

Minutes of the Special Meeting of the Gallup City Council, City of Gallup, New Mexico, held virtually at Gallup City Hall, 110 West Aztec Avenue, at 4:00 p.m. on Tuesday, April 27, 2021.

The meeting was called to order by Mayor Louie Bonaguidi. Upon roll call, the following were present:

Mayor:	Louie Bonaguidi
Councilors:	Linda Garcia Michael Schaaf Yogash Kumar Fran Palochak
Also present:	Maryann Ustick, City Manager Curtis Hayes, City Attorney

The Mayor and Councilors conducted a Work Session on the following topic:

- 1. Presentation: Wastewater Financial Plan and Rate Study – Dennis Romero, Water and Sanitation Director**

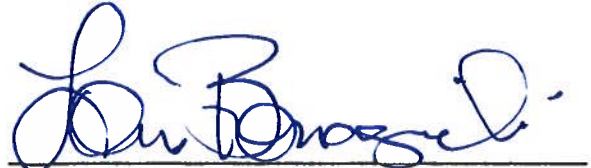
Mr. Romero introduced the City's Financial Advisor, Erik Harrigan of RBC Capital Markets, who provided a power point presentation on the Wastewater Utility Cash Flow and Revenue Requirements. A copy of the power point presentation is attached hereto and made a part of these official Minutes.

Discussion followed concerning the City's focus on how to get the wastewater utility to be financially self-sustainable, the use of the environmental surcharge fund for wastewater capital expenditures, the improvements made to address the odor issues at the wastewater treatment plant, the proposed wastewater rate increase and the impact to customers, the lack of an annual consumer price index adjustment for wastewater services, the possible use of the American Rescue Plan funds for wastewater expenses, the federal assistance that is available to low income customers, the current amount of delinquent utility accounts totaling about \$1,240,000, the possible strategy in paying off the New Mexico Environment Department (NMED) loans and the use of enterprise funds for paying operational cost (injection charges) assessed by Evoqua.


Mr. Harrigan, Mr. Romero, Ms. Ustick and Patty Holland, Chief Financial Officer answered questions posed by the Mayor and Councilors. There was no action taken by the Mayor and Councilors during the Work Session.

Following the presentation, Councilor Palochak made the motion to adjourn. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Kumar, Schaaf and Mayor Bonaguidi all voted yes.

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Louie Bonaguidi, Mayor


ATTEST:


Alfred Abeita II, City Clerk

City of Gallup

Wastewater Utility Cash Flow Overview and Revenue Requirements

April 27, 2021

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Capital
Markets

Overview of Cash Flow and Assumptions

- The wastewater utility cash flow is an expense driven model which means that the expenses are fixed (based upon FY 2021 budget with annual increases of 2.25% annually)
- The revenue component is adjusted to cash flow the utility with the following assumptions:
 - Achieve days cash on hand of between 120 and 150 days long term
 - Achieve debt service coverage for all debt of 1.50x or greater long term
- The model takes into consideration the wastewater systems future capital improvement plan (through FY 2026) and capital funding sources which include NMED loans, NMFA loans and cash contributions
- While the model takes in consideration the overall revenue increase it does not take into consideration increases on a customer class basis
- The model does not take into consideration the following best practices but should be something for the City to consider in the future
 - Funding a renewal and replacement fund for future replacement of aging assets
 - Funding a rate reserve fund to balance out potential future rate increases during extra-ordinary events such as the COVID pandemic.
 - Right sizing the wastewater financials would be top priority prior to establishing these funds

