance proceeds and other amounts advanced to pay debt service requirements on System bonds) for credit facilities;

(d) Any expenses described in this definition other than expenses paid from the proceeds of System bonds;

(e) The costs of audits of the books and accounts of the System;

(f) Amounts required to be deposited in any rebate fund;

(g) Salaries, administrative expenses, labor costs, surety bonds and the cost of water, materials and supplies used for or in connection with the current operation of the System; and

(h) Any fees required to be paid under any operation, maintenance and/or management agreement with respect to the System.

Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, franchise fees payable or other transfers to the Governmental Unit's general fund, liabilities incurred by the Governmental Unit as a result of its negligence or other misconduct in the operation of the System, any charges for the accumulation of reserves for capital replacements or any Operation and Maintenance Expenses payable from moneys other than Gross Revenues.

"Ordinance" means this Ordinance No. ____ adopted by the Governing Body of the Governmental Unit on June 14, 2016, approving the Loan Agreement and pledging the Pledged Revenues to the payment of the Loan Agreement Payments as shown on the Term Sheet and the Final Loan Agreement Payment Schedule, as supplemented from time to time in accordance with the provisions hereof.

"Parity Obligations" means any obligations of the Governmental Unit under the Loan Agreement and any other obligations now outstanding or hereafter issued or incurred, payable from or secured by a pledge of the Pledged Revenues and issued with a lien on the Pledged Revenues on a parity with the Loan Agreement, including any such obligations shown on the Term Sheet.

"Pledged Revenues" means the Net Revenues.

"Project" means the project described in the Term Sheet.

"Senior Obligations" means any bonds or other obligations of the Governmental Unit now outstanding or hereafter issued or incurred, payable from or secured by a pledge of the Pledged Revenues and issued with a lien on the Pledged Revenues superior to the lien created by the Loan Agreement, including any such obligations shown on the Term Sheet.

"State" means the State of New Mexico.

"Subordinated Obligations" means any bonds or other obligations of the Governmental Unit now outstanding or hereafter issued or incurred with a lien on the Pledged Revenues subordinate to the lien created by the Loan Agreement and subordinate to any other outstanding Parity Obligations having a lien on the Pledged Revenues, including any such obligations shown on the Term Sheet.

"Subsidy" means the subsidy in the form of principal forgiveness for the Governmental Unit, to be applied proportionally at the time of each Disbursement to the Governmental Unit, being seventy-five (75%) of such Disbursement.

"System" means the public utility designated as the Governmental Unit's water system, and all improvements or additions thereto, including additions and improvements to be acquired or constructed with the proceeds of this Loan Agreement.

"Term Sheet" means Exhibit "A" to the Loan Agreement.

"Unrequisitioned Principal Amount" means the amount, if any, by which the Maximum Principal Amount exceeds the Aggregate Disbursements at the time the Governmental Unit submits the certificate of completion required pursuant to Section 6.3 of the Loan Agreement.

Section 2. Ratification. All action heretofore taken (not inconsistent with the provisions of this Ordinance) by the Governing Body and officers of the Governmental Unit directed toward the acquisition and completion of the Project, and the execution and delivery of the Loan Agreement shall be, and the same hereby is, ratified, approved and confirmed.

Section 3. Authorization of the Project and the Loan Agreement. The acquisition and completion of the Project and the method of financing the Project through execution and delivery of the Loan Agreement are hereby authorized and ordered. The Project is for the benefit and use of the Governmental Unit.

Section 4. Findings. The Governmental Unit hereby declares that it has considered all relevant information and data and hereby makes the following findings:

A. Moneys available and on hand for the Project from all sources other than the Loan Agreement are not sufficient to defray the cost of acquiring and constructing the Project.

B. The Pledged Revenues may lawfully be pledged to secure the payment of amounts due under the Loan Agreement.

C. It is economically feasible and prudent to defray, in whole or in part, the costs of the Project by the execution and delivery of the Loan Agreement.

D. The Project and the execution and delivery of the Loan Agreement in the Maximum Principal Amount pursuant to the DWSRLF Act to provide funds for the financing of the Project are necessary or advisable in the interest of the public health, safety, and welfare of the residents and the public served by the Governmental Unit.

