

2020 Annual Report



GGIWP

GREATER GALLUP INDUSTRIAL WORKFORCE PROGRAM



2020 ANNUAL REPORT

Moving Forward

Greater Gallup Economic Development Corporation

July 2020



Tommy Haws GGEDC Board President, addresses Industrial Workforce Program participants at celebration of a new Gallup Energy Logistics Park tenant

“The best social program there is is a job. The more we can do to create jobs and growth in our community ... the more we can do to grow families out of difficulties and grow families out of poverty.”

*- Tommy Haws,
GGEDC Board President*



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Greater Gallup Industrial Workforce Program Receives Marathon Petroleum Grant

A Word from the President



Building on a Strong Foundation



Tommy Haws
President, GGEDC Board of Directors
Senior Vice President, Pinnacle Bank
2012 - Present

4 years ago, I wrote the President's message with the title "Laying the Foundation". Our organization has been working, since our establishment, to lay a foundation that would not be just a temporary fix- but rather one that would reach beyond even our own involvement- but rather one that would last beyond just the people who helped get this started- but rather an organization built on principles and best practices.

But to get to those principles, I wish to first thank some of the people that helped be those foundation layers- with particular gratitude to our former Mayor, Jackie McKinney. Mayor McKinney had the vision and foresight to be able to see past the way things were and wanted to help grow the area economy. He saw that there were limitations with having economic development as a department in city government, because private enterprise must be able to have the ability to protect intellectual property and negotiation powers before they come out publicly. Businesses who wish to be retained and expand current operations must also know that they are protected when they need to work through issues- and need a strong independent group to work through

those issues with them. So Mayor McKinney instructed his city manager at the time to reach out, form a committee and find ways that we could bring together some of the strengths of our community in order to look into growing the economic base (the foundation) of our area.

Since that time, we have had a great deal to look back on that has established that foundation - a world class website, a highly trained professional staff, hundreds of business touches of both current businesses that provide economic base jobs as well as recruitment of new ones, a workforce program that was developed and has begun training and many more programs that allow us to now build upon that foundation that has been laid.

All of us have been affected in one way or another during this recent COVID-19 global pandemic. We have seen a severe blow to the area with the announced closure of the Escalante Generating station that is in our county. We have seen that many in our area are worried about replacing lost jobs, lost tax revenue and lost hope about where we go from here.

But that is exactly why the GGEDC is more important now than ever. The foundation is there- the question is what is to be done to BUILD on that foundation.

This is no time to rest - a foundation alone is not enough!

GGEDC is listening to, and when they can advocating on behalf of, what the community is saying - business needs such as a better trained, upskilled workforce, leveraging natural assets to enhance our position in the national and global economy, improving infrastructure, quality of life, and other vital interests.

GGEDC will remain true to its mission - and will use all its assets and abilities to create base-Economic jobs; well-paying jobs that bring in outside money and, by so doing, lead to the development of service sector jobs that help make Gallup more dynamic with more and better business opportunities, that in turn help fuel an improved quality of life across the board.

- *Tommy Haws*

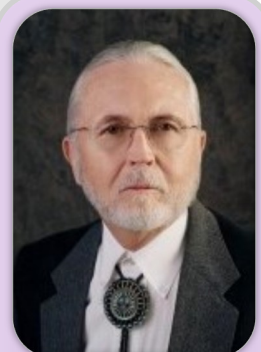
Special Recognition

Jackie McKinney, Former Mayor of Gallup, was a founding member of GGEDC, and served as an ex-officio member of the GGEDC Board since 2012.

He recognized that a separation between government and the economic development function often results in better outcomes for the public and for business, as well.

The Mayor played a significant role in the development of the Gallup Energy Logistics Park and in bringing Rhino Health to McKinley County.

McKinney stepped down from the GGEDC Board following the election of Louie Bonaguidi as the new Mayor of the City of Gallup.



