Special Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, May 3, 2016 at 9:00 a.m. in the Executive Conference Room at City Hall, 800 Municipal Drive, Farmington, New Mexico, in full conformity with the rules, regulations and ordinances of the municipality.

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

MAYOR	Tommy Roberts
COUNCILORS	Linda G. Rodgers Sean E. Sharer Gayla A. McCulloch Nate Duckett

constituting all the members of the Governing Body.

Also present were:

CITY MANAGER	Rob Mayes
ASSISTANT CITY MANAGER	Julie Baird
CITY ATTORNEY	Jennifer Breakell
CITY CLERK	Dianne Smylie
DEPUTY CITY CLERK	Andrea Jones

FISCAL YEAR 2017 PROPOSED BUDGET

Providing opening remarks, City Manager Rob Mayes reminded the Council that this is the third formal meeting that the Council has participated in with regard to the Fiscal Year 2017 ("FY17") proposed budget and noted that the first two pertained to water, wastewater and electric operations and the Capital Improvement Plan. He reviewed the historical gross receipts tax ("GRT") revenue data, noting that the current level of revenue is projected to be 11 percent below the 2009 GRT peak and pointed out that because of the continual increase in the CPI (Consumer Price Index) the City is actually operating with 22 percent less revenue dollar-per-dollar than in 2009. Mr. Mayes explained that staff is projecting FY17 GRT revenues to be 10.67 percent less than the budgeted FY16 GRT revenues and contended that this conservative estimate is a reasonable balance between underreacting and overreacting to the economic instability. In response to Councilor Duckett's inquiry, Mr. Mayes stated that there is no science to projecting revenue and noted that it is a mixture of "gut feeling" and comparison to past trends. Furthermore, he reported that the projections can change as revenues actually materialize throughout the fiscal year.

Utilizing a Powerpoint presentation, Mr. Mayes proudly announced that the City is one of only two entities in New Mexico that have received all three Government Finance Officers Association ("GFOA") awards. Reviewing the budget process, Mr. Mayes compared the City's annual budget to those throughout the state and provided the Council with the current Fiscal Year 2016 ("FY16") financial status. Responding to the Mayor's inquiry, Mr. Mayes stated that staff is projecting total FY16 expenses at 97-98 percent of the budgeted amount and revenue at 3.3 percent below the budgeted amount, noting that four months of the recently implemented new tax revenue is included in that figure. Furthermore, he reported that the difference boils down to salary slippage and emergency contingency funds and pointed out that if FY17 revenues are below the projected 10.67 percent reduction in revenue, then a 10 percent contingency reduction across the board will need to be implemented quickly. Noting that the base GRT must grow two percent per year to fund the employee pay plan, Mr. Mayes pointed out that the proposed budget was unable to include a recommendation for pay increases in FY17.

Mr. Mayes noted that the proposed FY17 budget includes a $3 million transfer from the Cash Reserve account to balance the budget and briefly reviewed the significant variances between the FY16 adjusted budget and the proposed FY17 budget. Mayor Roberts announced that he is passionate about funding the Metropolitan Redevelopment Agency ("MRA") at an amount of $500,000 this year and stated that he will be looking for

opportunities since it has not been included in the FY17 budget. Councilor McCulloch questioned the significant increase to the Library's operating budget. In response, Mr. Mayes reported that the Libray's budget was cut by 20 percent in 2009 and is operating at a 10 percent reduction including this increase. In addition, Library Director Karen McPheeters pointed out that new library book purchases (approximately 5,000 titles) and programming have been reduced to balance the budget which has resulted in a decrease in the number of library patrons. She stated that the Library has experienced a decrease in the number of summer reading participants and reported that usage of the facility is down 29 percent and the circulation of books is down 18 percent. Mr. Mayes also pointed out that the monetary increase goes directly to the members of the community and stated that there is a 10 percent contingency plan in place for the Library if revenues do not meet the budget.

Responding to Mayor Roberts and Councilor Rodgers' inquiries, Mr. Mayes reported that the City is insured through the State for worker's compensation, noting that this expense may rise due to the recent tragic events, and he confirmed that the detention fees are budgeted at $1.6 million with a projection of actual expenses of $1.3 million.

At the request of Mayor Roberts, Mr. Mayes briefly reviewed the history of the Hold Harmless GRT phase-out and pointed out that San Juan County ("SJC") has implemented two 1/8 percent tax increases which result in approximately $8.8 million in additional revenue to compensate for their $2.3 million of lost revenue due to the phase-out. He also reported that the City will be requesting a $165,641 increase in the SJC animal services reimbursement but pointed out that SJC is in the process of determining whether they will continue to utilize the Farmington Regional Animal Shelter ("FRAS") or contract solely with the Aztec Animal Shelter.

