

CITY OF TUCUMCARI
CITY COMMISSION
Work Session Notes
September 8, 2016

The Tukumcari City Commission met in a work session on Thursday, September 8, 2016 at 4:30 p.m. in the City Commission Chambers. Members present were John Mihm, Ruth Ann Litchfield, Amy Gutierrez and Ralph Moya. Robert Lumpkin was absent.

City staff members present were: Jared Langenegger, City Manager; Doug Powers, Assistant City Manager, and Angelica Gray, City Clerk.

Guests: Patrick Vanderpool, EDC Director; Phyllis Taylor, James Foty, and Josh Johnson with Sites Southwest.

Discussion regarding Ordinance 1118 LEDA – Rugged, Inc.

Mr. Vanderpool, Executive Director from EDC, stated he visited with Adam and Kim Nichols and they are planning on moving and we are not sure what that would do to the project. Mr. Langenegger stated that last week he asked Adam Nichols to provide them with a proposal on how they want to move forward with the project. Since that time, Mr. Vanderpool has engaged a couple of people in having discussions with Mr. Nichols about taking over their operations in Tukumcari and maintaining those operations, including Bob Hockaday, Steven Morgan, a retired hospital administrator at UNM, and has a very good business background. We visited with them about the potential of helping in an administrative capacity in terms of Mr. and Mrs. Nichols operations in Tukumcari and they were very receptive. We had a follow up meeting with Mr. Nichols, Mr. Hockaday & Mr. Morgan and he has also had conversations with Dr. Newsom about having the college involved in the project at some degree. Dr. Newsom is out of town but will be in town next week and we will try to get our group together on September 14th.

Mr. Vanderpool handed the commission an update in terms of that particular account. He also made copies of the Ordinance, Project Participation Agreement, and Security Agreement. He stated they have not sat down and worked out the details.

Mr. Vanderpool thinks this may be the best of both worlds in regards to the different players' strength. Mr. Nichols strength is engineering, design and manufacturing. Ms. Nichols is marketing, and Mr. Hockaday and Mr. Morgan both have experience in organizational skills and business management skills.

Commissioner Moya asked if they were working this out of their house. Mr. Vanderpool stated that they were. Mr. Vanderpool stated they have a large order from Cannon Air Force Base of about 300 units at the current price of \$180.00, for the flashlight, solar cell, and the adapter.

Mr. Vanderpool stated they were showcased with American Makers on the Discovery Channel. One of the things they found out during that experience was that it was priced on the high end of the market and suggested they try to bring the price down and the volume will go up. He thinks the price point is going to be between the \$90 and \$100 range.

Mr. Vanderpool stated that Mr. Nichols has mentioned the need to buy their parts in bulk to bring the price per unit down and they are working on that.

Commissioner Gutierrez asked if Mr. Vanderpool had taken an itemized inventory list of everything they have. Mr. Vanderpool stated they have not done that yet. However, the security agreement is not on inventory but rather on their accounts receivable. Commissioner Gutierrez stated that they did not fulfill their contract agreement. She stated if we are transitioning the business to someone else, there needs to be accountability. Mr. Vanderpool agrees that there should be some accountability. He stated that we need to be careful in terms of how much we manage their business versus them managing their business. Commissioner Gutierrez stated they are not managing their business.

Mr. Vanderpool stated that Mr. Nichols mentioned that they have sold 200 units at this point. Commissioner Gutierrez asked where that money went to. Mr. Vanderpool stated he does not know where that money is.

Mayor Litchfield inquired about the 5 jobs they were supposed to have by the end of their first year. Mr. Vanderpool stated they have not met that goal.

Commissioner Moya asked who holds the patents. Mr. Vanderpool responded that the owners hold the patent. Commissioner Moya stated that the only thing that secures this is their accounts receivables. Mr. Vanderpool stated that is correct and the language was approved by attorney for the Economic Development. Commissioner Moya stated that when we are dealing with taxpayers dollars we need to be more careful. He stated that we need to make the recipient personally guarantees the monies received. The last thing we need is for these businesses to go “belly up”, the taxpayers will not be happy and we will find ourselves before a grand jury explaining why we are dumping money useless. He stated that the way it is written right now the recipient can get away with patents and everything else.

Commissioner Moya stated we are very serious about having economic development in our community but not by dumping taxpayers’ dollars.

Mr. Langenegger stated that our city attorney had concerns with these agreements as well but he has agreed to go along with them because the economic development department approves them. However as we go forward he thinks that whether Economic Development Department approves them or not we should require more of a claw back within these contracts. It does mean more work for us and EDC but that’s something we need to move forward on.

