

Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, May 17, 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 (arrived late)
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

EMPLOYEE OF THE MONTH PROGRAM AWARD

Employee Council President Kathy Farley recognized Staff Accountant I Debi Dalton as the Employee of the Month award recipient for March 2016. Ms. Dalton was presented with a plaque and gift certificate and Mayor Pro Tem McCulloch and the Councilors expressed their appreciation for her dedication to the City.

PRESENTATION/ELECTRIC UTILITY COST OF SERVICE STUDY

Providing opening remarks, Utility Business Operations Manager Sue Nipper Greaves reported that the request for proposals for the cost of service and rate study was awarded to NewGen Strategies & Solutions, LLC ("NewGen") and introduced Project Manager Joe Mancinelli and Lead Analyst Jessica Terry. Utilizing a Powerpoint presentation, Mr. Mancinelli briefly reviewed NewGen's project team and reported that the scope of work consists of a kick-off meeting and initial data request, projected operating results, cost of service study and, finally, a rate recommendation. Additionally, he noted that NewGen will develop a transmission tariff, review pole attachment rates and evaluate avoided cost of construction labor and related overhead rate development.

Mayor Roberts arrived at the meeting at 9:10 a.m.

Mr. Mancinelli pointed out that traditional rate design is dramatically changing and reviewed the key issues considered in policy formation. He noted that rate making is a long-term process that is implemented most successfully in small steps over a period of time and he reviewed the key elements in creating a policy. In response to Mayor Roberts' inquiries, Mr. Mancinelli stated that the traditional rate design for residential customers includes a customer charge and an energy charge and for larger commercial customers includes a customer charge, a demand charge and an energy charge and he reported that in regards to rate design most utilities are moving toward cost of service but not necessarily being equal. Additionally, City Manager Rob Mayes confirmed that the adopted rates from the previous cost of service study have been fully phased-in and Ms. Nipper Greaves reported that some subsidies still currently exist.

Continuing with the presentation, Mr. Mancinelli discussed some of the myths and misunderstandings that are inherent with a cost of service and rate study and reported that NewGen will provide models of customer bill impacts and competitive rate comparisons. Noting that "practice makes perfect", he pointed out that formalizing a ratemaking process is essential and reiterated that the rate strategy and principles are the framework and guide for the cost of service. Mr. Mancinelli stated that the functions of a typical electric utility system include generation, transmission, distribution and customer (accounting, billing, etc.) and provided the cost of service and rate study process overview, noting that inter- and intra-

class subsidization, large industrial customers, green tariffs and net metering challenges will be addressed during the process.

Responding to Mayor Roberts, Acting Electric Utility Director Rodney Romero reported that the cost of service and rate study should be completed by September and Mr. Mayes stated that any recommended rates can be implemented as directed by the Council. Regarding projected load losses or gains, Mr. Mayes reported that the Integrated Resource Plan ("IRP") for the Electric Utility is currently underway and includes projections based on current customer dynamics and he confirmed that the community solar project continues to be evaluated utilizing a strawman model.

RESOLUTION NO. 2016-1588 ADOPTING AN OFFICIAL PRELIMINARY BUDGET FOR THE CITY OF FARMINGTON, NEW MEXICO FOR FISCAL YEAR 2017 AND REQUESTING STATE APPROVAL.

City Manager Rob Mayes requested adoption of Resolution No. 2016-1588 approving the official preliminary budget for Fiscal Year 2017 and noted that page 1.2 of the agenda illustrates the minor changes in the preliminary budget from the initial proposed budget presented at the May 3, 2016 Special Work Session.

Following brief discussion, a motion was made by Councilor Duckett, seconded by Councilor Rodgers that Resolution No. 2016-1588 be passed and adopted as presented. The roll was called with the following result:

Those voting aye: Linda G. Rodgers
Sean E. Sharer
Gayla A. McCulloch
Nate Duckett

Those voting nay: None

The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried and Resolution No. 2016-1588 was duly passed and adopted.

RESOLUTION NO. 2016-1589 APPROVING THE FOURTH REVISION TO THE FY16 BUDGET AND REQUESTING STATE APPROVAL

Administrative Services Director Andy Mason reviewed the proposed revisions to the FY16 budget and recommended adoption of Resolution No. 2016-1589 approving the fourth revision to the FY16 budget.