Jackie McKinney
Former Mayor
2012-2020

GGEDC Board Members



Rick Murphy
Vice-President
2012 - Present



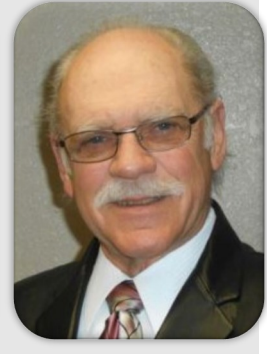
Joe Mesich
Treasurer
2015 - Present



Patrick Mason
Secretary
2012 - Present



Tony Tanner
Director
2012 - Present



Kent Wilson
Director
2015 - Present



Yogash Kumar
Ex-Officio
2012 - Present



Louie Bonaguidi
Ex-Officio
2020 - Present

Mission Statement:

It is the mission of the GGEDC to drive economic growth through building on local assets and

strategic partnering to target attraction, retention & expansion of industrial employers that provide economic-base jobs in the Gallup-McKinley County area, and to support & promote a business-friendly environment.

Staff



Patty Lundstrom, CECD
Executive Director



Michael Sage, CECD
Deputy Director



Bruce Armstrong
Economic Development
Manager



Johnny Gonzalez
Workforce Development
Manager



Melody Natewa
Administrative
Assistant II

Message from the Executive Director

Crises Spur Retooling

I am pleased to present the 2020 Annual Report of the Greater Gallup Economic Development Corporation. The past year could be described in the words of Jim McKay's Wide World of Sports as presenting both the thrill of victory and the agony of defeat.

We had much to celebrate with the opening of the Greater Gallup Industrial Workforce Program and graduating our first participants, the opening of Rhino Health's first line of nitrile rubber glove manufacturing, improvements made to Carbon Coal Road, a new tenant in Stone Material Handling at the Gallup Energy Logistics Park (GELP), and the site master plans completed for GELP and the Prewitt Industrial Complex.

However, the agony probably is the most noteworthy development of 2020. Here in Gallup-McKinley County, we shared with our nation the stark challenges of the emergence of the COVID-19 coronavirus crisis. The pandemic occasioned three levels of emergency: the immediate health threat that put at risk people's health and their very lives; the extreme health measures taken in response to the virus that sought to flatten the curve of the outbreak, entailing the shutting down of businesses, schools and public places, curtailing tourism and public events, and introducing social distancing and stay-in-place orders; and the devastating impact to the economy that resulted from the first two levels of emergency.

We continue seeking to navigate through the third level of emergency, even as COVID-19 continues to ravage the world and the economy. Almost concurrent with the COVID-19 crisis were energy downturns that resulted in the shutdown of TriState's Escalante Generating Station and threatened other McKinley economic base industries,

such as Peabody's El Segundo mine, McKinley Paper, and the Marathon's Gallup refinery.

Economic development now is called upon to play a new role, to rebuild our economy almost from the ground up. Our return to the thrill of victory, if we can call it that, hopefully will result from gradual outgrowths from the strategic framework that staff recently developed in collaboration with Jeff Kiely. The framework "retools" the way GGEDC approaches its work and priorities to allow us to be more effective in the new COVID-19 reality in which almost nothing remains the same as before.

OUR MISSION STATEMENT REMAINS FRONT AND CENTER GUIDING OUR WORK. WE WILL STAY ON MISSION BUT ADJUST THE FOCUS.

Our primary focus for at least the next year will be on Business Retention and Expansion (BRE), supporting existing businesses – economic-base industrial employers that are so critical to our economy. The GGEDC will engage top BRE priorities, such as the Rhino Health expansion; exploring a new Gallup Airport Cluster; McKinley Paper company expansion; and supporting Marathon Petroleum/Gallup Refinery.

Secondary priorities will be business attraction and recruitment including a refined and modified marketing program, Foreign Direct Investment, redevelopment of the Escalante/Prewitt Cluster; Gallup Energy Logistics Park; and the TransPortal (formerly the Trucking Super Center).

GGEDC also will continue to develop and conduct its Industrial Workforce Program. With physical distancing and other public protocols in place, the whole field of workforce development is challenged to innovate its way into new methods of delivering training. At the heart of the program will be close communications with employers and collaboration with them in the design of responsive training courses that generate the qualified workforce pool



they need to maintain their operations.