Mr. Langenegger stated that he is not impressed with Rugged, Inc. and their performance to date. He has not been happy; when we had our quarterly report last year, we discussed the number of employees they had and to date he does not believe they have hired any employees. They sold 200 units at \$180 that’s \$36,000 and the gross receipts tax on that is not much. They are not putting much back into the economy like they are supposed to with the agreement. He understands they’ve had issues and concerns but he has not seen the amount of effort from this company that he would like to see. He asked the commission if they want to move forward with this or do we terminate the agreement and cut our losses and keep our \$8,976 that we can still get back.

Commissioner Moya stated that if someone is willing to take this over how much control will we have? Commissioner Mihm asked what type of contract we will be entering into. Mr. Vanderpool stated he did not think there would be much of a change in the contract itself in terms of the

participation agreement. Mr. Vanderpool stated they are adding new members to the team to oversee their Tucumcari operation. Commissioner Gutierrez stated that she does not feel comfortable with it being in someone's garage either. Apparently that did not work this last time.

Commissioner Mihm stated that Mr. Nichols is releasing us the ability to utilize his patent to manufacture the time and everything that is revenue would be escrowed until we hit the amount of monies that we have expended up to this point and then going from there, there would need to be an agreement with Mr. Nichols on how much he gets out of that revenue moving forward since we are supplying everything.

He stated that if Mr. Hockaday and Mr. Morgan are willing to do this gratis it needs to be on a contractual basis. As long as we handle it appropriately and we get everything in writing as to how it is handled he does not think the commission would be opposed because we still have money in escrow and they still have inventory to start making flashlights.

Mr. Langenegger stated that he asked them to put together a plan outlining how they were going to make it work. He also asked for a schedule of how they are going to meet their requirements in the Project Participation Agreement. What they turned back to me was this letter which doesn't tell us anything other than they are leaving town and turning it over to someone else. If Mr. Vanderpool can work with them and with Barry Cooksey and Mr. Hockaday and get something in place and in writing and something that looks like it can work, great he wants to see this project be successful. However to this point he has not seen the amount of effort and dedication from them to make this work and he does not feel that they are taking this project seriously and that is a major concern for him. He understands that if we get \$9,000 back we still lose \$41,000 but at least it's \$9,000 more we are not going to lose going forward. Mr. Vanderpool stated that their accounts can be frozen, it should be easy to do.

Commissioner Moya stated there is very little we can do. If we could save the project we can still take a gamble with the \$9,000. If someone is willing to take this and salvage this mess he thinks it would be great.

Commissioner Mihm stated it just needs to be all contractual so that we do not put ourselves in a position of being employers of Rugged, Inc. Commissioner Moya stated that from this point forward we need to look at more of a guarantee.

Mayor Litchfield stated she is concerned with who is managing the business. Mr. Vanderpool stated he can recommend that they engage Mr. Hockaday and Mr. Morgan as managers of the project and give them the authority to manage the inventory and the sales in a contractual basis. Mayor Litchfield stated that it needs to come out of the garage all together. She stated that if Mr. Hockaday had space it would be great.

Commissioner Gutierrez stated the City needs proof where the monies went to from all the sales.

Mr. Langenegger stated we need to be cautious about not telling them what they need to do to be successful because we do not want them to tell us it's our fault if they fail. These are recommendations from the commission with a plan outlining how this project is going to work and from there we can make a determination to release the rest of the funds.

Mr. Vanderpool stated that Mr. Nichols was unable to make it to this meeting because there was an emergency on the helicopter. Ms. Nichols had her daughter to take care of.

Mr. Langenegger thanked Mr. Vanderpool for putting this together and trying to work through it.

Presentation from Sites Southwest regarding the MRA

Ms. Phyllis Taylor stated this is their first site visit. She stated we have a downtown plan and we have designated an area as a Metropolitan Redevelopment Area. The way this project builds is really look at the projects that have come out of the plans we have done and try to help us work through the best way to get your top projects done.

Ms. Taylor stated that they call the projects that are most important to us, catalytic. She stated we have some issues but we also have some great buildings; she was very impressed. She stated we have the great block project that will be a design separate from us but we will try to coordinate with that one because that investment you are making, we should be trying to build on us.

The MRA allows local government to stimulate private investment using public money. She stated the City could donate land or offer it below market rate, we could have favorable lease terms, if we have a building, we can provide infrastructure improvements that directly benefit private landowners. This is a way to work around the anti-donation clause.

Commissioner Moya asked if there was a reason why this demographic area was selected? Ms. Taylor stated it was designated prior to them coming along. Commissioner Moya stated that on Second Street there are office buildings that are empty and abandoned for 5-10 years. They should be included. Mr. Langenegger stated the main reason the boundaries were set this way was because it is the Mainstreet district and we did a survey and had Mr. Dean look at the areas that were the most blighted and needed the most assistance. He understands there are vacant buildings outside that area and blighted areas.