Mr. Mayes reported that the City is six percent behind the state average for employer's contribution to the Public Employees Retirement Association ("PERA") for firefighters and police officers and reminded the Council that the firefighters elected to receive a two percent increase in employer's contribution to PERA in lieu of the two percent annual pay increase approved in FY16. Furthermore, he noted that SJC increased their employer's contribution to PERA for police officers by four percent last year and explained that in order to work towards meeting the state average and to be more competitive with SJC he proposes to increase the City's FY17 PERA contribution for police officers by 1.33 percent (or $146,000) which is built into the unanticipated expenditures line item. Following lengthy discussion, it was the consensus of the Council to approve the 1.33 percent increase in the FY17 budget.

Continuing with the presentation, Mr. Mayes reviewed the FY17 projected Cash Reserve and restated that the proposed FY17 budget includes a $3 million transfer from the Cash Reserve account to the General Fund to bridge the gap between revenue and expenditures. Additionally, he reviewed the history of the previous transfers and answered various questions from the Council. At the request of the City Manager, it was the consensus of the Council to approve a $3 million transfer from the Cash Reserve account to the General Fund for the FY17 budget.

Directing the Council's attention to the Public Information slides, Mr. Mayes proudly reported that Administration and the "support departments" only comprise 2.35 percent of the City's total budget. He also reviewed statistical and historical information relative to the operation of each department and division and the Mayor and Council asked relevant questions. In response to inquiries by the Mayor, Mr. Mayes reported that the decrease in Red Apple Transit revenue is a result of previous grant funding that purchased vehicles in FY16 and Transit Manager Andrew Montoya stated that ridership has increased but stated that projected revenue from fares is remaining level based on historical figures. Regarding Piñon Hills Golf Course, Parks, Recreation & Cultural Affairs Director Cory Styron stated that up-to-date equipment is the short-term capital priority with long-term capital priorities including improvements to the tee boxes, greens and outdoor functionality for small tournaments and/or rental space. He also confirmed that staffing and operational costs are historically "flat" and contended that they are at an acceptable level to maintain current operations. Mr. Styron confirmed that the Aztec Animal Shelter is presenting an animal services proposal

to SJC for consideration and stated that the proposed revenue increase at the Bonnie Dallas Senior Center is the result of meeting space rentals.

Following discussion regarding potential funding for the MRA, it was the consensus of the Council to look for the opportunity throughout the year and to elevate it as a priority if additional monies are realized.

Councilor McCulloch questioned if staff is investigating the purchase of Compressed Natural Gas ("CNG") vehicles. In response, Mr. Mayes stated that the economics have "turned on their head" because of the decrease in gasoline prices and the increased cost to purchase the vehicles and noted that there is only one CNG fueling station in the area. He pointed out that staff is encouraging Waste Management to convert their fleet to CNG vehicles and Mayor Roberts stated that he believes that it is prudent for the City to simply remain in the advocacy realm at this time. Responding to Councilor Rodgers' inquiry, Mr. Mayes stated that the Fleet Manager evaluates the City's vehicles based on age, cost of maintenance and mileage and recommends a replacement schedule which costs approximately $1 million annually.

Mr. Mayes briefly reviewed the FY17 Revenue Fund summary; illustrated relevant revenue sources; provided historical GRT tax rate information for the State, SJC and the City and explained how they combine to create the "total tax rate"; and pointed out that there are unimposed local option GRT increments available to the City. Mr. Mayes also reviewed the process and the negative effects of the Hold Harmless GRT reduction; illustrated how property tax revenue is distributed and noted that there are unimposed property tax increments available to the City.

Noting that the total expenses in the proposed FY17 budget are approximately $271 million, Mr. Mayes pointed out that the Budget Evaluation sheets detail the Department/Division fluctuations in comparison to the FY16 adjusted budget and he reviewed the various contracts and agreements included in the proposed FY17 budget. In response to Councilor McCulloch's inquiries, Mr. Mayes confirmed that the Crouch Mesa Community Center is being privatized instead of being operated by the City; stated that this will be the third year that the City has funded the San Juan Symphony; reported that the Northwest New Mexico Council of Governments is funded at the lowest level ($5,000 per year); and contended that the City receives a "good value" from its participation in the New Mexico Municipal League. Concluding the presentation, Mr. Mayes directed the Council's attention to the FY2014-FY2017 Authorized Regular Positions sheet and reported that the proposed FY17 budget removes five vacant and unfunded positions (IT Programmer/Analyst; Purchasing Agent; Custodian; Long-Range Planner; and an Associate Project Engineer), but he noted that these positions are still priorities.