E. The Governmental Unit will acquire and construct the Project, in whole or in part, with the net proceeds of the Loan.

F. Other than as described in Exhibit "A" to the Loan Agreement, the Governmental Unit does not have any outstanding obligations payable from Pledged Revenues which it has incurred or will incur prior to the initial execution and delivery of the Loan Agreement.

G. The net effective interest rate on the Maximum Repayable Amount does not exceed the current market rate, which is the maximum rate permitted by federal law.

Section 5. Loan Agreement - Authorization and Detail.

A. Authorization. This Ordinance has been adopted by the affirmative vote of at least a two-thirds majority of the Governing Body. For the purpose of protecting the public health, conserving the property, and protecting the general welfare and prosperity of the public served by the Governmental Unit and acquiring and constructing the Project, it is hereby declared necessary that the Governmental Unit, pursuant to the DWSRLF Act, execute and deliver the Loan Agreement evidencing a special limited obligation of the Governmental Unit to pay a principal amount of \$2,448,240 and interest thereon, and to accept a loan subsidy in the amount of \$816,080 and the execution and delivery of the Loan Agreement is hereby authorized. The Governmental Unit shall use the proceeds of the Loan and Subsidy (i) to finance the acquisition and completion of the Project and (ii) to pay the Administrative Fee and Expenses of the Loan Agreement and the costs of issuance of the Bonds, if any. The Project will be owned by the Governmental Unit.

B. Detail. The Loan Agreement shall be in substantially the form of the Loan Agreement presented at the meeting of the Governing Body at which this Ordinance was adopted. The Loan shall be in an amount not to exceed the Maximum Principal Amount of \$3,264,320. The Loan Agreement Principal Amount shall be payable in installments of principal due on May 1 of the years designated in the Final Loan Agreement Payment Schedule and bear interest payable on May 1 and November 1 of each of the years designated in the final Loan Agreement Payment Schedule, at the rates designated in the Loan Agreement, including Exhibit "A" thereto, which rates include the Administrative Fee.

Section 6. Approval of Loan Agreement. The form of the Loan Agreement as presented at the meeting of the Governing Body at which this Ordinance was adopted is hereby approved. Authorized Officers are hereby individually authorized to execute, acknowledge and deliver the Loan Agreement with such changes, insertions and omissions as may be approved by such individual Authorized Officers, and the City Clerk is hereby authorized to affix the seal of the Governmental Unit on the Loan Agreement and attest the same. The execution of the Loan Agreement by an Authorized Officer shall be conclusive evidence of such approval.

Section 7. Special Limited Obligation. The Loan Agreement shall be secured by the pledge of the Pledged Revenues as set forth in the Loan Agreement and shall be payable solely from the Pledged Revenues. The Loan Agreement, together with interest thereon and other obligations of the Governmental Unit thereunder, shall be a special, limited obligation of the Governmental Unit, payable solely from the Pledged Revenues as provided in this Ordinance, and the Loan Agreement shall not constitute a general obligation of the Governmental Unit or the State, and the holders of the Loan Agreement may not look to any general or other fund of the Governmental Unit for payment of the obligations thereunder. Nothing contained in this Ordinance nor in the Loan Agreement, nor any other instruments, shall be construed as obligating the Governmental Unit (except with respect to the application of the Pledged Revenues) or as imposing a pecuniary liability or a charge upon the general credit of the Governmental Unit or against its taxing power, nor shall a breach of any agreement contained in this Ordinance, the Loan Agreement, or any other instrument impose any pecuniary liability upon the Governmental Unit or any charge upon its general credit or against its taxing power. The Loan Agreement shall never constitute an indebtedness of the Governmental Unit within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Governmental Unit or a charge against its general credit or taxing power. Nothing herein shall prevent the Governmental Unit from applying other funds of the Governmental Unit legally available therefor to payments required by the Loan Agreement, in its sole and absolute discretion.

Section 8. Disposition of Proceeds; Completion of Acquisition and Completion of the Project.

A. Debt Service Account; Disbursements. The Governmental Unit hereby consents to creation of the Debt Service Account to be held

and maintained by the Finance Authority as provided in the Loan Agreement.

