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

TUESDAY, AUGUST 9, 2016
6:00 P.M.

The Town Council of the Town of Chino Valley, Arizona, met for a Regular Meeting in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, August 9, 2016.

Present: Mayor Chris Marley; Vice-Mayor Darryl Croft; Councilmember Mike Best; Councilmember Susie Cuka; Councilmember Jack Miller; Councilmember Corey Mendoza; Councilmember Lon Turner

Staff Present: Town Manager Robert Smith; Assistant Town Manager Cecilia Grittman; Town Attorney Phyllis Smiley (via Skype); Finance Director Joe Duffy; Human Resources Director Laura Kyriakakis; Police Lieutenant Vince Schaan; Public Works Director/Town Engineer Michael Lopez; Public Works Manager Chris Bartels; GIS/CAD/Web Technician Jan Mazy (Videographer); Town Clerk Assistant Amy Pyeatt-Lansa; Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER, PLEDGE OF ALLEGIANCE; ROLL CALL

Mayor Marley called the meeting to order at 6:01 p.m. and led the Pledge of Allegiance.

2) INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS

a) Proclamation declaring August 21-27, 2016 as "Employer Support of the Guard and Reserve Week," sponsored by the Arizona Employer Support of the Guard and Reserve.

Mayor Marley read the proclamation and presented it to ESGR Northern Area Chair Larry Jacobs and ESGR Arizona State Chair Darren Venters, who presented a framed Statement of Support to the Town.

3) CALL TO THE PUBLIC

Call to the Public is an opportunity for the public to address the Council on any issue within the jurisdiction of the Council that is not on the agenda. Public comment is encouraged. Individuals are limited to speak for three (3) minutes. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism.

Cheryl Romley, resident, thanked Town officials for an excellent National Night Out event.

Elizabeth Vicory, resident, thanked local supporters for sponsoring her at the recent National Miss Amazing Pageant in Chicago.

4) RESPONSE TO THE PUBLIC

Response to the Public is an opportunity for the Mayor to inform the public about how Town officials addressed matters raised during Call to the Public at a previous meeting.

a) Comments regarding trash in Town.

Mayor Marley reported on the Town's annual cleanup events; a program encouraging students to clean up their playgrounds; and folks picking up litter when walking about Town.

b) Comments regarding political signs disappearing.

Mayor Marley reported that tampering with political signs was a Class 2 misdemeanor.

c) Suggestion to provide transportation for voters on election day.

Mayor Marley reported that Yavapai Regional Transit will drop off and pick up voters at the Vote Center on the highway on election day.

d) Question regarding benefits to medical marijuana farms in Chino Valley.

Mayor Marley reported that an article in the Camp Verde Bugle was incorrect about the Town negotiating benefits with medical marijuana farms. He spoke about actual benefits relative to jobs and construction tax, as well as projected water usage by the current farms upon buildout.

5) CURRENT EVENT SUMMARIES AND REPORTS

This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events, or ask a staff member to provide the same. Presentation on information requested by the Mayor and Council will be made and questions answered. No action will be taken.

a) Status reports by Mayor and Council regarding current events.

Councilmember Miller reported that the Perkinsville roundabout was now open and suggested that Council issue a letter of commendation to the Police Department for a successful National Night Out.

b) Status report by Town Manager Robert Smith regarding Town accomplishments, and current or upcoming projects.

Mr. Smith had nothing to report.

6) CONSENT AGENDA

All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.

Council set down item 6a.

a) Consideration and possible action to approve contract between the Town of Chino Valley and Kubota Membrane USA Corporation for purchase of Kubota membrane cartridge filters type 510 and accessory equipment for the Chino Valley wastewater treatment facility in the amount of $308,840.00. (Chris Bartels, Utility Supervisor)

Council asked about the purpose for this expense and timeframe for receipt of the equipment. Mr. Bartels reported that:

- The current filters had been used beyond their life expectancy and replacing the filters will bring the plant up to standard.
- Kubota understood the current situation and had offered to expedite shipping for 1,000 filters up front at no cost and will be delivered in two weeks.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Lon Turner approve Consent Agenda item 6a.

Vote: 7 - 0 PASSED - Unanimously

7) ACTION ITEMS

The Council may vote to recess the public meeting and hold an Executive Session on any item on this agenda pursuant to A.R.S. § 38-431.03(A)(3) for the purpose of discussion or consultation for legal advice with the Town Attorney. Executive sessions are not open to the public and no action may be taken in executive session.

a) Consideration and possible action to approve Resolution No. 16-1089 approving a guaranteed energy cost savings program and agreements with Climatec, LLC for purchase and installation of improvements to Town facilities for the purpose of reducing energy costs and to measure and verify the savings after the installation is complete. (Phyllis Smiley, Town Attorney)

Recommended Action: Approve Resolution No. 16-1089, to approve a guaranteed energy cost saving program and the following agreements with Climatec LLC:

(i) Installation Agreement in the amount of $606,135.00, and

(ii) Measurement and Verification Agreement in the amount of $4500 per year for the first 3 years and escalating 4% annually for every subsequent year thereafter for a term of 15 years.

