

# RESULTS OF THE STUDY: House Memorials **72** (2017) & **41** (2018)

*A public-private collaborative for economic growth*

November 29, 2018 | WNRC Legislative Committee | Santa Fe, NM



# Decline of Coal: The Impetus for HM 72/41

## NATION

- Coal production is decreasing
- Natural gas & renewables production increasing

## STATE

- NM coal production is decreasing faster than US rate
- NM mining & logging jobs have decreased by 1/3 over a 4-year span

## REGION [Northwest New Mexico]

- McKinley & Cibola County economies are coal-dependent
  - Energy sector provides **12%** of jobs in the region
- Local communities suffering negative impacts, including:
  - Industry dislocations
  - Downsizing production
  - Job loss and worker out-migration
  - Loss of local revenues



# What is the HM 72/41 Initiative?

- Recognize Escalante Generating Station in Prewitt, NM as an **economic anchor** for both Cibola and McKinley Counties
- Support proactive, locally-generated **economic leadership** based on economic development attraction and retention principles
- **Study and assess** the opportunity:
  - Best practices in "cluster development" as shown in other states
  - Workforce development and retooling strategies
  - Potential for industrial recruitment, with a focus on expanding & emerging industrial growth sectors
  - Tech research opportunities
  - Opportunities for public-private partnerships



# Purpose of the HM 72/41 Initiative

- Sustain Escalante Generating Station
- Diversify economies for Cibola & McKinley County
- Capitalize on skill-sets of existing workforce
- Capitalize on existing infrastructure assets
- Build bi-county regional public-private partnerships



# HM 72/41 Tech Working Group

- Continental Divide Electric Cooperative
- Cibola Communities Economic Development Foundation
- Escalante Generating Station
- Greater Gallup Economic Development Corporation
- Northwest New Mexico Council of Governments
- NM Economic Development Department
- NM Energy Minerals & Natural Resources Department
- NM Department of Workforce Solutions
- TriState Generation & Transmission Association, Inc.



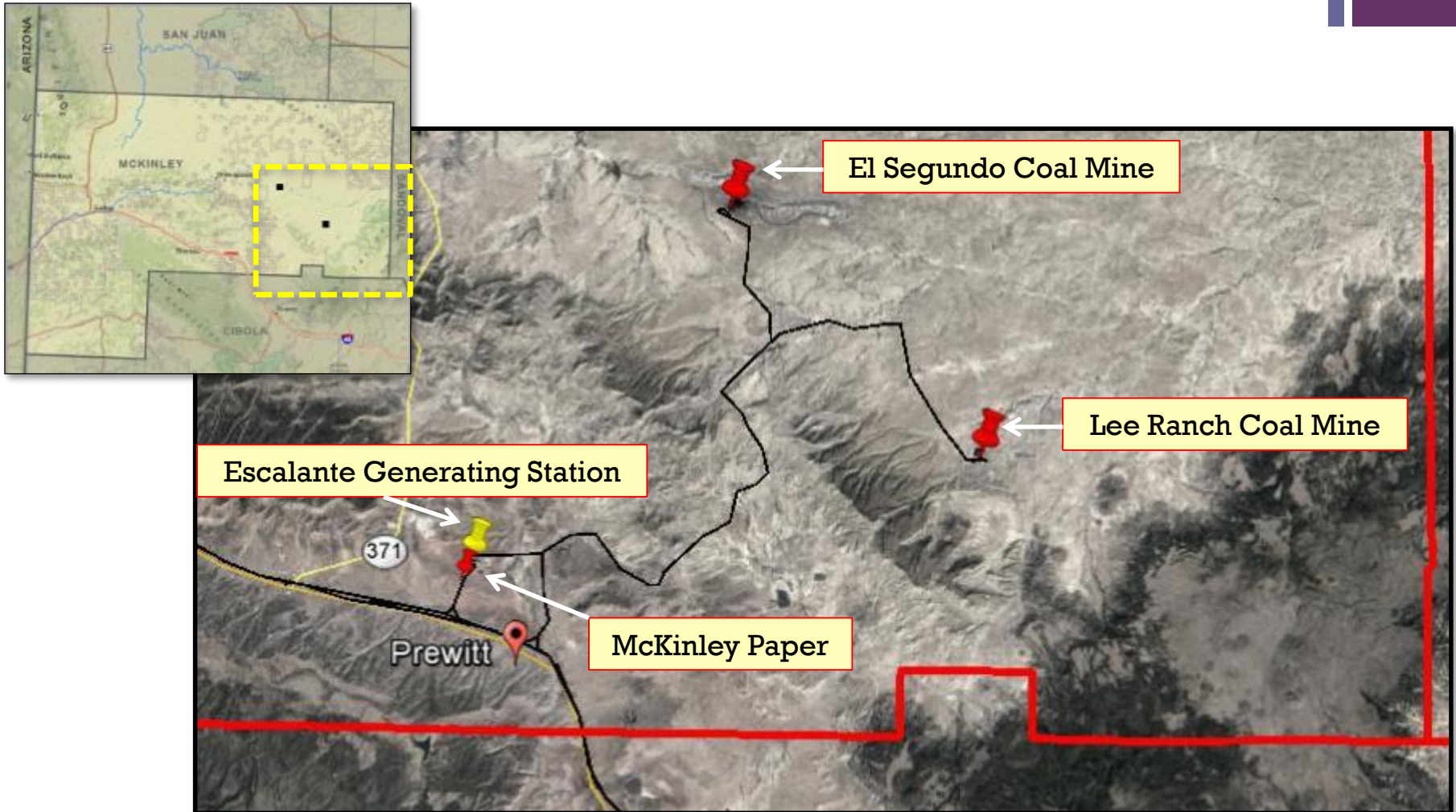
Energy, Minerals and Natural Resources Department





