

Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, February 19, 2019 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	Nate Duckett
COUNCILORS	Linda G. Rodgers Sean E. Sharer Jeanine Bingham-Kelly Janis Jakino

constituting all the members of the Governing Body.

Also present were:

ASSISTANT CITY MANAGER	Julie Baird
DEPUTY CITY CLERK	Andrea Jones

City Attorney Jennifer Breakell was contacted by speaker telephone for participation in the meeting.

RECOGNITION OF THE PURCHASING DIVISION

Mayor Duckett recognized the staff of the Purchasing Division for their dedication and commitment to the City of Farmington and he presented Chief Procurement Officer Kristi Benson with a certificate of recognition. Following a round of applause, Ms. Benson thanked the Mayor and Council for their continued support and she proudly introduced Contracts Administrator Rosalyn Potter, Buyers II Jennifer Rowland, Cory Marcum and Emily Milne, Buyers I Sharon Nelson and Christina Tyler and Administrative Aide Jeanette McCoy.

SEMI-ANNUAL FINANCIAL UPDATE FOR FISCAL YEAR 2019

Utilizing a PowerPoint presentation, Acting Administrative Services Director Teresa Emrich reported that gross receipts tax ("GRT") revenues for the General Fund are \$2.3 million less than expenditures and she stated that they are 3.1 percent (or \$631,000) below the prior year. She noted that GRT revenues for all funds are 3 percent (or \$808,000) below the prior year and she provided a breakdown of the GRT revenue received from the individual sectors. She stated that revenues in the Electric Utility Fund are \$5.6 million higher than expenditures and she pointed out that the power cost adjustment ("PCA") revenue in the Electric Utility Fund has increased 440.7 percent over the prior year. Generation Manager Britt Chesnut explained that the next PCA modification will be reflected on the March billing cycle and will reduce the balance significantly. Ms. Emrich reported that revenues in the Water Fund are \$3.3 million higher than expenditures and stated that revenues in the Wastewater Fund are \$3 million higher than expenditures. Concluding her presentation, she noted that the revenues in the Sanitation Fund are \$31,000 less than expenditures and she answered various questions from the Council.

RESOLUTION NO. 2019-1696 APPROVING THE THIRD REVISION TO THE FY2019 BUDGET AND REQUESTING STATE APPROVAL.

Acting Administrative Services Director Teresa Emrich provided a detailed explanation of the proposed budget revisions and recommended adoption of Resolution No. 2019-1696.

Thereupon, a motion was made by Councilor Sharer, seconded by Councilor Rodgers to pass and adopt Resolution No. 2019-1696, as presented. The roll was called with the following result:

Those voting aye:	Linda G. Rodgers Sean E. Sharer Jeanine Bingham-Kelly Janis Jakino
Those voting nay:	None

The presiding officer thereupon declared that four Councilors having voted in favor thereof, the said motion carried and Resolution No. 2019-1696 was duly passed and adopted.

Following brief discussion, it was the consensus of the Council to direct staff to provide a summary document of the Community Transformation and Economic Diversification ("CTED") Fund to include the projected revenue, approved expenditures and the balance and to present an updated version of the summary document with each proposed CTED Fund budget adjustment.

PROPOSED OUTDOOR RECREATION INDUSTRY INITIATIVE RELATED PROJECT EXPENDITURES

Utilizing a PowerPoint presentation, Outdoor Recreation Industry Initiative Director Cory Styron reported that he is requesting \$496,767 from the Community Transformation and Economic Diversification ("CTED") Fund to purchase and/or install 1) two message centers to be located at the campground and trailhead at Lake Farmington, 2) 16 individual and one group permanent shade structures to be located at the campground at Lake Farmington, 3) two 35-foot diameter permanent shade structures to be located at the beach at Lake Farmington and 4) marketing materials. He provided illustrations of the proposed message centers and permanent shade structures and he discussed the total costs associated with each requested item.

Mayor Duckett announced that shade has been a missing component to the amenities offered at Lake Farmington and he observed that no other expenditures would be possible from the CTED Fund until the new budget cycle begins on July 1 if the requested amount is authorized.