GGEDC is committed to continuing to provide leadership and education in economic development for the community in areas including educational course development; topical roundtables; strategic networking with partners & stakeholders; customer services & communications; and in advocating for quality of life improvements that have a direct bearing on our economic development, such as advocating for the IHS Hospital and improved medical facilities and services, improved workforce housing; and limited support of the retail sector.

Given the multiple changes impacting all businesses, the GGEDC will work to upgrade all our operations including our IT/communications technology; approach to office space safety; meeting space innovation; data management; and how we fundraise to support project development .

We recognize our strength comes from working and building our economy together. That reality has not changed. We acknowledge we would be unable to do this work without the steadfast support of the GGEDC Board, GEDA ,and many businesses and individuals in the community.

Thank you !

- Patty Lundstrom

Business Retention & Expansion

Gallup Energy Logistics Park Carbon Coal Road Improvements Begin

Since 2013, Gallup Land Partners has overseen development of the Gallup Energy Logistics Park (GELP) including construction of an 11,000-linear foot rail loop and securing Certified Site designation from the BNSF Railway.

Carbon Coal Road Improvements

During FY20, to support developing GELP, GGEDC collaborated with key stakeholders including McKinley County, DePauli Engineering, NWNMCOG, and Gallup Land Partners regarding final design and engineering of Carbon Coal Road.

GGEDC and other local partners engaged in collaborative discussions with NMDOT to outline project roles and responsibilities related to final design and engineering, right-of-way

acquisition, certifications, clearances, and contractor selection. NMDOT engaged Parametrix, an engineering firm, to conduct project planning.

Present efforts are focused on advancing project development including contractor agreement finalization and mobilization in light of the recent COVID-19 pandemic and its impact on the NM Budget and the potential for reversion of capital outlay funding. Barring any interruptions, NMDOT estimates construction will begin in early 2021 and conclude in late 2022.

Welcome Stone Material Handling

In October, Gallup Land Partners welcomed Stone Material Handling (SMH) of Saginaw Michigan, to GELP. SMH provides fracking sand



Connor Darby, General Manager of Stone Material Handling, guides a GGIWP participant on sand loading equipment

to operations in the San Juan Basin. Recruitment of SMH aligned well with GGEDC's efforts to recruit specific targeted industries to McKinley County, based on studies GGEDC first commissioned in 2013.

Rhino Health Plans Expansion

Last July, Rhino Health, Inc., a U.S.-based company, opened its first line of nitrile rubber glove production in McKinley County in Churchrock. Successful recruitment of this company represents a pivot for GGEDC into the manufacturing sector with strong ties to health care (long an economic base sector for McKinley County and one with long-term growth potential).

GGEDC has supported Rhino Health through its Industrial Workforce Program, in obtaining LEDA funds, and has hosted community site visits to promote business opportunities.

Primarily due to COVID-19, Rhino Health's business is growing rapidly.

There is a dire need for their product throughout the United States.

The pandemic also has impacted costs of production. According to Mark Lee, CEO, supply chain costs have more than doubled since the onset.

Additional facilities are badly needed to meet the heightened demand. Sponsored by the Navajo Nation, the first expansion will be into a building just east of the first factory. Rhino Health is working with GGEDC and McKinley County to plan and build a



Mark Lee, CEO, and Jimmy Tan, Factory Manager, at Rhino Health, Inc.

subsequent facility for 4 additional production lines.

With a current workforce of 38 people, the company has surpassed its earlier goal of hiring 35. Rhino Health anticipates hiring another 200-350 workers when the two new buildings come online.

Business Retention & Expansion

Escalante Generating Station Closure: Crisis & Opportunity

McKinley Paper Eyes Plant Upgrade

McKinley Paper, a subsidiary of Mexico-based Bio Pappel, operates two paper mills, one in Prewitt, NM and the other in the State of Washington. It produces paper for packaging, containing, and wrapping and also manufactures corrugated card board.