# Prewitt Industrial Cluster

## Eastern McKinley County





# Escalante Generating Station as an economic anchor

- 119 employees
- \$14.2M in payroll and benefits
- \$76,000 – average salary (not incl. benefits)
- \$1.4M in annual property taxes
- \$95.8M in local spending – operation purchases, maintenance services, capital equipment, spare parts, and purchasing coal and limestone for plant.
- Sells steam, water, and electricity to McKinley Paper Company manufacturing facility
- Buys coal from El Segundo Coal Mine



# Prewitt Industrial Cluster

## *Economic-Base Jobs*

BUSINESS	2015/2016	2018	Difference
Escalante Generating Station	119	117	-2
McKinley Paper (formerly Bio-Pappel McKinley)	130	129	-1
Peabody Energy: El Segundo Mine	349	240	-109
Peabody Energy – Lee Ranch Coal Mine*	N/A	N/A	N/A
<b>TOTAL</b>	<b>598</b>	<b>486</b>	<b>-112</b>

\* Not Operational

Source: Greater Gallup EDC





## Cibola County Scope of Work

- Workforce Assessment
- Supply-Chain Analysis

## McKinley County Scope of Work

- Target Industry Analysis
- Master Site Plan

### Bringing it all together





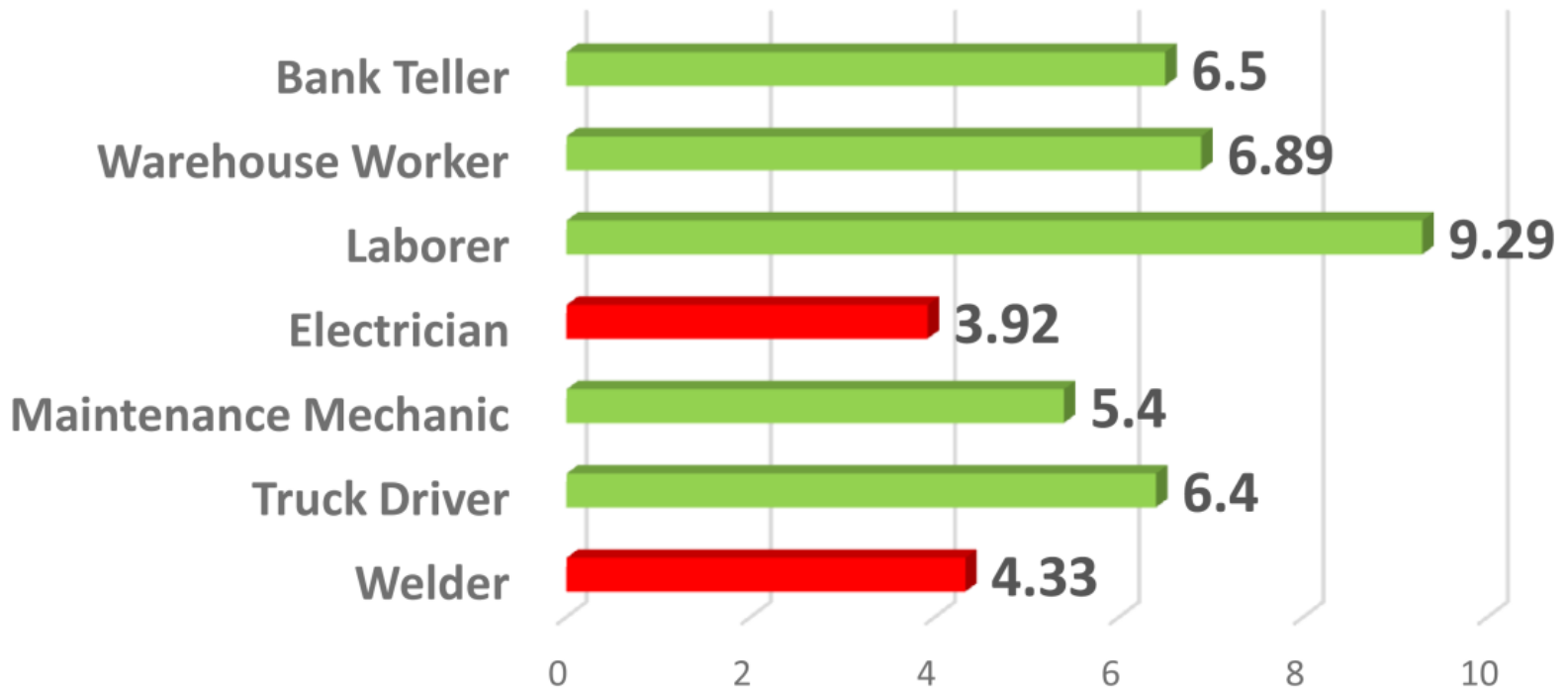
# Current Steps

- 1 • **Nov. 2017** – COG secures ISA with Counties
- 2 • **Jan. 2018** – Advertise RFP for Scope of Work; Passage HM41
- 3 • **March 2018** – Notice to Proceed given to FCG
- 4 • **May 2018** – Research, Site Visits, and Interviews
- 5 • **July 2018** – Initial Assessments and Reports
- 6 • **August – November 2018** – Final Reports and Draft Site Plan
- 7 • **December 2018** – Final Reports Due
- 8 • **January 2019** – **LEGISLATIVE SESSION**