Commissioner Moya stated he sees more potential in that area because of the professional need in that area.

Ms. Taylor stated they will be meeting the key stakeholders but we will have public meetings for more input and property owners within the district. Once the plan is in draft form, there are notification notice requirements to notify all business owners. Ms. Taylor stated they do put websites together for these as well and this allows us to post documents and meeting announcements. They look at financing options and the priorities.

Ms. Taylor stated that they want to know how they can make this useful to Tucumcari. She stated some of the projects that were mentioned in other documents that they reviewed, included, property acquisition, Princess Theater, façade squad, Crescent Ice Cream building, and Housing Development.

Other areas that they have worked with are Raton, Farmington, and Belen. She stated that Mr. Dean has talked to us about the different development financial tools, which include Business Improvement District (BID), Tax Increment Financing District (TIF), Tax Increment Development District (TIDD), and Local Option gross receipt tax.

Ms. Taylor stated that for community participation we will have stakeholder interviews starting this week, two public meetings and hearings starting in February.

Ms. Taylor asked what the top priorities are for the City. Commissioner Moya stated that it would be the Princess Theater. Commissioner Mihm thinks the façade project is one of the most important. If it's cleaned up we may attract more business down there.

Commissioner Moya asked what was going to happen to Sands Dorsey. Mayor Litchfield stated that they would like to make it into a park.

Mr. Langenegger stated that Sands Dorsey will be addressed in the Great Blocks program. Hopefully by the time we are done with Great Blocks we will have construction ready documents for that site and we can then look for funding.

Ms. Taylor stated the projected timeline is as follows: September, project launch; October, background research; November, refine project ideas; December – January draft releases; and February, finalize.

Ms. Taylor asked what Tucumcari's biggest assets are in downtown. Commissioner Moya stated that people downtown with cameras taking pictures of murals. Commissioner Mihm thinks that the biggest asset is the railroad museum.

Commissioner Moya stated that the City put a lot of money into the railroad museum and we need to utilize it for the purpose of generating revenue or using it for the purpose of the community.

Mr. Langenegger stated the board initially tried to get the City very involved with it. Their request was to get make it like the Historical Museum where the City puts in funding and helps operate it. However, we do not have the money to hire personnel. We do have the funding for maintenance, but if it's going to be another museum they need to have their own money and their own entity.

Ms. Taylor stated the City has other economic development activities going on and she would like to know if there is any connections that can be made between those and this area so that if we have a business who wants to come in, would this be an area for it. Mayor Litchfield stated that there are several offices; two doctors building and a dentist building.

Discussion of Museum Advisory Board

Mr. Langenegger stated that according to City code we have a museum advisory board which is set by the city commission. The commission has appointed members to that board who are also on the THRI board, which is a partnership with the City to operate the museum. The concern is if we have the same board members, there is a conflict. There have been lively discussions about the assessment program and some are not happy with the way things are going. However, he does not think it serves any benefit to have the same board for both sides. Commissioner Moya stated the City has no one representing them; the City board should represent the City.

Ms. Gray stated that Vicki Watson is the only member of the City Advisory Board who is not a part of the THRI board.

Mr. Langenegger does not think we need to re-write the ordinance rather just be aware of who is being appointed.

Commissioner Moya stated that we have a problem with the museum board he thinks that problem needs to be resolved before we go further with the city board. Do they want the city to be involved in

that or do they want us to turn it all over to them and the City pull the funding. Mr. Langenegger stated the impression he got from the Friday meeting they had, they want the City funding but they wanted the city to not be involved. However since that meeting, we've had another meeting with their board president Mike Lucero and he is upset with his board but he is in favor of us moving forward with this MAP process. What it comes down to, is there are members who have been members forever and things are changing and people are reluctant to change. What this MAP process does is it gives advice and recommendations on how to improve the museum operation and how to change things. There are some folks who are asking if we do not make these changes is the City taking the museum over. Mr. Langenegger stated he explained to them that the City does not have intention to take it over, rather it's a partnership. He thinks he has made some progress, but he thinks there will always be reluctance to change but he thinks right now they are back on track with moving forward with the museum assessment program and working as a partnership rather than the City being a silent partner.

Commissioner Moya does not think we can have a conflict of interest. He stated we need to appoint a board that can advise for the City and we do not have that right now due to the same members of both boards.

Ms. Gray stated that the ordinance currently states that all members of the museum board may be appointed from recommendations made by the Tukumcari Historical Research Institute to the city commission.

Mr. Langenegger stated he will review it and figure out what changes need to be made.

Commission adjourned at 5:49 p.m.

Submitted by:

Angelica M. Gray
City Clerk