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

TUESDAY, JUNE 15, 2021
6:00 P.M.

CHINO VALLEY COUNCIL CHAMBERS
202 N. STATE ROUTE 89, CHINO VALLEY, AZ

1) CALL TO ORDER; ROLL CALL

Present:	Mayor Jack Miller; Vice-Mayor Corey Mendoza; Councilmember Tom Armstrong; Councilmember Eric Granillo; Councilmember Annie Perkins; Councilmember Lon Turner
Absent:	Councilmember Cloyce Kelly
Staff Present:	Town Manager Cindy Blackmore; Administrative Services Director Joe Duffy; Public Works Director/Town Engineer Frank Marbury; Economic Development/Project Manager Maggie Tidaback; Police Chief Chuck Wynn; Lieutenant Joshua McIntire; Lieutenant Randy Champman; Audio/Visual Technician Lawrence Digges; Town Clerk Erin Deskins (recorder)

2) Presentation and Discussion with Mark Reader, Managing Director with Stifel, Nicolaus & Company, Inc. regarding debt financing of the new Police Department and refinancing of the 2010 US Bank Series Bonds. (Joe Duffy, Administrative Services Director)

Joe Duffy introduced Mr. Reader. Mr. Reader presented the following:

- He would be covering refinancing for the Town at a significant savings, debt service savings for the Town, and moving forward with a new money revenue bond transaction for purpose of constructing the police facility.
- There was currently an attractive interest rate environment. Rates had risen recently, but not significantly.
- A chart was shared highlighting the municipal bond market rates over the previous five-year period to the current time. After March 2020 when the Covid pandemic hit, the interest rates were up and down until August when the rates hit an all-time historic low. As the economy improved, there had been fears of inflation, but the rates were still at an all-time historic low.
- The current rates were driven by various factors. Since the municipal bonds were exempt from federal taxation and because the Biden Administration was considering raising the income tax rates, it had been good for the municipal bond market.
- This was a good time for municipalities to be refinancing and investing in new money bonds.
- Back in 2010 the Town was issued a bond for the purchase of the Cameron property, with a coupon interest rate of 5%. The Town had also refinanced the 2010 bond at a 4.25% interest rate in 2016. He thought there were savings associated with the 2010 bond and because of the low interest rates over the last five years, they would look at the 2016 bond, which could be an attractive opportunity for the Town.

- The Town had approximately $8.1 million outstanding, and they were looking at taking out a loan.
- A Sources and Uses of Funds budget was reviewed. The refinancing amount shown under the refunding obligation column was listed at approximately $8.5 million. Most of the money would pay off the old bonds, which could be redeemed without penalty.
- The third column showed the new money component. The project fund amount showed $7 million dollars, an amount that could change, but would be deposited into the Town's Police facility construction account. Staff had anticipated the Town could deposit a cash amount into that account, which would lower the $7 million borrowed amount.
- The bottom line on refinancing was that there was real significant savings by replacing the four and five percent interest rates with an interest rate of less than 2% with the refinancing. It was also a shorter period, so no debt time would be extended. For budgeting purposes, they were expecting to save approximately $1.5 million.
- There would be approximately $145,000 of pure budget savings as a result of the refinancing on the 2010 interest rate, with a net present value savings of approximately 16% that added up to the $1.488 million. That amount was then shown in a present value, showing today's dollars. That amount was $1.387 million. Those numbers represented very efficient refinancing for the Town.
- For the low interest bonds, the Town was pledging a wide variety of revenues. The year 2020 had been a good sales tax revenue year, and the projection for 2021 brought the tax revenue up an additional $1.5 million over the 2020 year. Other revenue included the Franchise tax, State Shared Sales tax, State Shared Income taxes, and Vehicle taxes were also strong. These revenues added up to approximately $13.6 million, which was up from the $11.8 million in 2020.
- A review of the finance structure and coverage ratio was provided. It included the pledged revenues of $13.6 million, the refinancing of the bonds, and the $7 million of new money for the police facility. The finance structure was shown using a 20-year amortization period, which broke down the annual principal amount and interest rate amount for an approximate annual debt service of $440,000. This was a savings of approximately $150,000 from the previous year. The additional $7 million of new money loans added about $440,000.
- The Town's projected debt to revenue ratio was that for every $1 of debt service, the Town had approximately $9 in revenue. That was considered very strong.
- The preliminary finance calendar was reviewed. If they received a direction to proceed, they would prepare for the credit agency conference calls with staff. After July 4th, they would come to Council for the adoption of a resolution authorizing the issuance of refinancing and new money bonds and delegating authority to the Town Manager and Finance Director to work them. This would put them in a position to sell the bonds by the third week of July. By August, they would be closing, and the Town would be able to award the construction contract for the Police facility.