# Workforce Assessment/1

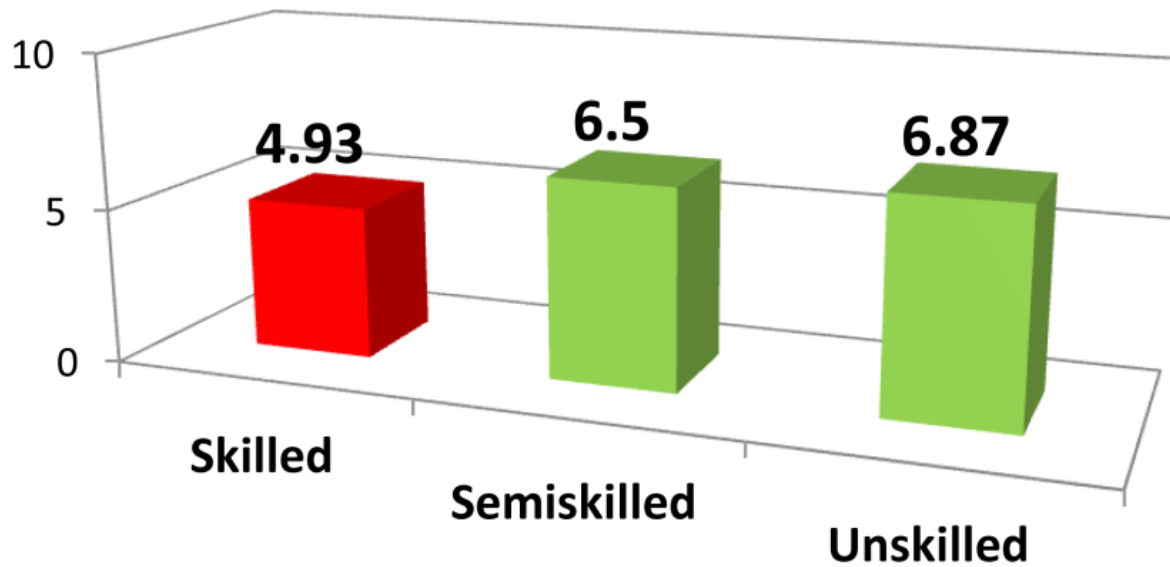
Prewitt Region Worker Availability, 2018





# Workforce Assessment/2

### Prewitt Region Labor Availability, 2018



FCG Fieldwork  
1=very poor; 5=ave.;10=excellent



# Workforce Recommendations

- **Business-Education Workforce Roundtable**: to help bridge the gap between industry, government, education, and training.
- **ACT/National Career Readiness Certificate Program**: Bring McKinley and Cibola through the Process
- **Career Pathways & Awareness**: Enhance career cluster awareness and implement career pathways:
  - Develop programs where businesses visit classrooms.
  - Encourage job shadowing
  - Continue promotion of dual-credit
  - Build a Maker Space / Fab Lab where people with shared interests, especially in computing or technology, can gather to work on projects while sharing ideas, equipment, and knowledge.



# Supply Chain Analysis

- **Suppliers:** Understanding your prominent regional industries where most of their work is done elsewhere, but could potentially be done in your region
- **Freight:** Determining the major products that flow through your region and could potentially be manufactured/distributed in your region
- **Locations/Expansions:** Understanding which industries/services have actually located or expanded within the four states around your region, showing clustering trends.



# Key Potential Suppliers

<u>Cibola County</u>	<u>Regional Supply Gap (\$M)</u>
<b>Coal Mining</b>	<b>\$10.70</b>
<b>Animal Production</b>	<b>\$3.20</b>
<b>Corporate/Regional Offices</b>	<b>\$2.80</b>
<b>Animal Food Manufacturing</b>	<b>\$2.60</b>
<b>Oil/Gas Machinery</b>	<b>\$2.20</b>
<b>Warehousing</b>	<b>\$1.70</b>
<b>Engineering Services</b>	<b>\$1.60</b>
<b>Logging</b>	<b>\$1.50</b>
<b>Health Insurance</b>	<b>\$1.50</b>
<b>Petroleum Refineries</b>	<b>\$1.40</b>
<b>Crop Production</b>	<b>\$1.30</b>
<b>Computer Equipment</b>	<b>\$0.70</b>

<u>McKinley County</u>	<u>Regional Supply Gap (\$M)</u>
<b>Petroleum Extraction</b>	<b>\$109.60</b>
<b>Gas Extraction</b>	<b>\$34.20</b>
<b>Corporate/Regional Offices</b>	<b>\$22.20</b>
<b>Wholesale Trade</b>	<b>\$4.00</b>
<b>Insurance Carriers</b>	<b>\$3.50</b>
<b>Sawmills</b>	<b>\$3.10</b>
<b>Trucking</b>	<b>\$2.90</b>
<b>Temp Help Services</b>	<b>\$2.60</b>
<b>Cheese Manufacturing</b>	<b>\$2.40</b>
<b>Pipelines/Oil</b>	<b>\$2.20</b>
<b>Telecommunication Carriers</b>	<b>\$2.10</b>
<b>Electronics</b>	<b>\$0.80</b>