Following consideration, a motion was made by Councilor Duckett, seconded by Councilor Rodgers to adopt Resolution No. 2016-1589 as presented. The roll was called with the following result:

Those voting aye: Linda G. Rodgers
Sean E. Sharer
Gayla A. McCulloch
Nate Duckett

Those voting nay: None

The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried and Resolution No. 2016-1589 was duly passed and adopted.

OPEN MEETINGS RESOLUTION - REGULAR WORK SESSION DAY, TIME AND PLACE

In accordance with the State Open Meetings Act, City Attorney Jennifer Breakell presented and read by title a resolution setting and establishing the regular day, time and place for City Council Work Sessions as the third Tuesday of each month at 9:00 a.m. in the Executive Conference Room of the Municipal Building, 800 Municipal Drive, Farmington, New Mexico.

Following consideration, a motion was made by Councilor Rodgers, seconded by Councilor McCulloch to pass and adopt the resolution as presented. The roll was called with the following result:

Those voting aye: Linda G. Rodgers
Sean E. Sharer
Gayla A. McCulloch
Nate Duckett

Those voting nay: None

The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried and the resolution was duly passed and adopted.

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

City Attorney Jennifer Breakell requested permission to publish a proposed ordinance authorizing a loan agreement between the City and the New Mexico Finance Authority for Phase I of the 2P Waterline Project.

Public Works Director David Sypher briefly reviewed the history of the project; pointed out that the State has escalated its grant subsidy for the project to \$816,080; and noted that renewal and replacement (R&R) revenues are available to cover the debt service of the loan.

Following brief consideration, a motion was made by Councilor Rodgers, seconded by Councilor Duckett to authorize staff to publish a notice of intent to consider an ordinance that would authorize a loan agreement between the City and the New Mexico Finance Authority for Phase I of the 2P Waterline Project, and upon voice vote the motion carried unanimously.

BID/PURCHASE OF SWITCHGEAR FOR 20TH STREET

Chief Procurement Officer Kristi Benson reported that bids for the purchase of switchgear for 20th Street (Electric) opened on May 16, 2016 with five bidders participating. She recommended that the bid be awarded to Wesco Distribution on its low bid meeting specifications after application of five percent in-state preference of \$201,384.

Thereupon, a motion was made by Councilor McCulloch, seconded by Councilor Rodgers to award the bid for purchase of switchgear for 20th Street to Wesco Distribution as the lowest responsible bidder, and upon voice vote the motion carried unanimously.

COUNCIL BUSINESS

Status of condemned house located at 2800 Edgecliff Drive

In response to Councilor Duckett's question, City Attorney Jennifer Breakell reported that estimates for the demolition of the condemned house located at 2800 Edgecliff Drive have been received and stated that staff will meet soon to coordinate the demolition process which should commence in approximately one month.

Zoning Code for solar installations

Mayor Roberts inquired about staff's progress on a zoning code for solar installations. In response, Community Development Director Mary Holton reported that her staff has performed the necessary research and will begin working with the Legal Department soon to draft the zoning code and stated that a Planning & Zoning Commission ("P&Z") subcommittee will fully vet the zoning code before P&Z provides a recommendation to the Council. Additionally, City Attorney Jennifer Breakell noted that the process will take approximately 90-120 days.

Discharge Permit/Gold King Mine Spill

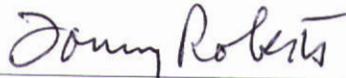
Noting that he spoke with U.S. Environmental Protection Agency ("EPA") Region XI Director Ron Curry at the presentation of papers of the Gold King Mine Spill ("Spill"), Mayor Roberts questioned the status of the City's National Pollutant Discharge Elimination System ("NPDES") permit. In response, Public Works Director David Sypher reported that all

justification data has been submitted to the EPA and stated that staff has not received any feedback at this point, noting that staff is currently operating under the conditions of the previous permit.

Mayor Roberts reported that Mr. Curry relayed that some Spill reimbursements to the State of New Mexico and the City of Farmington have been approved by the EPA. City Manager Rob Mayes announced that staff is on full alert monitoring the river conditions due to the increased rainfall and water runoff. Mayor Roberts proudly announced that the New Mexico Environment Department ("NMED") complimented the Public Works Department for its leadership in installing monitoring devices along the river and praised Emergency Preparedness Manager Eddie Smylie, Mr. Mayes and all of the staff involved in the initial Spill crisis management.

There being no further business to come before the Council, the meeting was adjourned at 10:17 a.m.

APPROVED this 14th day of June, 2016.



Tommy Roberts, Mayor

SEAL

ATTEST:



Andrea Jones, Deputy City Clerk