A key driver in McKinley Paper's decision to locate its plant in the Prewitt Industrial Park was being able to utilize steam generated by the Escalante Generating Station (EGS). When word began circulating that Tri-State Generation and Transmission Inc. was thinking of closing EG, the leadership at McKinley Paper was understandably concerned.

Through its BRE outreach, GGEDC was able to offer assistance to McKinley Paper in planning upgrades to its facilities and equipment. In turn, McKinley Paper became a member of the Workforce Development Program Leadership Team and has provided significant support and career opportunities to the GGIWP program.

Now, McKinley Paper has no intention to leave Prewitt. GGEDC helped to cement its role as "anchor tenant" in the Prewitt Industrial Park and as a key participant on the Tri-State Transition Team with NWNMCOG. GGEDC views an expansion at McKinley Paper as a major win for the region, ensuring stable jobs, property tax payments, and increased GRT revenues for McKinley County.

GGEDC Spearheads Transition Planning for Prewitt Industrial Complex

Impacts of Escalante Generating Station's Closing



110
EMPLOYEES

\$14.2M
PAYROLL

\$95.8M
LOCAL SPENDING

The planned closure at the end of 2020 of the Escalante Generating Station (EGS) is a cause of great concern as it is eliminating over 100 economic base jobs and millions of dollars in property taxes.

GGEDC, through long-term economic development planning and BRE outreach efforts with management at Escalante and Tri-State Generation

and Transmission Association, was able to anticipate and make plans for the eventual closing. Prewitt Industrial Planning completed under HM 72 is augmented by HB 8 which will establish an independent development authority to oversee the planned EGS transition.

GGEDC has been involved in building coalitions, educating state and local officials, conducting economic

impact analyses, and demonstrating how the redevelopment plan will look.

Tri-State has been a good corporate neighbor, working closely with GGEDC, McKinley and Cibola Counties, NWNMCOG, and others to develop a public-private partnership to provide private sector capital and help implement further planning and development of the Industrial Park.



Tri-State agreed to keep a staff of 10 employees in place to operate and maintain the steam generator and water treatment system to support McKinley Paper's operations. The arrangement is expected to be in place for two-years.

A Delegation Attended Tri-State's Annual meeting in Denver in December to advocate for Tri-State commitments on the transition of the Escalante Generating Station. Participants were (left to right): Michael Sage, Rhonda Mitchell, Sr. Government Relations Advisor, Tri-State, Eileen Yarborough, Executive Director, Cibola Communities Economic Development Foundation, Patty Lundstrom, and Evan Williams, Executive Director, NWNMCOG.

Industrial Workforce Program

Working with Employers to Pilot a New Workforce Model



Kent Wilson, GGEDC Board Member, provides instruction in welding

Over several years of conducting GGEDC's Business Retention and Expansion (BRE) surveys and other outreach to local base Economic employers, the critical need for a comprehensive approach to workforce development in the Gallup-McKinley County region was a consistent theme.



Bill McCamley, New Mexico Secretary of Labor, addressing the first graduation

Responding to the need, last summer, The GGEDC established the Greater Gallup Industrial Workforce Program (GGIWP), the first of its kind industry-led program in New Mexico geared to supplying current and incoming industries with a trained and ready workforce that can meet and exceed the needs of local businesses.

The 10-week long, tuition-free program helps participants to bridge the gap

between the education and work skills they have and those industrial employers require at the entry level.

The program is available to McKinley County residents of varying ages (ages 17-62 to date) with an earnest desire, commitment, and ability to acquire state-of-the-art technical work and career skills. Graduates are placed into jobs primarily with GGEDC's industrial partner companies.

Providing national certification through the National Center for Construction Education and Research (NCCER), the program offers stackable credentials and its industry-led curriculum is adaptable to industry needs.

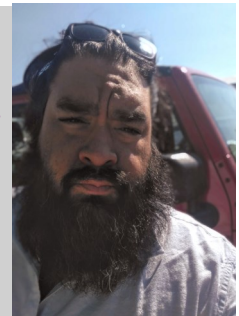
The Workforce Leadership Team drafted the core curriculum. The Team consists of three GGEDC Board members, Kent Wilson (Owner, Four Corners Welding & Gas Supply), Joe Mesich, (President, Advanced Technical Services), Scott Hanks, (VP, Gallup Refinery), and McKinley Paper staff Cesar Soria, Operations Manager, and Arthur Miller, Training Coordinator.