# + Freight: LA-to-NM

## Inbound

- Furniture
- Machinery
- Coal – n.e.c.
- Plastics/rubber
- Other foodstuffs
- Base metals
- Other ag products
- Motorized vehicles
- Electronics
- Nonmetal mining products

## Outbound

- Newsprint/paper
- Waste/scrap
- Other foodstuffs
- Milled grain products
- Fertilizers
- Animal feed
- Nonmetal mining products
- Paper articles
- Articles – base metal
- Misc. manufacturing products



# + Freight: LA-thru Prewitt, NM-to-Dallas

## From LA

- Motorized vehicles
- Furniture
- Other foodstuffs
- Nonmetal mining products
- Electronics
- Plastics/rubber
- Base metals
- Articles – base metal
- Misc. manufacturing products
- Machinery

## From Dallas

- Waste/scrap
- Other foodstuffs
- Other ag products
- Newsprint/paper
- Chemical products
- Mixed freight
- Plastics/rubber
- Articles – base metal
- Milled grain products
- Pharmaceuticals

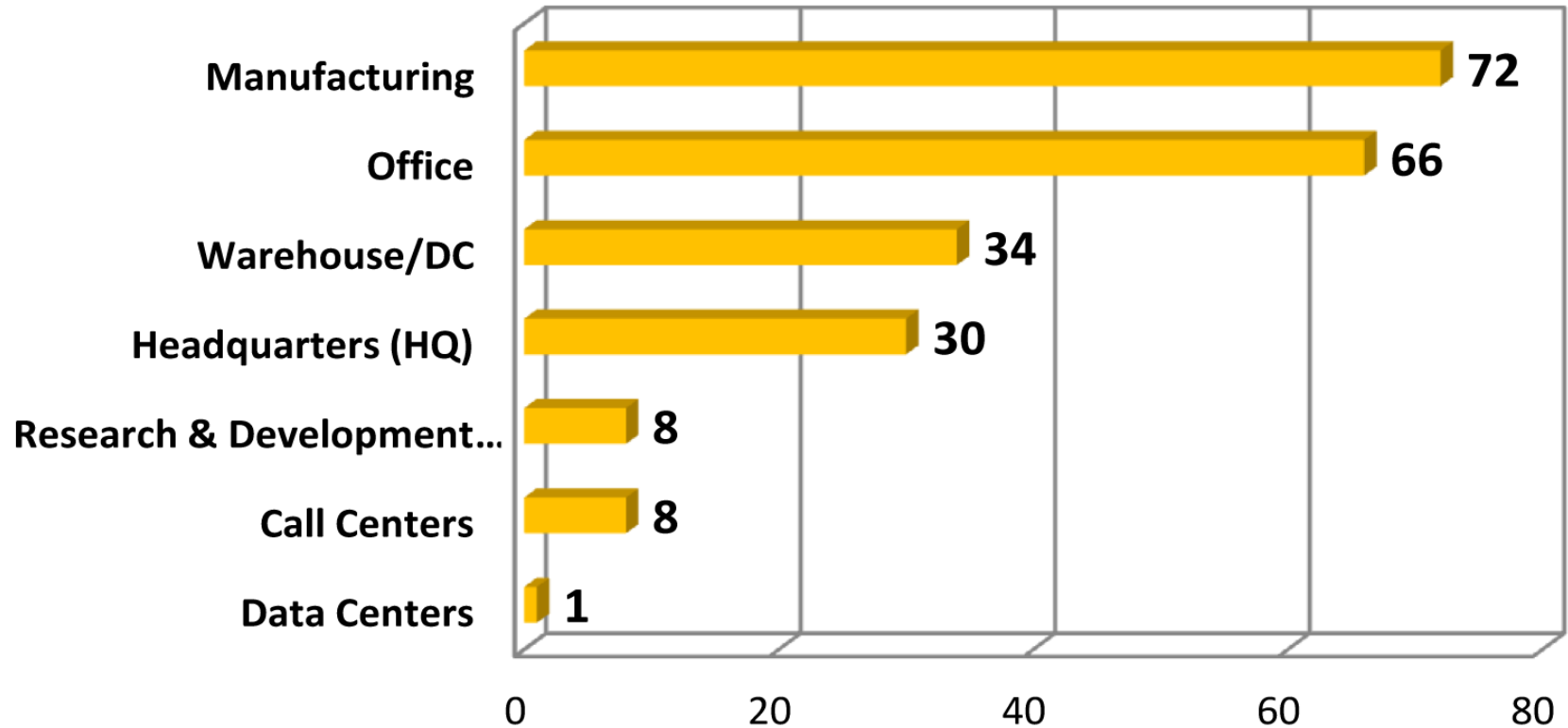
# + Location/Expansion Analysis

## Location/Expansions by Broad Sectors

2017-18 in

NM, AZ, CO, UT

Source : Conway Data



# Target Industry Analysis:

## “Best Fit” Targets (Sectors & Sub-Sectors)

- Has a high supplier gap
- Has a high percent of freight movement through the region
- Represents industry that located or expanded over the last year in the 4-state area

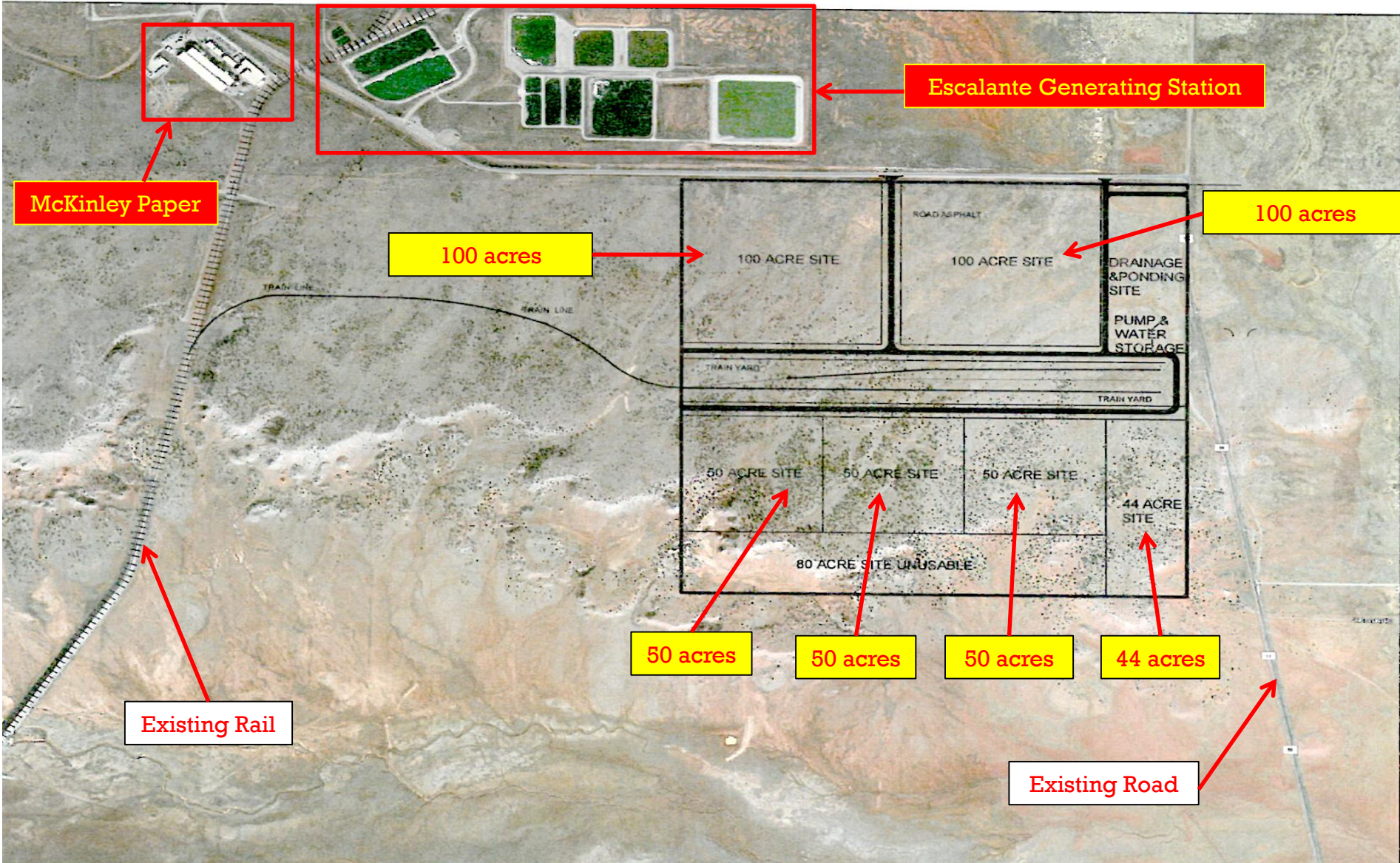
<b>Food/Beverage</b>	Canning, Water, Brewery, Milk, Cheese, Dressing, Bakery, Winery
<b>Industrial Machinery</b>	Packaging, Heating Equipment, Conveyors, Medical Instruments, Steel Racks, Mechanical Bailers, Crain and chain lift equipment
<b>Wood/Furniture</b>	Sawmill, cabinets/pallets, mattress, shades
<b>Chemicals/Pharm/Plastics</b>	Fertilizer, plastics, pipe, bags, plastic rack protectors, castors and wheels, industrial carts/work benches/storage bins
<b>Paper</b>	Bags and stationary
<b>Computers/Electronics</b>	Audio/video, semiconductors, printed circuit boards, electromedicals, navigation equipment, broadcasting
<b>Warehouse/Distribution</b>	Lumber, carrier, beer, mail-order, electronic shopping, refrigerated, electronics, groceries, pet food
<b>Software/Related Services</b>	Computer coding/design, engineering, testing, environmental, computer, advertising
<b>Financial Services</b>	Mortgages, investments, banking, securities
<b>Oil-Related</b>	All offices