There was no response to the Mayor's call for comments from the audience.

There being no further discussion, Mr. Mayes reported that the Council will be asked to consider adopting the preliminary budget at the May 17, 2016 City Council Work Session.

RECESS

The Mayor called a recess at 11:39 a.m.

The meeting was reconvened by the Mayor at 12:16 p.m. with all members of the Council being present.

STRATEGIC PLANNING

City Manager Rob Mayes explained that staff will be making several presentations on a variety of projects that are currently underway or have been identified as unfunded high priorities. He advised the Council that he will be presenting a financing option that will not require a tax increase and will generate approximately $5 million and he encouraged the Council to provide input regarding the projects to be included in the financing package.

Foothills Drive Enhancement

Public Works Director David Sypher provided a summary of the Foothills Drive Enhancement project which includes three phases. He reported that Phase I (Holmes Drive to Rinconada Street) is fully funded and that Phases II (Rinconada Street to Mesa Del Oso) and III (Mesa Del Oso to Cheva Court) are unfunded at this time. He noted that all three phases of the project have been designed and stated that staff will continue to apply for grants to obtain the necessary $2.5 million in funding for the completion of the remaining phases.

Piñon Hills Boulevard Extension

Public Works Director David Sypher reminded the Council that this project was initially started in the 1990's and he reported that the actual property acquisition took place in the 2000's. He reported that the project includes three phases and he discussed the challenges staff is encountering with the State's grant program. Mr. Sypher indicated that Phase I (NM 516 to Hubbard Road) is fully funded and pointed out that the State has agreed to provide grant funding of approximately $9 million in Federal Fiscal Years 2020/2021 for Phase II (Hubbard Road to Road 3000), noting that the local match of $4 million for Phase II is currently unfunded. He also reported that Phase III is San Juan County's portion of the project and stated that they may have funding available through the recent Hold Harmless GRT tax increase that they imposed.

Bus Terminal Building

General Services Director Eddie Smylie contended that he observed firsthand the valuable service that Red Apple Transit provides to the community and Transit Manager Andrew Montoya reported that the current transit "hub" located at Orchard Plaza lacks basic amenities. He reviewed several possible locations for a new hub facility along with their corresponding preliminary layouts and he noted that a new facility is roughly estimated at $1.5 to $3 million which includes property acquisition. Mr. Montoya reported that this project is currently unfunded and stated that any grant funds will likely require a 20 percent local match from the City. At the request of staff, it was the consensus of the Council to direct staff to research the potential revenue that could be incurred by allowing businesses to advertise on the Red Apple Transit buses and shelters.

Entryway Monuments

General Services Director Eddie Smylie presented the specific locations for the entryway monuments and Farmington Convention and Visitors Bureau ("CVB") Executive Director Tonya Stinson announced that the CVB is fully funding the monuments. Additionally, she stated that once the Council approves the selected sites and the monuments are constructed, the City will assume ownership and be responsible for their maintenance.

Police Department Building

City Manager Rob Mayes emphasized the need for a new Police Department building in the near future and Assistant City Manager Julie Baird reviewed possible square footage needs, location options and the estimated cost for the facility ($19-22 million). Additionally, she reported that a needs study which will assess specific criteria unique to the City's Police Department will cost approximately $30,000. Mr. Mayes stated that the project is unfunded at this time and noted that possible funding options include a capital outlay appropriation from the State and/or a 25-30 year GRT bond. It was the consensus of the Council to direct staff to proceed with the needs study.

Complete Streets

Community Development Director Mary Holton reviewed that status of the project and the "in place" funding ($1.3 million) and reported that the remaining delta of $3.7 million is currently unfunded. She pointed out that there is approximately $1 million in undesignated funds within the MRA Fund; noted that a Section 108 Loan Fund from the Community Development Block Grant ("CDBG") could generate approximately $1.2 million; and stated that staff has submitted an application for funding under the U.S. Tiger Grant and is currently working with the Metropolitan

Planning Organization to add this project to the Transportation Alternatives Program.

US 64 Annexation

City Manager Rob Mayes explained that the "petition method" of annexing land requires 51 percent of land owners to sign the petition and stated that it is extremely unlikely for staff to obtain those signatures. Community Development Director Mary Holton briefly reviewed the area being considered for annexation and detailed the estimated costs and revenues associated with the potential annexation. She explained the "boundary method" of annexing land and reported that it is staff's recommendation to proceed with the annexation utilizing this method. It was the consensus of the Council to direct staff to proceed with the annexation through the boundary method as quickly as possible.

