

Business Retention and Expansion 2017 Outreach



Business Retention & Expansion

Since 2015, Greater Gallup Economic Development Corporation (GGEDC) has undertaken a Business Retention and Expansion (BRE) program. In keeping with the organizational mission of economic base job creation, BRE engagement efforts have focused primarily on economic base employers in McKinley County defined either by property valuation or size of employment. In late 4Q2015 / 1Q2016, GGEDC staff completed the inaugural engagement with economic base employers, completing in total 9 interviews.

This initial round of interviews revealed a level of interconnectedness not truly understood between the economic base employers of McKinley County, the majority of which operate to some degree in the energy sector. Information derived from the inaugural round of engagement resulted in the launch of several initiatives designed to capitalize on opportunities but also respond to challenges.

Initiatives are now underway in the arena of infrastructure, such as the proposed rehabilitation of County Road 19, the primary access road for Escalante Generating Station and McKinley Paper; in the arena of strategic planning, with the passage of House memorial (HM) 72, which directs an analysis be undertaken to examine economic opportunities for Escalante Generating Station.

Recently, GGEDC staff initiated the second year of business outreach. Over the course of two months, from March-April 2017, GGEDC completed a total of 10 interviews. During select interviews, GGEDC was joined by a combination of staff from the NM Economic Development Department and Cibola Communities Economic Development Foundation.

The list of companies interviewed for 2017 include:

- BNSF Railway
- Continental Divide Electric Cooperative
- El Paso Natural Gas
- Escalante Generating Station
- McKinley Paper (formerly Bio-Pappel McKinley)
- Peabody Energy: El Segundo Mine
- Rehoboth McKinley County Hospital
- Sacred Wind Communications
- Walmart
- Western Refining

Employment in McKinley County (2017)

BUSINESS	2015/2016	2017	Difference
BNSF Railway	N/A	50	N/A
Continental Divide Electric Cooperative	N/A	15	N/A
El Paso Natural Gas	26	23	-3
Escalante Generating Station	119	117	-2
McKinley Paper (formerly Bio-Pappel McKinley)	130	129	-1
Peabody Energy: El Segundo Mine	349	240	-109
Rehoboth McKinley Christian Hospital	475	506	31
Sacred Wind Communication	43	44	1
Walmart	530	530	0
Western Refining	315	213	-102
TOTAL	1,987	1,867	-185

The Base Economy in McKinley County

The 10 economic base employers interviewed have a combined employment of 1,850 jobs. The industry sectors represented include Energy, Health, Retail, Telecommunication, Transport, and Utility.

The economic base economy for McKinley County is dominated by the energy sector. Coal, crude oil, and natural gas are the dominant commodities, and the majority of the production is exported from the County via pipeline or rail. However, coal is the principal commodity.

Coal production in McKinley County for 2016 decreased by approximately 35 percent when compared to 2015, although preliminary estimates indicate 2017 production will surpass 2016. As the regional and national fuel source for energy generation ebbs from coal to natural gas, the local economic base economy is enduring tremendous pressure with the real possibility of prolonged negative impacts to existing employment and local tax revenue. All four energy companies interviewed in 2017, reported year-over-year declines for employment with a cumulative loss of 216 jobs.

In addition to the switch from coal to natural gas, automation within the energy sector has continually reduced the need for human personnel. One manager indicated the current workforce is now just on-tenth the size of what it once was – and automation is the primary culprit.

Managers indicate there has been steadying in the energy sector compared to the last few years as natural gas prices have begun to increase, crude oil has stabilized and found a trading range, and local coal purchases have seen an uptick. In addition, the new Trump Administration by way of Executive Order is providing immediate relief to the energy sector by rolling back key federal regulations. Despite the short- and mid-term positives, the long-term outlook remains cautious.

Notwithstanding an uncertain outlook but overridden by a strong philosophy of prudent asset management, managers are proceeding forward with planned capi-

tal expenditures; however, spending levels are depressed versus prior years. Despite the overall decrease, capital expenditures remain significant as highlighted by two managers; one who recently completed a single capital project in excess of \$3 million and another with a planned annual capital expenditure budget of \$20 million.

The development of the Gallup energy Logistics Park is cited as a positive development for the economy of Gallup-McKinley County, which is expected to increase demand for labor, utilities, and transport

The Health Care, Retail, and Utility remained stable pillars of the economic base economy. Together, the four employers interviewed represented 1,055 jobs. The four sectors reported 34 new net jobs compared to 2016. The outlook remained unchanged and stable.

McKinley County resources are largely consumed in New Mexico and Arizona:

- Cholla Generating Station (Winslow, AZ)
Coal – 1,129 MW capacity
- Escalante Generating Station (Prewitt, NM)
Coal – 257 MW capacity
- Desert Basin Generating Station (Casa Grande, AZ)
Natural Gas – 577 MW capacity
- Springerville Generating Station (Eager, AZ)

Quality of Community

The majority of managers interviewed has worked in other communities throughout the U.S. and therefore are in a unique position to provide input on what is working and areas to be targeted for improvement in Gallup-McKinley County.

Individual company relationships with the governing leadership of City of Gallup and McKinley County are cited favorably among economic base employers. A strong affinity for the City and County as communities is evident among managers. Select managers report few communities in the state let alone the nation can match the relationships and support provided by the residents and communities of McKinley County.