The proceeds derived from the execution and delivery of the Loan Agreement shall be disbursed promptly upon receipt of an Approved Requisition (as defined in the Loan Agreement).

Until the acquisition and completion of the Project or the date of the Final Requisition, the money disbursed pursuant to the Loan Agreement shall be used and paid out solely for the purpose of acquiring and constructing the Project in compliance with applicable law and the provisions of the Loan Agreement.

B. Prompt Completion of the Project. The Governmental Unit will complete the Project with all due diligence.

C. Certification of Completion of the Project. Upon the acquisition and completion of the Project, the Governmental Unit shall execute and send to the Finance Authority a certificate stating that the completion of and payment for the Project has been completed.

D. Finance Authority Not Responsible for Application of Loan Proceeds. The Finance Authority shall in no manner be responsible for the application or disposal by the Governmental Unit or by its officers of the funds derived from the Loan Agreement or of any other funds herein designated.

Section 9. Deposit of Pledged Revenues; Distributions of the Pledged Revenues and Flow of Funds.

A. Deposit of Pledged Revenues. Pledged Revenues shall be paid by the Governmental Unit to the Finance Authority in an amount sufficient to pay principal, interest, Administrative Fees, Expenses and other amounts due under the Loan Agreement, as provided in Section 5.2 of the Loan Agreement.

B. Termination on Deposits to Maturity. No payment shall be made into the Debt Service Account if the amount in the Debt Service Account totals a sum at least equal to the entire aggregate amount of Loan Agreement Payments to become due as to principal, interest on, Administrative Fees and any other amounts due under the Loan Agreement, in which case moneys in such account in an amount at least equal to such principal, interest and Administrative Fee requirements shall be used solely to pay such obligations as the same become due, and any moneys in excess thereof in such accounts shall be transferred to the Governmental Unit and used as provided in Section 9.C of this Ordinance.

C. Use of Surplus Revenues. After making all the payments required to be made by this Section and any payments required by outstanding Parity Obligations, any moneys remaining in the Debt Service Account shall be transferred to the Governmental Unit on a timely basis and applied to any other lawful purpose, including, but not limited to, the payment of any Parity Obligations or bonds or obligations subordinate and junior to the Loan Agreement, or purposes authorized by the Governmental Unit, the Constitution and laws of the State, as the Governmental Unit may from time to time determine.

Section 10. Lien on Pledged Revenues. Pursuant to the Loan Agreement, the Pledged Revenues are hereby authorized to be pledged, and are hereby pledged, and the Governmental Unit grants a lien on the Pledged Revenues and security interest therein, for the payment of the principal, interest, Administrative Fees, and any other amounts due under the Loan Agreement, subject to the uses thereof permitted by and the priorities set forth in this Ordinance. The Loan Agreement constitutes an irrevocable first lien, but not necessarily an exclusive first lien, on the Pledged Revenues as set forth herein and therein, and the Governmental Unit shall not create a lien on the Pledged Revenues superior to that of the Loan Agreement without the express prior written approval of the Finance Authority.

Section 11. Authorized Officers. Authorized Officers are hereby individually authorized and directed to execute and deliver any and all papers, instruments, opinions, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this Ordinance, the Loan Agreement and all other transactions contemplated hereby and thereby. Authorized Officers are

hereby individually authorized to do all acts and things required of them by this Ordinance and the Loan Agreement for the full, punctual and complete performance of all the terms, covenants and agreements contained in this Ordinance and the Loan Agreement including, but not limited to, the execution and delivery of closing documents and reports in connection with the execution and delivery of the Loan Agreement, and the publication of the summary of this Ordinance set out in Section 17 of this Ordinance (with such changes, additions and deletions as may be necessary).

Section 12. Amendment of Ordinance. Prior to the Closing Date, the provisions of this Ordinance may be supplemented or amended by ordinance or resolution of the Governing Body with respect to any changes which are not inconsistent with the substantive provisions of this Ordinance. After the Closing Date, this Ordinance may be amended without receipt by the Governmental Unit of any additional consideration, but only with the prior written consent of the Finance Authority.