Energy Audit

Assistant City Manager Julie Baird provided a status update for this project and noted that the original $2.5 million "package" of upgrades has increased to $3-4 million. Mayor Roberts reminded the Council that this project will be funded through bonds with debt service payments contractually secured by the energy savings realized from the upgrades.

City Hall Improvements

Noting that the anticipated completion date of this project is December 2016, Assistant City Manager Julie Baird briefly reviewed the status of the improvements and reiterated that this project is funded utilizing approved Fiscal Year 2016 408 Fund monies.

Convention Center Fee

Administrative Services Director Andy Mason reported that revenue from the Convention Center Fee for the first year (March 2015 through February 2016) totals $817,000 and he discussed available options to leverage a loan or bond ranging from $6.5-$12 million for the Civic Center expansion project.

Civic Center

Parks, Recreation & Cultural Affairs Director Cory Styron reviewed the recommended upgrades to the Civic Center and stated that the total estimated cost is $9.8 million. He noted that the project will utilize the funds discussed earlier by Administrative Services Director Andy Mason and pointed out that $1 million has been spent on land acquisition and demolition to-date. Furthermore, Mr. Styron confirmed that additional public input meetings will be held once the engineering phase has been completed.

River Trails

Noting that land acquisition is substantially complete for the river trails system, Parks, Recreation & Cultural Affairs Director Cory Styron provided illustrations of the different phases of the system and their corresponding estimated costs. He reported that the total cost for all phases is approximately $2.7 million and stated that $120,000 is dedicated to the river trails system annually from the 202 Fund.

Lake Farmington

Parks, Recreation & Cultural Affairs Director Cory Styron briefly reviewed the recent improvements at Lake Farmington to provide for recreational swimming and noted that the Red Apple Transit will provide transportation from Brookside Park to the lake since the Council made the decision to close Brookside Pool.

Miniature Golf Center

Parks, Recreation & Cultural Affairs Director Cory Styron reported that the desired location for this project is next to Civitan Golf Course requiring the relocation of the horseshoe pits to Kiwanis Park and he stated that it would be a revenue neutral project. He illustrated various "themed" miniature golf courses and noted that the feasibility

study will cost approximately $35,000 and has been programmed in the FY17 proposed budget.

Brookside Family Water Park

After providing various examples of possible water parks and price points, Parks, Recreation & Cultural Affairs Director Cory Styron stated that this will be a two phase process that includes community input and noted that a feasibility study is the first step. City Manager Rob Mayes confirmed that a formal process will be followed and happily announced that the Farmington Convention & Visitors Bureau ("CVB") has offer to pay for the feasibility study which is an approximate cost of $60,000. Following further discussion, it was the consensus of the Council to direct staff to move forward with the feasibility study funded by the CVB.

Fire Department Apparatus

Following City Manager Rob Mayes' explanation of how fire apparatus purchases are funded, Fire Chief Terry Page detailed the life expectancy of fire engines and ladder trucks; reported that one fire engine will be purchased with approved 408 Fund monies from Fiscal Year 2016; noted that a second fire engine is scheduled for replacement; and stated that a "lemon" ladder truck needs to be replaced as soon as possible. Mr. Mayes pointed out that the second fire engine and ladder truck could be purchased by refinancing the 2005 Sales Tax Bond Issue.

Bond Refinancing

City Manager Rob Mayes reported that the 2005 Sales Tax Bond Issue ("2005 Bonds") which provides revenue to both the General and Fire Funds cannot be separated or partially refunded and Administrative Services Director Andy Mason explained that the goal of refunding and reissuing the 2005 Bonds is to keep the annual debt service close to the current level while extending the repayment terms. He reported that a 25-year issue would total $8.4 million and illustrated a possible scenario that would provide $5 million for construction of the Brookside Family Water Park, $1.1 million to purchase a ladder truck, $600,000 to purchase a fire engine and $200,000 in issuance costs. Mr. Mason reviewed the purchases from the 2005 Bonds and provided the new issue bond debt service breakdown. Following further discussion, Mr. Mayes stated that this refinancing option will be presented to the Council at a future meeting for further consideration.

There was no response from the Council to the Mayor's request for additional project ideas.

Councilor Duckett thanked staff for today's discussions and recommended that a strategic planning session be held on an annual basis. Mayor Roberts expressed his appreciation to staff for the in-depth budget presentation.

There being no further business to come before the Council, the meeting was adjourned at 4:03 p.m.

APPROVED this 24th day of May, 2016.

Tommy Roberts

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Smylie

Dianne Smylie, City Clerk