FY 2021 Cashflow and Projected FY 2022 through FY 2028 -

	Budgeted				Projected			
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
REVENUES								
Charges for services	3,354,892	4,193,615	5,032,338	5,535,572	6,089,129	6,089,129	6,089,129	6,089,129
Utility Work Orders	40,000	40,600	41,209	41,827	42,455	43,091	43,738	44,394
City/Golf Course Revenue	0	0	0	0	0	0	0	0
Miscellaneous Income	500	0	0	0	0	0	0	0
Transfers in Operating Grants	0	0	0	0	0	0	0	0
Mid-Year Rate Increase	0	0	0	0	0	0	0	0
Other Charges for Services	0	0	0	0	0	0	0	0
Transfers in Capital Projects	460,501	0	0	0	0	0	0	0
Total Operating Revenues	3,855,893	4,234,215	5,073,547	5,577,399	6,131,584	6,132,220	6,132,867	6,133,523
Total Revenues	3,855,893	4,234,215	5,073,547	5,577,399	6,131,584	6,132,220	6,132,867	6,133,523
Interest Income								
Common Items	-10.70%	25.00%	20.00%	10.00%	10.00%	0.00%	0.00%	0.00%
EXPENSES								
Travel	1,900	1,948	1,996	2,046	2,097	2,150	2,203	2,259
Maintenance	229,830	97,201	99,631	102,122	104,675	107,291	109,974	112,723
Fuel Purchases	35,250	36,131	37,035	37,960	38,909	39,882	40,879	41,901
Other Contractual Services	1,504,036	1,541,637	1,580,178	1,619,682	1,660,174	1,701,679	1,744,221	1,787,826
Utilities	325,000	333,125	341,453	349,989	358,739	367,708	376,900	386,323
Bad Debts Expense	16,000	0	0	0	0	0	0	0
Operating Expenses	3,054,949	2,975,420	3,049,806	3,126,051	3,204,202	3,284,307	3,366,415	3,450,575
Total Expenses	3,660,735	3,600,666	3,695,213	3,792,351	3,892,155	3,994,704	4,100,079	4,208,363
Existing Debt Service	781,638	730,258	730,018	613,602	611,662	0	0	0
NIMED Loan	0	0	530,048	530,048	828,022	828,022	828,022	828,022
Other Debt Service	0	0	0	271,553	271,553	271,553	271,553	271,553
Total Debt Service	781,638	730,258	1,260,066	1,415,203	1,711,238	1,099,576	1,099,576	1,099,576
Debt Service Coverage	0.25	0.87	1.09	1.26	1.31	1.94	1.85	1.75
Operational Expenses	4,442,373	4,330,924	4,425,231	4,677,507	4,775,370	4,266,257	4,371,632	4,479,917
Capital Fund								
Capital Requirements	0	10,715,750	7,601,513	644,255	340,000	250,000	0	0
NIMED Loan	0	9,961,500	5,600,000	0	0	0	0	0
Capital Contribution (Bonds / Loans)	0	0	3,355,000	45,018	340,000	250,000	0	0
Capital Contribution (Cash)	44,024	0	0	0	0	0	0	0
Capital Fund Balance	0	(754,250)	599,237	0	0	0	0	0
Total Expenses	4,486,397	4,330,924	4,425,231	4,722,525	5,115,370	4,516,257	4,371,632	4,479,917
Net Income Before Transfers	(630,504)	(96,709)	649,316	854,874	1,016,213	1,615,963	1,761,235	1,653,606
GF Transferred (8.5%)	(344,250)	(359,908)	(431,251)	(474,079)	(521,185)	(521,239)	(521,294)	(521,349)
Transfers to Capital	0	0	0	(45,018)	(340,000)	(250,000)	0	0
Transfers in	0	0	0	0	0	0	0	0
Net Transfers	(344,250)	(359,908)	(431,251)	(519,097)	(861,185)	(771,239)	(521,294)	(521,349)
Operating Income	(195,158)	633,549	1,379,334	1,785,048	2,239,428	2,137,516	2,032,788	1,925,160
Total Income after Capital and Transfers	(974,754)	(456,617)	217,064	335,778	1,550,28	844,724	1,239,941	1,132,257
Beginning Fund Balance	2,458,510	1,483,756	1,027,139	1,244,203	1,579,980	1,735,009	2,579,733	3,819,674
Cash Adjustment to Fund Balance*	1,483,756	1,027,139	1,244,203	1,579,980	1,735,009	2,579,733	3,819,674	4,951,931
Rate Required, Effective Current Fiscal Year	0.00%	25.00%	20.00%	10.00%	10.00%	0.00%	0.00%	0.00%
Days Cash on Hand	112	80	94	111	112	187	285	361