Councilor Jakino pointed out that authorizing the total requested amount would put the CTED Fund over its \$3 million budget by approximately \$30,000. In response, Mr. Styron stated that the permanent group shade structure at the campground could be removed and reconsidered during the next budget cycle which would reduce the requested amount by \$79,359.

Councilors Rodgers and Sharer expressed their desire to remain accountable to the community by being responsible stewards and staying within the CTED Fund budget.

Following further discussion, it was the consensus of the Council to direct staff to proceed with the requested expenditures, with the exception of the group permanent shade structure, utilizing monies from the CTED Fund.

PRESENTATION/FARMINGTON ELECTRIC UTILITY SYSTEM'S SHORT-TERM GENERATION PROJECT

Providing opening remarks, Generation Manager Britt Chesnut stated that a need for replacement power generation was identified in the Farmington Electric Utility System's ("FEUS") 2017 Integrated Resource Plan ("IRP") and he introduced Project Manager Michael Fisher and Engineering Manager Josh Pauly of Black & Veatch.

Utilizing a PowerPoint presentation, Mr. Fisher provided a brief overview of Black & Veatch and he discussed the background of the short-term generation project. Noting that the two potential project sites were Animas and Bluffview power plants, he reported that the best generation option was determined to be the 18-megawatt reciprocating internal combustion engine ("RICE") unit located at the Bluffview site. Mr. Fisher also explained the role and the responsibilities of Black & Veatch as the owner's engineer.

In response to the Mayor's inquiries, Mr. Chesnut confirmed that the 18 megawatts of generation along with purchased power would replace the 43 megawatts lost from the future closure of the San Juan Generating Station; stated that the RICE unit is a direct replacement for the Animas power plant; and reported that the RICE unit is dispatchable which allows for greater generation flexibility.

Continuing with the presentation, Mr. Pauly explained the directionality of the conceptual designs of the RICE unit and the associated cost estimates. He stated that the 18-megawatt RICE unit consists of two 9-megawatt, four-stroke, lean burn engines and he

reported that it is recommended that FEUS purchase the RICE unit and single generator step up ("GSU") transformer directly to avoid the markup cost if purchased by the construction contractor. He provided a project site illustration and pointed out that an area of cultural significance overlaps the northern portion of the project site, noting that Black & Veatch, the New Mexico State Historic Preservation Office and the Division of Conservation Archaeology have agreed that the proposed project site and layout is acceptable. Mr. Pauly discussed the technical aspects of the RICE unit's equipment and he stated that it has the ability to ramp-up to full load within 10 minutes. He presented the project schedule, noting that there are three "off-ramps" when the project could be cancelled without a large financial impact and he stated that the anticipated commercial operation of the first engine is late 2020.

Responding to Councilor Sharer's questions, Mr. Pauly reported that natural gas drives the RICE unit and he stated that the RICE unit operates well in elevation.

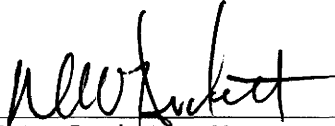
In response to the Mayor's inquiries, Mr. Fisher reported that the project will require an average of 16-17 construction workers on-site and Mr. Chesnut confirmed that the culturally sensitive area north of the project site will no longer be an option for the community solar project as originally planned.

Concluding the presentation, Mr. Chesnut briefly explained that the owner's engineer component was included in the Fiscal Year 2019 budget and stated that construction of the project is planned to be funded utilizing cash (25 percent) and bonding (75 percent) in Fiscal Years 2020 and 2021.

Responding to Councilor Jakino's inquiry, Mr. Chesnut stated that the project would have an approximate six-year payback period and should not substantially affect ratepayers.

There being no further business to come before the Council, a motion was made by Councilor Rodgers, seconded by Councilor Sharer to adjourn the meeting at 10:39 a.m., and upon voice vote the motion carried unanimously.

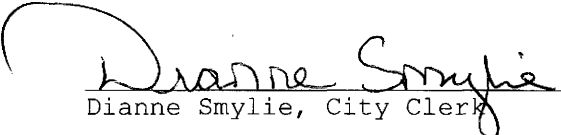
APPROVED this 12th day of March, 2019.



Nate Duckett, Mayor

SEAL

ATTEST:



Dianne Smylie, City Clerk