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

THURSDAY, MAY 15, 2014
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, May 15, 2014.

Present:	Mayor Chris Marley; Vice-Mayor Darryl Croft; Councilmember Mike Best; Councilmember Linda Hatch; Councilmember Pat McKee; Councilmember Lon Turner; Councilmember Don Wojcik
Staff Present:	Town Manager Robert Smith; Finance Director Joe Duffy; Town Clerk Assistant Liz Hart (recorder)

1) CALL TO ORDER; ROLL CALL

Mayor Marley called the meeting to order 6:03 p.m.

2) Presentation and review of the Tentative Annual Budget ending fiscal year June, 2015 (J Duffy)

Finance Director Joe Duffy reviewed the tentative annual budget.

- *Budget elements added for FY 2014/2015:* Staff added changes and recommendations from Government Finance Officers Association, interfund transfer summary, employee benefits by fund schedule, more information to grade and step plan, per capita community comparisons, and unfunded capital.
- *Items completed since preliminary budget:* Staff completed the town manager's budget message, strategic goals, Community Profile update, budget format tutorial update, and community comparisons; added State budget forms to budget book and accounting software; and intended to add the Strategic Plan as an appendix upon Council's adoption.
- *Line items added since preliminary budget:* Animal control uniforms, Municipal Court salary adjustment, Climatec Lease, UDO update, and additional HURF revenues.
- *Budget highlights:* A balanced budget, third phase of compensation and classification study, equipment acquisition and replacement/lease purchase program, bond project, and a significant amount of grants.
- *Total budget FY 2013/2014 and FY 2014/2015 comparison:*

	BUDGET FY 13/14	**BUDGET FY 14/15**
General Fund	$7,402,230	$7,854,300
Special Revenue Funds (HURF/Grants/etc.)	$1,758,456	$5,013,350
Debt Service Fund	$590,620	$741,932
Capital Projects Fund	$4,700,000	$13,889,578

Enterprise Fund	$2,317,960	$2,467,614
Total Budget	**$16,769,266**	**$29,966,774**

Council asked for details about "contributions and miscellaneous" as compared to other communities. Mr. Duffy related that he had moved donations and contributions to the Library and Animal Control into the Grants Fund, and "miscellaneous" was a catch-all from the state budget forms that varied from community to community. He would insert a chart to help clarify this.

Mayor Marley asked Mr. Duffy to provide a certain document to Council depicting the cost of government per capita per community.

3) General discussion recapping the bond committee's work, the bond structure, and development of a list of items to research and bring back to Council.

Mr. Smith reviewed several topics related to the proposed bond.

Bond process schedule: Staff was developing a GANTT chart for the bond approval process, which also included formative projects happening during the same timeframe to demonstrate how the bond issue fit with those projects.

Financial challenges: Economists were predicting that economic recovery would continue until about 2019-2020, at which point another downtown will occur. Should the bonds be approved, the Town would not see any formative changes in tax receipts in the general fund until around mid-2018 to mid-2019. As the Town had no money for capital right now, its biggest financial challenge was how to fund roads improvements until 2019.

Roads replacement/maintenance: Roads maintenance and replacement, which were on a 10-year maintenance schedule, had been deferred since 2008, and were now $8 million and 81 miles behind schedule. If the Town could invest in roads now, it might be able to forestall a wave of infrastructure failure. Staff had included some capital funds in the FY 2014/2015 budget for road repairs and desired to use all HURF funds for repairs now.

How the bond could help:

- Acquiring Prescott's water distribution system will eliminate the general fund subsidy of $300,000 to the water utility fund.
- Settling the Fann agreement will allow the Town to save $150,000 to $175,000 per year.
- New infrastructure on SR 89 will create retail sales tax growth from more business development.
- The above funds could be put toward road repair.

Other benefits of the bond would:

- Add 750 water accounts and reduce 100 accounts' bills by 45%.
- Triple fire protection geographically and add one well.
- Freeze utility rates for five years across 2,500 accounts.
- Increase water quality through looping and removal of arsenic.
- Provide water and sewer along SR 89 from Road 3 North to Road 2 North.
- Encourage economic development and new retail choices by providing a lower price to connect to water on the south end of Town and more opportunities to get water and Sewer on the north end.
- Reset the financial structure of utilities, allowing them to grow.

- Grow sewer collection to recharge and bank water credits for the Town's future.