Council, staff, and Mr. Reader discussed the following:

- If the Council chose to move forward, the financing could be completed within two months. There was no obligation once they were approved for financing, and the Town could still make changes after looking at interest rates, construction costs, etc. The 100% design drawings would be ready within the next week. The attorney was reviewing the bid documents, and the Town Engineer was reviewing the plans. They were close to going out to bid. It would be four to six weeks to receive the final construction bids.
- The interest rates were subject to change. The current all in rate for refinancing was 1.4% because it was a ten-year bond note. Bonds were similar to CDs in that the longer

the investment period, the higher the return rate. The new money had a 20-year amortization period, with an interest rate of 2.36%. If the Town wanted a higher payment and a shorter term, they could get a slightly lower interest rate. The combined rate was less than 2%.

- Column 7 on the Finance Structure and Coverage Ratio sheet (pg. 7) showed the existing debt and the new money debt for the first ten years. Once the existing debt was paid off, the annual debt service dropped to show just the new money.
- The Town would be locked into the new money for ten years and could not make an early payment.
- The fixed interest rates could be locked in once the bonds were priced, which currently had a tentative schedule of June 19-26.
- Councilmembers discussed contributing $1 million to the Police facility and not taking the entire $7 million in bonding. Staff explained that the $7 million loan presentation was a worst-case scenario. Once the Town was in receipt of the construction bids, they could discuss how much they wanted to put down on the facility loan.

3) Presentation and Discussion of Huck's Appraisal's land valuation results for Old Home Manor, and the possibility of moving forward with the sale of Town owned land. (Maggie Tidaback, Economic Development Project Manager)

Maggie Tidaback presented the following:

- Appraisal for the Old Home Manor (OHM) property came in at the anticipated price.
- Staff asked the appraiser to conduct an appraisal on 20, 40, 60 and 80 acre parcels. With the sale of larger parcels, the total cost would be cheaper.
- The value estimates had a two-year shelf life.
- The appraiser took the sales comparison approach for valuation, which was the most accurate because it was based on the current market conditions and listings.
- The average price per acre was approximately $30,000.
- The parcels at OHM were currently all forty acres and had a mid-range value of $32,000 per acre for a total of $1.2 million for the full forty acres.
- There were 11 parcels of forty acres at OHM. Five parcels were under the Business Park zoning.
- All Town land sales came before Council. Staff was looking for direction on moving forward in selling the land at OHM. If Council chose to move forward, the next step would be to hire a large commercial broker to list and sell the property.
- If the Town started with listing only parcels of 40 acres and below, they could determine the interest in the property.

Council and staff discussed the following:

- There was concern that OHM land sale discussions had started out as only those lands for the RV Park, but now seemed to encompass all OHM parcels. Staff explained they would still be selling land for an RV Park, but the appraisal also covered the option of selling parcels within the Business Park. Discussions had covered selling the Business Park parcel at the corner of Rodeo and Jerome because it had all the utilities right at the location of the parcel. The idea with the RV Park had been to sell some property and reinvest in the infrastructure at OHM.
- A Member reviewed what had been discussed regarding selling the parcels. It began as building four lots with a T-road with sewer, gas, water, and then possibly selling that land. Extending utilities to the RV Park from that point was then discussed. Staff explained they were looking at selling the Business Park, and the 11 forty acre parcels

that were brought up were to reference the total number of lots available at OHM that could be considered at a future date. There had been an RV developer that was interested in purchasing property. Since the Town had no developers interested in leasing the property at OHM's Business Park, the Town had decided they would try and sell the property.

- Members wanted to see a map and location of the parcels that were being considered for sale. Staff explained the parcels that were being considered were parcels in the Business Park and the RV Park area.
- There was concern about what the Town's control of the area would be once the property sold. Staff explained the zoning for the property was Business Park and had stipulations for permitted uses, conditional uses, and prohibited uses. The remaining parcels were considered public land. If there was interest in a parcel outside the Business Park, the parcel would have specific zoning with restrictions determined by Council. The zoning could include a PAD overlay. A sales contract or conditions put on the land could stipulate that if the property went under new ownership, the use of the property could not be changed. Council also had full control of zoning.
- Staff explained Council had full control over how the land would be developed. The property was already zoned, and any changes would need to go before Council for a decision. The sale of any parcel of land would need to be approved by Council
- Members thought the Town should have parameters of what would be for sale. Staff explained that if they hired a broker, they would give the broker a list of the parcels numbers they wanted to sell. Staff's original idea was selling the Business Park parcels and the three RV Park parcels.
- Staff explained the gas lines to the Business Park were in the hands of the gas company. They needed to come up with a design for a line that could get to OHM. They were currently struggling to see if they had enough gas to get there with their current infrastructure. The Town had asked for a six-inch line, and there were questions if the gas company could provide enough volume of gas with their current infrastructure to supply the six-inch line. Staff said there was a four-inch line down Perkinsville that could possibly be extended to the Business Park. It would be limited in the types of use, but it would get some gas to those parcels. Having the availability of gas at the Business Park, made the parcels more valuable and more marketable. It had been difficult for staff to get the gas company to respond with any type of information. They did not have a large gas supply into the Town.
- Staff recommended advertising the Business Park parcels even without the availability of gas. They had already received a letter of intent from a developer for the RV Park parcels. The developer had been in escrow for another property in Town, but 30% of the property was in a flood zone. Because of those issues, the developer had provided staff with a letter of intent for the RV Parcels. They already had plans for the development of the RV Park. Staff recommended selling the RV Park lots and the Business Park lots.
- There were heavy water producing wells in the area that the Town had withdraw authority on. The college well was currently being used to serve the college, the equestrian facility, and the treatment plant. Depending on storage requirements, the Town could use that well as a satellite service area in the interim if needed before the whole system extension up Rodeo was developed. The Town should look at a cost benefit analysis between the two options.
- Sewer still needed to be extended. There was also the potential of a dump station close to the plant. This was an interim solution for the RV Park because visitors in the Town were expected and there was no place for people to stay. The RV Park would be a benefit to the Town.
- From an engineering standpoint, it was easy to get utilities to the parcels, but the dollar

