MINUTES OF THE STUDY SESSION
OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

THURSDAY, MARCH 21, 2013
6:00 P.M.

The Town Council of the Town of Chino Valley, Arizona, met for a Study Session in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Thursday, March 21, 2013.

Present:	Mayor Chris Marley; Vice-Mayor Carl Tenney; Councilmember Mike Best; Councilmember Darryl Croft; Councilmember Dean Echols; Councilmember Linda Hatch; Councilmember Lon Turner
Staff Present:	Town Manager Robert Smith; General Services Director Cecilia Watts; Finance Director Joe Duffy; Town Engineer/Public Works Director Ron Grittman; Building Official Dan Trout; Town Clerk Assistant Liz Hart (recorder)
Attendees:	Utility Supervisor Chris Bartels

1) CALL TO ORDER; ROLL CALL

Mayor Marley called the meeting to order at 6:02 p.m.

2) Presentation of the concept to extend water and sewer systems from the vicinity of Road 3 1/2 North and Highway 89 to approximately 1,000' north of the future alignment of Road 5 South. (Ron Grittman, Town Engineer)

Acronyms used in this item:
CFD (Community Facilities District
ID (Improvement District)
MGD (Million Gallons per Day)

Town Engineer Ron Grittman presented information regarding a concept for extending utilities to the Town's commercial corridor.

Concept

- This concept had been discussed for several years, most recently as a response from the Fall 2012 citizen survey, in which 49% of respondents indicated that they would support water and sewer extensions on SR 89 for economic development purposes.
- Subsequently, Lyon Engineering created a conceptual design for water and sewer extensions to six Areas along SR 89 through the commercial corridor, identifying the lineal footage needed to determine an estimated cost per Area.
- Residential and Chino Valley Irrigation District properties were excluded from the analysis, although some would most likely be involved.

Benefits

- Such a project offered massive economic potential and could lay the foundation for growth potential for the next 20-30 years.
- As having more customers could lessen the monthly costs per customer, there was a high probability that the new utility rate structure could forgo the last couple years of utility rate increases if these projects could be accomplished.

Project Areas

Area	Location	Total estimated cost to improve	Estimated monthly assessment over 20 years
1	Road 3-1/2 North to Butterfield	$ 6,079,695	$121
2	Pekinsville Road to Road 2 North	$ 4,230,992	$167
3	Road 2 North to Center Street	$ 4,103,503	$115
4	Center Street to Road 2 South	$ 5,321,442	$128
5	Road 2 South to Outer Loop Road	$ 6,169,497	$ 78
6	Picacho Blvd to Road 6 South	$ 3,071,319	$ 70
4,5,6	Combined (Areas 5 and 6 dependent upon Area 4 being constructed prior or concurrently)	$14,562,258	$ 89

Funding Alternatives

- *General obligation bond issuance using property tax for repayment.* As a result of the Town's strategic financial planning efforts, Budget Consultant Pat Walker had determined that a Town wide property tax of $150 per $100,000 of assessed value would generate approximately $1.1 million annually. Property tax bonds required the approval of the property owners.
- *Improvement Districts (IDs).* IDs required the approval of the property owners. Per the current Town Code, residential properties abutting new utility lines would need to pay to join the ID, bring pipe to the building, and abandon the septic. These costs could be rolled into the ID depending upon how the ID was set up.
- *Community Facilities Districts (CFDs).* CFDs were not being funded in the current economy.
- *Revenue bonds* . Revenue bonds required no public vote and could be authorized by Council; they were paid back by the property owners affected.
- The total for all Areas was $28,914,000, which included providing water and sewer lines and service to every commercial parcel within each Area.
- As there was a question about using general obligation bonds for improving individual properties in IDs by paying for the cost of extending the pipes to them, an alternative would be to only fund transmission mains—pipes 12 inches or larger—for all Areas, which would reduce the overall cost to $21,663.
- This option would become more viable if the Town could acquire portions of the City of Prescott water system and customers, which would negate the need to put in parallel lines for Areas 4 and 5 and could reduce the total cost to $16.7 million. Currently, the Town was waiting for an opportunity to review a map of Prescott's system to determine just what the Town wanted to negotiate.
- Another complication was that this analysis was based on tax exempt financing, and per the Town's bond counsel, any outstanding issues relating to the wastewater treatment

plant must be concluded in order to avoid taxed financing and higher interest rates. The Town needed a clear, definitive end to any rights or obligations that Fann had to both operation and maintenance and remaining capacity of the plant. The O&M agreement will expire in August 2014 and Fann was presently working up cost estimates to expand the plant from 0.5 MGD to 1.0 MGD, which cost could then be factored into this project. At 1.0 MGD, the Town would have 20 years of capacity in the plant.

Town Manager Robert Smith added that, as the Town and Prescott appeared to be settling a long-standing legal issue outside of court, staff was hopeful that negotiations on the water system purchase will go forward.

Next Steps. As staff needed Council direction and approval, and did not have the time and expertise to perform all the necessary calculations to determine all the financial impacts of this type of project, staff had several recommendations:

- Contract with Pat Walker to determine the general obligation bonding capacity necessary for a property tax to complete the transmission mains, at a cost of about $10,000.
- Contract with Dan Jackson to work on the details for using revenue bonds to build the distribution systems off the transmission mains, at a cost of about $10,000.
- Ask Stone and Youngberg, the Town's bond counsel, to present details to Council on funding strategies.
- Council could authorize staff to move forward with one or the other or both, or consider using IDs to fund the distribution systems. Previous studies had shown that it was not beneficial to try to fund the main lines through IDs.
- Authorize the town manager to continue negotiations with Fann regarding wastewater treatment plant issues in accordance with the bond counsel recommendations.
- Continue negotiations with the City of Prescott regarding the acquisition of their water distribution system.
- Staff to provide monthly updates to Council and prepare for a bond election in November, which will require Council to call an election in June or July. If the voters approved a bond in November, staff anticipated that it would take about 1.5 years to install the main trunk lines.

Public Comment:

Jim David with Circle L Animal Hospital asked about the project's effect on property values and an issue with Circle L's building being below grade. Mr. Grittman related that before the economic downturn, values on properties that received sewer service in 2007/2008 had increased 20%. As the current design was to stay out of ADOT right-of-way by installing pipe behind properties, Circle L would not need a lift station.

Councilmember-elect Don Wojcik questioned the stated cost estimate for a 24-foot saw cut. Mr. Grittman explained that the cost estimate included the complete removal of chipseal.

Council comments:

- It would be good to have a dialogue with the property owners along the proposed transmission lines.
- This had been needed a long time to help prepare the Town for economic development.
- Getting out from under the Fann contract will allow the Town more leeway in how to run the sewer system.
- The Town should continue working toward buying the Prescott water lines.
- Breaking out the costs between the mains and distribution lines was a good idea.

- One hoped the public would look at this in a positive way as an investment possibility.

3) ADJOURNMENT

MOVED by Vice-Mayor Carl Tenney, seconded by Councilmember Linda Hatch to adjourn the meeting at 7:06 p.m.

Vote: 7 - 0 PASSED - Unanimously

Chris Marley, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the Town Council of the Town of Chino Valley, Arizona held on the 21st day of March, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 9th day of April, 2013.

Jami C. Lewis, Town Clerk