# Master Site Plan



# County Road 19 Site Layout







# County Road 19 Site

- **LAND:** 630 total acres; owned by the State of New Mexico (the State has leased the property to local tenants)
- **ACCESS:** Highway access would be off of CR 19, just south of the Escalante Power Plant access road
- **LAYOUT:** Layout includes two 100-acre sites, three 50-acre sites, and a 44-acre site
- **RAIL SERVICE:** Can extend Rail, with three rail spurs
- **UTILITY ACCESS**
  - Public water not available; wells needed; septic required
  - Electricity and steam potentially available



# Preliminary Cost Estimates

DESCRIPTION	UNITS	ESTIMATED QUANTITIES	UNIT PRICE	AMOUNT
<b>Mobilization/Demobilization 5%</b>	LS	1	\$351,700.00	\$351,700.00
<b>Erosion Control SEPP Compliance</b>	LS	1	\$31,000.00	\$31,000.00
<b>Clearing and Grubbing</b>	ACRE	75.14	\$44.75	\$3,362.52
<b>Fencing</b>	LF	21180	\$2.60	\$55,068.00
<b>Roadway Excavation and Fill</b>	CY	72733	\$6.30	\$458,217.90
<b>Subgrade Prep</b>	SY	109100	\$2.25	\$245,475.00
<b>Base Course 6" - 60 FEET</b>	TON	32800	\$18.00	\$590,400.00
<b>Asphalt 6" - 48'</b>	TON	29100	\$180.00	\$5,238,000.00
<b>Pavement Markings and Signage</b>	LF	16365	\$1.38	\$22,583.70
<b>Rail Improvements</b>	LF	21800	\$250.00	\$5,450,000.00
<b>Drainage Culverts 36" DIAMETER</b>	LF	540	\$110.00	\$59,400.00
<b>Water Well</b>	EA	300	\$250.00	\$75,000.00
<b>Water Storage Tanks 500 K GAL</b>	EA	1	\$1,100,000.00	\$1,100,000.00
<b>Pumping Plant and Controls</b>	EA	1	\$325,000.00	\$325,000.00
<b>Water Lines 8" No service connection</b>	LF	11160	\$21.00	\$234,360.00
<b>Material Testing</b>	LS	1	\$22,000.00	\$22,000.00
<b>Construction Staking</b>	LS	1	\$45,000.00	\$45,000.00
<b>Engineering and Surveying 2.0%</b>	LS	1	\$140,000.00	\$140,000.00
<b>Project Management 4%</b>	LS	1	\$281,400.00	\$281,400.00
<b>Project Contingency 10%</b>	LS	1	\$703,500.00	\$703,500.00
				<b>\$15,431,467.12</b>