- Assumptions:**
- 2.25% Growth Rate per year for Operating Expenses
 - General Fund Transfer is 8.5% of Operating Revenues

Summary Overview of Charges for Services Change

Fiscal Year Ending June 30	Wastewater Charges for Services Revenue from Rates Effective Previous FY	Additional Wastewater Service Charge Revenue Required	Total Wastewater Charges for Services Revenue	Additional Wastewater Service Charge Revenue Required	Cumulative Revenue Increase	Average Annual Revenue Increase
2021	3,354,892	838,723	4,193,615	25%	25%	25%
2022	4,193,615	838,723	5,032,338	20%	45%	23%
2023	5,032,338	503,234	5,535,572	10%	55%	18%
2024	5,535,572	553,557	6,089,129	10%	65%	16%
2025	6,089,129	0	6,089,129	0%	65%	13%
2026	6,089,129	0	6,089,129	0%	65%	11%
2027	6,089,129	0	6,089,129	0%	65%	9%

10 Year Capital Improvement Plan

PROJECT TITLE/DESCRIPTION	YEAR 1 FY2022	YEAR 2 FY2023	YEAR 3 FY2024	YEAR 4 FY2025	YEAR 5 FY2026	YEAR 6 FY2027	TOTAL PRJ ESTIMATED BUDGET COST
Sewer Main Replacement (Attec to Country Club)	\$ 32,250	\$ 182,750	\$ -	\$ -	\$ -	\$ -	\$ 215,000
Sewer Main Replacement (Linda to Monterey)	16,500	93,500	-	-	-	-	\$ 110,000
Sewer Main Replacement (Linda to Red Rock)	100,000	-	-	-	-	-	\$ 100,000
Boardman Drive Sewer Realignment	-	-	-	90,000	-	-	\$ 90,000
Red Rock Lift Station Replace Pumps	80,000	-	-	-	-	-	\$ 80,000
WWTP Relocation of Oxidation Ditch Brush	30,000	-	-	-	-	-	\$ 30,000
Effluent Pump Station Rehab (Golf Course)	245,500	-	-	-	-	-	\$ 245,500
Sewer Collection System Improvements	250,000	250,000	250,000	250,000	250,000	-	\$ 1,250,000
WWTP Headworks Improvements	6,500,000	-	-	-	-	-	\$ 6,500,000
Effluent Irrigation Line Replacement	1,461,500	-	-	-	-	-	\$ 1,461,500
Peretti Wash Bridge - Bortot Sewer	-	26,200	252,000	-	-	-	\$ 278,200
Puerco - Strong Alley Sewer	-	17,063	112,255	-	-	-	\$ 129,318
New 21" Sewer Main (WWTP to Airport Wash)	2,000,000	-	-	-	-	-	\$ 2,000,000
New 21" Sewer Line Influent Lift Station w/OCS	-	2,000,000	-	-	-	-	\$ 2,000,000
New 21" Sewer Main (Shalimar to Applebees)	-	2,600,000	-	-	-	-	\$ 2,600,000
Sewer Line - Influent Lift Station	-	1,000,000	-	-	-	-	\$ 1,000,000
Nizhoni Blvd. - Water, Sewer & Effluent Line	-	1,000,000	-	-	-	-	\$ 1,000,000
Sewer Line Replacement - Sanostee & Klagetoh	-	362,000	-	-	-	-	\$ 362,000
WWTP Digester Blower Repair	-	60,000	-	-	-	-	\$ 60,000
RAS/WAS Sump Pump Replacement	-	10,000	-	-	-	-	\$ 10,000
WWTP Base Repairs for Headworks Screw Pumps	-	-	15,000	-	-	-	\$ 15,000
WWTP Replace Facility Doors	-	-	15,000	-	-	-	\$ 15,000
	\$10,715,750	\$ 7,601,513	\$ 644,255	\$ 340,000	\$ 250,000	\$ -	\$ 19,551,518

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