MINUTES OF THE SPECIAL MEETING
OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

THURSDAY, AUGUST 4, 2011
6:00 PM

The Town Council of the Town of Chino Valley, Arizona met for a Special Meeting in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Thursday, August 4, 2011.

Mayor Marley called the meeting to order at 6:04 p.m.

Council Present: Mayor Chris Marley, Vice-Mayor Carl Tenney, and Councilmembers Mike Best, Darryl Croft, Dean Echols, Linda Hatch, and Lon Turner.

Staff Present: Town Manager Michael Scannell, Town Attorneys Tom Kack and Sharon Sargent-Flack, Town Engineer Ron Grittman, Town Clerk Jami Lewis (recorder).

2) Presentation by Mayor Marley with regard to the **legal matters** outlined in items 3 and 4, overview of the legal matters at hand, and explanation of the nature of conversation to be had in executive session with the Town Attorney.

Mayor Marley reported that Council would be discussing, but not taking action on, certain elements of contracts that were subject to negotiation, interpretation, or dispute. Item 3 concerned litigation with Cortez Enterprises, and Item 4 addressed four separate contracts.

The contracts and financial challenges to be discussed included:

- *Bright Star development agreement*, which provided that the developer improve and equip the well owned by Highlands Ranch. Due to the recent failure of the Country West well and newly discovered problems with the Highlands Ranch well, the town engineer believed constructing a new well at the Bright Star water tank site was the better option. The financial matter related to the reimbursement amount for the new well.
- *Bright Star water line extension reimbursement agreement*, which provided that the developer install a water line and improvements costing about $550,000, which entitled the developer to reimbursement from connection fees. The financial matter involved criteria for connections and reimbursement.
- *Fann sewer plant contract*, which provided for the contractor to construct the plant and operate it for a period of years, with the Town to reimburse through monthly user and connection fees. The dispute was related to the connection fees to which Fann was entitled and certain equipment that was to be provided by the Town.
- *Cortez contract dispute and litigation*, which alleged that the Town breached the contract by failing to provide right-of-way that included state land. Trial was set for summer 2012; the actual dollar amount was as yet undetermined.

Town Attorney Flack advised that Cortez had recently alleged damages of approximately $12 million.

Mayor Marley then provided some facts to related questions that had been recently posed by the public.

- The Town's total debt was about $27 million.
- The cost to buy out the sewer plant would be about $5 million.
- The current budget included a carryforward from previous years of about $560,000, as no more cuts to the budget could be made to reduce it.

Vice-Mayor Tenney clarified that carryovers were perpetual, changing every year, possibly including funds from multiple years, and sometimes needing to be used for debt coverage.

3) Council may vote to convene into **executive session** pursuant to A.R.S. §38-431.03(A)(3) and (A)(4) Pre-Annexation Development Agreement with **Cortez Enterprises**, Inc. that is the subject of negotiations in contemplated litigation.

Vice-Mayor Tenney MOVED, seconded by Councilmember Best, to convene into executive session to discuss the Cortez litigation. The motion PASSED unanimously 7-0 at 6:18 p.m. Mayor Marley reconvened the special meeting at 7:05 p.m.

4) Council may vote to convene into **executive session** pursuant to A.R.S. §38-431.03(A)(3) and (A)(4) to obtain legal advice, consider its position and instruct its attorneys and/or staff regarding:

Vice-Mayor Tenney MOVED, seconded by Councilmember Hatch, to do Item 4 in a different order: 4c, 4d, 4a, and 4b. The motion PASSED unanimously 7-0 at 7:05 p.m. Mayor Marley reconvened the special meeting at 8:56 p.m.

4a) Development Agreement with **Granite Investment & Development** ("Granite"), LLC and as that agreement was since amended and clarified, including obligations that Granite has to improve the Highlands Ranch well and exchanging reimbursement of certain costs of drilling a new well.

4b) Waterline Extension and Reimbursement Agreement with **Granite Investment & Development** ("Granite"), LLC, including matters regarding reimbursement to Granite for water lines installed in the Town.

4c) Construction Manager at Risk / Construction Services Contract with **Fann Contracting**, Inc., including issues related to contractual rights and obligations in connection with hookup fees, repayment of Fann Contracting, Inc., and other contract issues.

4d) Public Surplus Auction Purchase Contract with the **City of Sacramento**, California, for a used vactor truck.

5) Adjournment.

Councilmember Hatch MOVED, seconded by Councilmember Echols, to adjourn the meeting. The motion PASSED unanimously 7-0 at 8:58 p.m.

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the Town Council of the Town of Chino Valley, Arizona held on 4th day of August, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 8th day of October 2015.

Jami C. Lewis, Town Clerk