Bond costs to property owners: $10 per month per $100,000 assessed valuation for residential property, and 18% for commercial.

Mr. Smith reviewed several maps depicting the Town's water and sewer system, Prescott's water system, and the interconnect areas to tie in the two systems; the Wilhoit water system area, new well site, and proposed water and sewer extension along SR 89; and the net impact by neighborhood of the proposed bond structure in savings per month per area. The maps also depicted the current SR 89 widening projects and ADOT's roundabout projects on Road 4 North and Perkinsville Road at SR 89; the Town's Road 1 East and Road 4 South extensions, Center Street improvements, and the Peavine Trail Loop; and proposed grant work, Old Home Manor (OHM) industrial park and infrastructure, and proposed alternate way in and out of OHM.

Mr. Smith continued his review of the proposed bond.

Bond structure as presented to the Bond Committee:

- $3.1 million to acquire Prescott water system.
- $1.1 million to connect Prescott's system to the Town's system.
- $3.0 million to settle the Construction Manager At Risk agreement with Fann contracting for the wastewater treatment plant.
- $6.2 million for water and sewer extensions on SR 89 from Road 2 North to Road 3 North.

Bonding levels: Assessed values of Chino Valley property today were at a 2005-2006 level, and as these were projected to increase, basing the bond on these levels within the state bonding guidelines provided the most conservative package.

Water Infrastructure Finance Authority (WIFA) assistance: WIFA had declared the Town as a distressed community, which may result in a financial advantage for borrowing money from them with lower than average interest rates. The Town also qualified for some forgivable principal for both water and sewer, pending WIFA's review of the Town's application. Staff proposed to submit the application now and get preliminary approval in order to let the voters know the outcome.

Comparisons of the two bonding options and doing nothing for a property with assessed value (AV) of $100,000:

- *GO bond v. revenue bond:* A property owner on Town utilities in 2014 will pay $10 more per month than a revenue bond, but in 2018 will save $9. A Prescott water customer will save $10 in 2014 and $15 in 2018.
- *GO bond v. doing nothing:* The property owner on Town utilities in 2014 will spend $10 more per month than doing nothing, but by 2018 will save $14. A Prescott water customer will save $10 in 2014 and $15 in 2018.
- *Revenue bond v. GO bond benefits:*

	REVENUE BOND	**GO BOND**
Prescott & Wilhoit Water Acquisition	Rate increases continue	No rate increases
	No money left for roads or CIP	Money left for roads AND CIP
	Utilities barely stand on own; no grow	Utilities have capital to extend/grow

	User base/account can't grow	User base/accounts can grow
	Effluent recharge is static	Effluent recharge continues to grow
Fann O&M termination and wastewater treatment plant buyout	Ends profit to private entity (savings)	Ends profit to private entity (savings)
	Connection fees will go to town	Connection fees will go to town
Water/Sewer extension on SR 89	No recurring capital for continued extension	Creates recurring capital for continued extension
	Limited economic development	Sustained economic development
	Will not create enough future sales tax revenues	Continuing growth in sales tax revenues
Participants	Only those connected to water and sewer	All owners of property in Town

Council asked about the lack of development on the Fletcher commercial subdivision, next steps, and connection fees. Mr. Smith reported that:

- *Fletcher development:* Prescott had forced that development to develop its own water system, which hindered development, as businesses would not tie in to a private water system. If the Town purchased Prescott's water, the Town would then own the master line. Staff was not proposing to extend infrastructure to this development at this time, as its economic development advisors had advised to develop the densest retail area first.
- *Next steps:* Staff needed to get more detailed analyses and comparisons to Council regarding revenue bonds, GO bonds, and taking no action; bond counsel will draft language for the voter information pamphlet and bring it to Council for review; staff will need to complete the economic development plan before July; and Council will need to examine and/or evaluate connection fees.
- *Connection fees:* Staff will research options for connection fees, wells, and yard lines, and bring them to Council.

Council asked staff to provide copies of all related materials and maps to them and to check with bond counsel about using bond fund money for waiving connection fees once the Fann buyout was complete.

4) ADJOURNMENT

MOVED by Councilmember Linda Hatch, seconded by Councilmember Pat McKee to adjourn the meeting at 7:24 p.m.

Vote: 7 - 0 PASSED

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 15th day of May, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 12th day of August, 2014.

Jami C. Lewis, Town Clerk