Section 13. Ordinance Irrepealable. After the Closing Date, this Ordinance shall be and remain irrepealable until all obligations due under the Loan Agreement shall be fully paid, canceled and discharged, as herein provided.

Section 14. Severability Clause. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 15. Repealer Clause. All bylaws, orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any bylaw, order, resolution or ordinance, or part thereof, heretofore repealed.

Section 16. Effective Date. Upon due adoption of this Ordinance, it shall be recorded in the book of the Governmental Unit kept for that purpose, authenticated by the signatures of the Mayor and City Clerk, and the title and general summary of the subject matter contained in this Ordinance (set out in Section 17 below) shall be published in a newspaper which is of general circulation in the Governmental Unit, and the Ordinance shall be in full force and effect thereafter, in accordance with law.

Section 17. General Summary for Publication. Pursuant to the general laws of the State, the title and a general summary of the subject matter contained in this Ordinance shall be published in substantially the following form:

[Remainder of page intentionally left blank.]

[Form of Summary of Ordinance for Publication]

City of Farmington, New Mexico
Notice of Adoption of Ordinance

Notice is hereby given of the title and of a general summary of the subject matter contained in Ordinance No. _____, duly adopted and approved by the Governing Body of the City of Farmington, New Mexico (the "Governmental Unit"), on June 14, 2016. Complete copies of the Ordinance are available for public inspection during normal and regular business hours in the office of the City Clerk at 800 Municipal Drive, Farmington, New Mexico.

The title of the Ordinance is:

CITY OF FARMINGTON, NEW MEXICO
ORDINANCE NO. _____

AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AND SUBSIDY AGREEMENT ("LOAN AGREEMENT") BY AND BETWEEN THE CITY OF FARMINGTON, NEW MEXICO (THE "GOVERNMENTAL UNIT") AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL UNIT TO PAY A PRINCIPAL AMOUNT OF NO MORE THAN \$2,448,240, TOGETHER WITH INTEREST, EXPENSES, IF ANY, AND ADMINISTRATIVE FEES THEREON, AND TO ACCEPT A LOAN SUBSIDY OF NO MORE THAN \$816,080, FOR THE PURPOSE OF FINANCING THE COSTS OF A WATER SYSTEM IMPROVEMENT PROJECT; PROVIDING FOR THE PLEDGE AND PAYMENT OF THE PRINCIPAL OF, ADMINISTRATIVE FEES AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE NET REVENUES OF THE GOVERNMENTAL UNIT'S WATER SYSTEM; SETTING AN INTEREST RATE FOR THE LOAN; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS ORDINANCE; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT.

The title sets forth a general summary of the subject matter contained in the Ordinance.

This notice constitutes compliance with NMSA 1978, § 6-14-6.

[End of Form of Summary for Publication.]

Section 18. Execution of Agreements. The City of Farmington through its Governing Body agrees to authorize and execute all such agreements with the New Mexico Finance Authority as are necessary to consummate the Loan contemplated herein and consistent with the terms and conditions of the Loan Agreement and this Ordinance.

PASSED, APPROVED AND ADOPTED THIS 14TH DAY OF JUNE, 2016.

CITY OF FARMINGTON, SAN JUAN COUNTY,
NEW MEXICO

By _____
Tommy Roberts, Mayor

[SEAL]

ATTEST:

By _____
Andrea Jones, Deputy City Clerk

[Remainder of page intentionally left blank.]

CITY OF FARMINGTON
INTER-OFFICE MEMORANDUM

TO: Mayor Roberts and City Council

FROM: Kristi Benson, CPPO, CPPB *KLB*
Acting Chief Procurement Officer

DATE: May 11, 2016

SUBJECT: Switchgear for 20th Street, Bid #16-115644

USING DEPARTMENT: Electric Utility
=====

A bid opening will be held on May 16, 2016 for Switchgear for 20th Street, Bid #16-115644.
The recommendation of award will be made from the floor.

Kristi Benson (Presenter)
Work Session Council Meeting 5/17/2016

xc: H. Andrew Mason, Administrative Services Director
Rodney Romero, Acting Electric Utility Director
John Armenta, Electric Engineering Manager
Luwil Aligarbes, Senior Distribution Engineer
Tim Henson, Estimator

File – 16-115644/SD