The Leadership Team ensures that employer-approved certifications for specific skills training are in-demand and appropriate skills for the GGIWP participants to acquire. The Team also supports the job placement process.

In its first year, the GGIWP achieved some very significant goals, including conducting its first two classes, and graduating and helping 24 of 27 total participants to obtain well-paid jobs.

GGEDC in turn demonstrated its commitment to support its BRE partners by analyzing and then addressing a critical need identified in BRE surveys.

"The most exciting development this last year has been reinstilling the love of hands-on work in the Northwest region of New Mexico while providing for self-sufficient wages for the GGIWP participants."



Johnny Gonzalez, GGIWP Manager

The program began in July 2019 with the hire of Johnny Gonzalez, a Workforce Development professional Level 5 trainer who hailed from Biloxi, MS. After designing the program with the Leadership Team and GGEDC staff, GGEDC partnered with the New Mexico Department of Workforce Solutions to select the program participants.

The COVID-19 pandemic halted starting the third class. Currently, GGIWP is developing online training, and gearing up to utilize tool and machine simulators, and meet OSHA safeguards for social distancing. GGIWP will continue to provide effective hands-on construction/industrial training.

Program Funding Provided By:

U.S. Department of Commerce EDA	\$988,400
McKinley County	\$50,000
NM Department of Workforce Solutions	\$50,000
BNSF Railway Foundation	\$10,000
Chevron USA, Inc.	\$5,000

Business Attraction & Recruitment

GGEDC Oversees High-Priority Economic Studies

Economic development planning at GGEDC often recommends focused professional studies to drive and influence public planning, build organizational and community awareness, and strategic engagement to address existing and emerging concerns and opportunities.

Last year, GGEDC helped to grant fund, facilitate, and guide the work of professional consultants to complete three studies: a Gallup Retail Market Analysis for the City of Gallup; a Comprehensive Housing Study for the City; and an Inland Port Feasibility Analysis for McKinley County.

The studies are available at www.GallupEDC.com in "Resources".

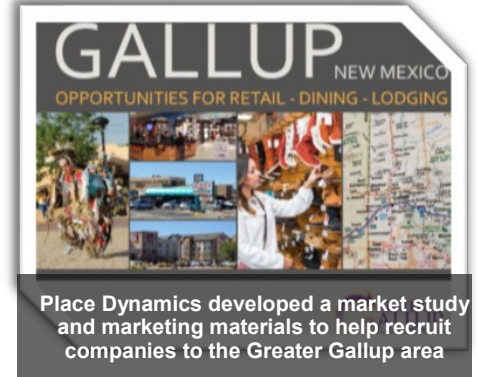
Retail Market Study - Last July, GGEDC convened a coalition of seven nonprofits and the City of Gallup Marketing and Tourism Department to strategize how to improve Gallup's retail sector and to limit "leakages" of capital out of McKinley County (leakages occur when people go out of town to purchase goods and services).

The City hired Place Dynamics, LLC to perform the study and upgrade a

prior retail study it completed in 2013.

With an extensive analysis of cell phone data and qualitative interviews, Place Dynamics demonstrated that Gallup's trade area is far larger than conventional market analysis indicates, the population has a much greater disposable income, and, prior to COVID-19, local retailers were capturing only \$624 million of a \$2 billion market annually. GGEDC will use this information and associated marketing materials to support business attraction and recruitment.

Comprehensive Housing Study - GGEDC noted in its BRE surveys that companies see housing their workers as a challenge to doing business in Gallup. GGEDC supported the City of Gallup to obtain Legislative funding for a comprehensive housing analysis. Sites Southwest, the consultant, confirmed in its analysis that ample opportunities exist for investors and developers to address critical housing shortages across income levels and housing types in the City. Making sufficient and reasonably priced housing options available for working people in Gallup is a critical economic development need.