amount was an issue.

- Other than land valuation, some Members considered the RV Park parcels and the Business Park parcels two completely different issues. The RV Park was not as much a business venture as it was support for the aviators, ball fields, and the shooting range. Members requested clarity on what the Town would consider when selling the Business Park parcels. Members discussed the stipulations already in place to regulate the types of businesses and developments.
- Members discussed that the RV Park had the potential to bring in more people than just aviators and gun range. The Town had a great recreation department and facility, and had the capability to bring in sporting tournaments, and those people had nowhere to stay, so they did not come to Town. There was also concern about the RV Park becoming low-income housing and the consideration that long term stays would not want to pull out to go to a dump station.
- The valuation of the land took the Town's five-year Capital Improvement Plan into consideration, which accounted for the highs and lows of the valuation numbers. Without the infrastructure in place, the current valuation was at the low end. As more infrastructure was added to the parcels, the more value was added. The addition of gas to the Business Park was much more important than gas to the RV Park. The water lines that were already approved and would be installed started at Jerome Junction and went 800 feet down Rodeo Drive and the sewer lines would take a slightly different route due to culverts in the area.
- Members thought the RV Park should border the Equestrian Center. Other area users could more easily drive to their event area, but equestrian users could ride directly from the RV Park to the Equestrian Center. Staff explained they had requested the individual interested in the RV Park parcels consider adding horse stalls and horse trails.
- Members discussed the size of each parcel square, and staff confirmed that each parcel square on the map was 40- acres. The road the Town was considering putting in would go ¾ of the way through one 40 acre parcel.
- Members discussed if the Town had money to run the necessary infrastructure out to the RV Park, and the inability of an RV Park making enough revenue to pay for the sewer and water lines out to the area.
- Staff explained that an RV Park was an economic development driver. Tourism was a billion dollar industry in Arizona. Tourism brought in cars, and one car with three people spend $250 per day on average. With no place to stay, they would not spend the night and would not spend as much money in Town.
- Development agreements could stipulate short term RV stays and even stipulate luxury vehicles.
- Sale proceeds could be used to extend utility lines, plus they would be paying the water and sewer connection fees. The development fund should help fund most of the infrastructure work.
- Staff recommended starting with a 40 acre RV Park parcel. Members discussed the best parcel for the RV Park.
- Staff recommended looking at the market interest in particular parcels. If the Town designated parcels to sell, and it did not work for interested businesses, the property would not sell. Every potential sale would come back to Council for approval.
- Members discussed advertising for sale the lots that would have infrastructure closest to the property line. Staff recommended selling all the Business Park lots.
- Phased sewer line extensions and dump stations for the RV Park were discussed.
- If someone was willing to buy a lot with no infrastructure, they needed to be prepared to install and pay for the necessary infrastructure. An RV Park could be done in phases and even start out as a dry campground.

- Members discussed minimum lot sale sizes of 40 acres. Smaller lot sizes could be negotiated. Members thought the high value should be used for lot sale prices. The broker would help price and market the land appropriately. Listing the property did not require the Town to act on an offer.
- The sale of property would help expand infrastructure and help support itself without the need to further use taxpayers' dollars for OHM expansions.
- Members agreed to let staff market for sale the five Business Park lots and the three potential RV Park lots. Council still had complete control.

4) ADJOURNMENT

Mayor Miller adjourned the meeting at 7:15 p.m.

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Jack W. Miller, Mayor

ATTEST:

Erin N. Deskins
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Erin N. Deskins, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Town Council of the Town of Chino Valley, Arizona held on the 15th day of June, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 13th day of July, 2021.

Erin N. Deskins
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Erin N. Deskins, Town Clerk