What Works

Recognized community positives noted by managers include:

- Entertainment
 - Rodeos
- Aquatic Center
- Golf Course

Areas of Concern

As with the positives, there are recognized challenges and which include:

- Alcoholism
- Community Blight / Crime
- Public School System
- Housing

Alcoholism and community blight are cited as primary barriers impacting quality of place for City of Gallup and McKinley County. Alcohol abuse by both the existing workforce and residents of the community is frequently cited. Community blight is largely attributed to perceptions of high crime and general uncleanliness of the community including the City of Gallup. Examples of uncleanliness referenced include high visibility of trash, weeds around road networks including turning lanes and curbs and gutters, and ill-maintained sidewalks. The issue of crime has the most impact on workforce recruitment efforts. Managers reveal they are generally able to counter concerns about high crime statistics cited by potential recruits. However, when potential recruits visit the community, the uncleanliness only reinforces percep-

tion of the area as one suffering from high crime.

The Gallup-McKinley County School District is noted as a concern, in terms of both governance and curriculum. Managers report the negative publicity surrounding the local district was recognized and queried upon by other management in their respective companies who are located in adjacent communities or states.

Housing remains a concern among managers. The issue with housing is centered on several reoccurring themes:

1. Aging housing stock
2. Above-average home prices based on regional comps
3. Limited quantities of available housing stock
4. Above-average rental prices based on regional comps
5. Unflexible lease agreements
6. Lack of furnished housing/rentals

In addition, select managers indicated they have on-call requirements and as a result workers have to be within a certain distance to the office. This creates tremendous demand in communities with limited housing. One positive to note about the lack of concentrated housing is some managers report having excellent relationships with their customers base due to large part because their workforce is spread throughout the area living in various communities, which allows for more direct communication and feedback.

There is a desire to see expanded opportunities for food, entertainment, and shopping. The recent addition of Panda Express was cited as a favorable development. The desire to see expanded live entertainment was also highlighted. The addition of Target to Gallup would be a welcomed development for shopping.

Workforce Training

Workforce training was a primary theme in nearly all interviews. Managers expressed strong confidence and pride in their existing workforce. However, managers expressed a need to maintain capacity and there are limited opportunities in the region for acquiring workforce training.

The following represents key characteristics of the local workforce and workforce development:

- Workforce is aging and move toward retirement
- Need to replace institutional knowledge
- Difficult to attract and retain college degreed talent
- Workforce training is primarily done-in house
- Limited interface with colleges/universities located in McKinley County

It should be no surprise based on the composition of the employers interviewed, the majority of workforce training programs identified as needed to align and support local economic base employers center on trade- and skill-crafts. With respect to the new and future workforce, managers report the entry-level worker with no prior training is not an ideal candidate. There is a need for entry-level workers to acquire some form of training before entering the workforce, preferably possessing at a minimum either a Certificate or Associates.

To respond to workforce training needs, employers report substantial financial investments to acquire personnel and equipment to develop and expand in-house training programs. From state-of-the-art control simulators in excess of \$1 million, apprenticeship programs, and targeted recruitment of select New Mexico colleges and universities, economic base employers are invested in all factors of workforce development. In-house training programs are proudly proclaimed as among the best in the country. Where possible, cross training is utilized to provide employees with maximum exposure to all aspects of business operations.

Despite the investments for in-house workforce de-

velopment, employers report the need for additional access to workforce training. The desire for continual training is multi-faceted and reflects a desire to ensure the most proficient workforce possible but also to replace skill-sets lost when employees retire or are recruited away by other employers in the region and state.

Despite the abundance of economic base energy companies in McKinley County, managers lament there is not a deep pool of local contractors and subcontractors from which to draw. As a result, companies are forced to utilize contractors from neighboring communities or states in order to acquire the personnel needed and skill-sets required.

Where is contract labor coming from?

- Permian Basin – Eastern NM / West TX
- San Juan Basin – Farmington, NM
- Rio Grande Valley – Albuquerque, NM

Identified barriers for entry into the contractor market are two-fold:

1. Inability to match competitive pricing offers from large contracting firms
2. Inability to satisfy liability insurance requirements

Pressures on Local Business Climate

Managers report facing a myriad of local, state, and federal regulations which impact business operations, by requiring a tremendous amount of both human and financial resources.

Regulatory huddles experienced or anticipated include:

- Litigation on Water Rights (Federal, Tribal)
- Potential reinstatement of NM Tax on coal for shipments sent out-of-state (State)
- Rights of Way Clearances (Federal, Tribal)
- Telecommunications Tower (Local)

Economic Development Opportunities

Managers were asked to provide input on any potential economic development projects with GGEDC could evaluate for Gallup-McKinley County.

The following represents potential projects for consideration:

- Intermodal transloading to Phoenix, Dallas, and Denver
- Transloading for automotive and lumber
- Carbon sequestration research center
- Distribution center
- Full-service car wash
- Spacious Gym / Work-out Facility
- Child day-care
- Storage tank, silo, & stack construction
- Sandblasting and powder coating
- Compressor maintenance, repair, & installation
- Turbine maintenance, repair, & installation
- Welding
- Industrial Machining

The following represents potential resources for development:

- Cost of business comparison versus regional markets
- Local leadership development training

Workforce Training Programs

The following list represents skill-sets and programs local economic base employers would like to see made available to them locally:

STEM

1. Electrical Engineering
2. Computer Engineering
3. Mechanical Engineering
4. Civil Engineering

INDUSTRIAL

5. Boilermakers
6. Electricians – High Voltage
7. Welding (incl. high pressure welding)
8. Machinists
9. Mechanical – Industrial
10. Mechanical – Diesel
11. Millwright
12. Electrical & Instrumentation (ENI)
13. Pipefitter
14. Pipeline
15. Corrosion

HEALTH

16. Health Recertification
 - a. Basic Life Support (BLS)
 - b. Crisis Prevention Institute (CPI)
 - c. Certified Healthcare Compliance (CHC)
17. Basic Medical Terminology
18. Diagnostic / Imaging
 - a. Ultrasound
 - b. CT
19. Surgical Tech
20. Pharmacy Tech
21. Medical Coding



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