Inland Port Study

McKinley County hired the firm Martin & Associates to assess whether an Inland Port facility providing a hub for intermodal rail, trucking and logistics to support regional distribution services would be feasible in McKinley County.

The consultant determined there is insufficient population in the region to sustain an inland port, and that Gallup would have special challenges trying to compete with established rail-freight shipping routes. Significant opportunities nonetheless exist to support a Gallup TransPortal trucking hub and car-load and manufacturing operations at GELP. Energy Logistics Park.

Upgrading GGEDC Tech & Data Capacity

IEDC Datasets

Core to the success of GGEDC's mission is possessing, sharing, and being able to interpret accurate, up to date data and information to site selectors and individuals exploring locating their businesses and families in McKinley County. The International Economic Development Council (IEDC) sets standards for types of information site selectors commonly seek. Known as IEDC Datasets, information is gathered in 25 categories. These include local education providers and outcomes, environmental permitting processes,

demographics, local taxes information and the area's leading employers.

Last spring, GGEDC staff overhauled and updated the GGEDC datasets. Now, staff seeks to better integrate the information into the GGEDC website.

Website Upgrades & Analytics

GGEDC contracts with Golden Shovel Agency (GSA), a national economic development-focused company to manage its website. The GGEDC website is a critical portal used by companies and individuals seeking to learn about Gallup and opportunities to do business here.

GGEDC has upgraded and enhanced the functionality of its website and also launched a new "microsite" for the GGIWP: www.gallupedc.com/workforce.

According to GSA analytics of traffic to the website in 2019, the most visited page was an article on Rhino Health's plans to open its glove manufacturing plant. Other popular pages included the History of Greater Gallup EDC, and pages featuring Gallup's Key Industries, and Top Employers.

Analysis of traffic to the GGEDC website during the first five months of 2020 showed that year over year traffic has nearly doubled and shows a clear upward trend line.

GGEDC Financials

GREATER GALLUP ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

REVENUE:	<u>FY 2020</u>	<u>FY 2019</u>
Grant Income	\$612,542	\$304,000
Contributions & Support	\$101,000	\$20,000
Interest Income	\$139	\$132
Other Income	<u>\$410</u>	<u>\$908</u>
Total Revenue	<u>\$714,091</u>	<u>\$325,040</u>
EXPENSES:		
Program Services	\$348,912	\$233,356
General & Administrative	\$158,355	\$74,425
Fundraising	<u>\$17,661</u>	<u>\$16,485</u>
Total Expenses	<u>\$524,928</u>	<u>\$324,266</u>
Change in Net Assets	\$189,163	\$744
Net Assets at Beginning of Year	<u>\$213,141</u>	<u>\$212,367</u>
Net Assets at End of Year	<u><u>\$402,304</u></u>	<u><u>\$213,141</u></u>



Contact Us

Give us a call for more information about our services and partnerships.

GGEDC

102 W. Hill Avenue
Gallup, NM 87301

(505) 722-2980

Visit us on the web at:
www.gallupedc.com

A Word from Our Partners

“Tri-State enjoys a robust working relationship with the Greater Gallup Economic Development Corporation, and is committed to continue its work with GGEDC and others to strengthen economic development in Northwest New Mexico.”

**Barbara Walz, Senior Vice President, Policy and Compliance
Tri-State Generation and Transmission Association**



“In a small town like Gallup, we have to have everyone working closely together to promote our community and competitiveness.”

**Mark Lee, CEO
Rhino Health, Incorporated**



“The technical assistance and relationship building provided by our partners at GGEDC has been instrumental in getting the GELP project off the ground and sustaining its development. We are grateful for the professional expertise offered by GGEDC.”

**Martin O’Malley, General Manager
Gallup Land Partners, LLC**



“I can say without a doubt that the GGEDC has surpassed any expectations we had in terms of knowledge, interest in our company, and enthusiastic support. This will help us to continue operations, keep our local jobs and contribute to the local and state economy, and consider additional investment opportunities at our Prewitt facility.”

**Wilfrido Rincon, Managing Director
McKinley Paper**



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