# Next Steps on Preparing for Development

- **ORGANIZE:** Formalize P3 leadership group for carrying forward the plans – Winter 2018-19.  
Who leads? Who manages investments, projects, marketing & recruitment?
- **FINANCE:** Assemble developmental resources for next phases of planning & development – Winter-Spring 2019.
- **ACCESS:** Road access decision with Tri-State – By the end of 2018
- **SITE DISPOSITION:** State lease discussions and site options – By mid-2019
- **SITE DRILL-DOWN:** Certified Site Analysis – By mid-2019
  - Property Boundary Survey
  - Preliminary Engineering Report for Utilities
  - Topographic mapping – 2 ft. contours
  - Environmental / Biological / Archeological
- **RAIL:** Final Rail Analysis – By mid-2019
- **DRAINAGE:** Drainage Study – By year-end 2019
- **ACQUISITION:** Purchase Property – By year-end 2019
- **DEVELOP:** Begin Site Development – By mid-2020

## **FUNDING NOTES:**

- 1) **Legislative appropriation request: \$250,000**
  - ✓ Local Staffing for Coordination
  - ✓ Complete Certified Site Analysis
  - ✓ Rail Analysis
  - ✓ Drainage Study
- 2) **State Planning Grants?**
- 3) **OOZ:** This site/area is a US Treasury designated **Qualified Opportunity Zone** ripe for private investment
- 4) **Related Funding:** Navajo Nation received \$1.2M from NM's **Tribal Infrastructure Fund** for road improvements of County Road 19 (main thoroughfare from I-40). McKinley County has resources for improvements in the same corridor.





# Recommendations on Attracting Industry

- **COLLABORATE:** Work as a region
- **TARGET:** Pursue the top five targets
  - Cost comparisons
  - Freight modeling
  - Marketing
- **MARKET:**
  - New marketing piece; improve website (target tabs)
  - 2 missions & 2 trade shows/year
    - Phoenix
    - Denver
  - Market to site selectors
    - Site Selectors Guild (SSG)
      - *Spring Conference – Salt Lake City – March 25-27, 2019*
      - *Plan an Advisory Forum*
- **BUILD TO SUIT:** “Spec” building feasibility study



# HM 72/41: Lessons Learned

- **PROACTIVE:** We were proactive; we focused; and we set the stage for possible new development.
  - LAND -- Identified land close to anchor industry with needed acreage for development based on site selector needs
  - WORKFORCE -- We have available workforce – some of it “ready to work”; but substantial workforce development resources are needed to support focused & responsive training programs.
  - LOCATION -- We used Prewitt’s locational advantages as a basis for development strategies.
  - MASTER PLAN – A draft blueprint to maximize the Prewitt Cluster’s assets for future development.
- **LOCAL INITIATIVE:** The local consortium was the primary driver – public and private leaders taking the lead to plan for the future, find resources and meet the needs of their community.
- **COLLABORATION:** It can be productive to work with industry to plan for the community’s future.
- **THINK REGIONAL:** The regional approach makes sense: get your economies-of-scale to attract resources & develop opportunities.
- **P3s:** Regional public-private partnerships can work: it takes cooperation and shared resources
- **DEVELOPMENTAL SUPPORT:** Financial resources are critical for this kind of research & development. Was this effort properly scaled and resourced? Can others replicate our process?
- **SITE SELECTION MENTALITY:** Think Outside-In (what are investors looking for?) and Think Inside-Out (what must we do to be prepared & competitive?).



Questions?