Staff Report summary: A.R.S. Section 34-105 authorized municipalities to enter into a guaranteed energy cost savings contract with a qualified provider, provided the amount spent on the energy cost savings measures recommended in the proposal did not exceed the amount to be saved in energy costs over the expected life of the equipment. In order to reduce the Town's energy costs and take advantage of such programs, Council directed staff to enter into negotiations with Climatec, LLC to create an energy savings program consisting of replacement installation of lighting, HVAC, and other Town electrical equipment, for a cost to the Town of $606,135.00. It was anticipated that the energy savings over the term of the agreement will more than cover the cost of the installation of the new and replacement equipment. If this was not the case, Climatec committed to pay the difference.

Council asked for further details on the following. Brandon Woodard with Climatec and Town

Manager Smith responded.

- *Agreement structure:* The Town's utility savings were guaranteed at nearly 20%; their clients saved 25% on average.
- *Financing:* Financing was for 10 years at 2.1% interest. Climatec would receive payment upon completing installation. Legislation also required the Town to pay Climatec a separate amount—in this case, $4,500—to measure and verify the energy savings associated with the project. If the assessment found that the Town was missing any savings within the first three years, mediation would ensue.
- *Project:* The project included replacing both HVAC units at the Police Department and all units at the Library; providing temperature control in the offices; and relocating some sports light poles at the Community Center. Temperature control norms were based on staff recommendation for each facility. Relocating the poles will improve field lighting, but the optimal solution would be to replace all the poles. Life expectancy of the equipment was 10-20 years.
- *Reasons to outsource this project:* With Town staff's current workload, such a project would take them years. Climatec received a volume discount, had the resources to cover the project, and could complete the work in a few months. Climatec would do all the work, except to contract out the mechanical to a local firm.
- *Staff review:* The finance director reviewed the financing structure, and staff was confident with the approach. Climatec had a long history in the state and had not had a savings shortfall to date.

Council expressed concern about:

- Impacts to the Town should Climatec go out of business during the 10-year period.
- Financing this much debt and seeing if Climatec would be willing to carry the note so the Town could make annual payments.
- The best way to monitor the electric use and savings.
- The large expenditure and wanting to look at it again.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Jack Miller to postpone it until the study session in September, and come back and look at it again and discuss it more.

Vote: 7 - 0 PASSED - Unanimously

Council asked Mr. Woodward to contact Mr. Smith about concerns to address and information to provide at the next study session.

Town Manager Smith reported that staff had already initiated the 60-day bid process and would be half-way through by September.

b) Consideration and possible action to approve the First Amendment to Accountability Contract and Scope of Services, between the Town of Chino Valley and the Chino Valley Area Chamber of Commerce for FY 16/17 in an amount of Thirty-Eight Thousand ($38,000.00) dollars. (Cecilia Grittman, Assistant Town Manager)

Recommended Action: Approve the First Amendment to Accountability Contract and Scope of Services between the Town of Chino Valley and the Chino Valley Area Chamber of Commerce for FY 16/17 in the amount of Thirty-Eight Thousand ($38,000.00) dollars.

Ms. Grittman presented highlights of the Amendment, and introduced Gary Warren, Board President and Arlene Alen, Chamber Executive Director. Key points were:

- In the last five years, the scope of services had included more accountability and responsibility for both parties.
- The Amendment continued the automatic renewal for up to five years.
- Chamber responsibilities focused on the Visitor Center, partnering with the Town on community events, and economic development.

Ms. Alen reported on Visitor Center and outdoor kiosk hours, a need for more volunteers, and giving quarterly reports to Council, starting in September.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Lon Turner to approve the First Amendment to Accountability Contract and Scope of Services between the Town of Chino Valley and the Chino Valley Area Chamber of Commerce for FY 16/17 in the amount of Thirty-Eight Thousand ($38,000.00) dollars.

Vote: 7 - 0 PASSED - Unanimously

c) Consideration and possible action to approve Financial Report for the twelve months ending June 30, 2016. (Joe Duffy, Finance Director)

Recommended Action: Approve Financial Report for the twelve months ending June 30, 2016.

Mr. Duffy presented a wrap up of the prior fiscal year, subject to final audit adjustments. Highlights were:

- The Town had $586,000 in savings.
- While staff had estimated $120,000 for the Highway User Revenue Fund in 2017, there was actually $160,000.
- Water Enterprise cash flow suffered a loss due to a water leak in the park, but the fund was getting closer to breaking even.
- The Town invested $230,000 capital on the sewer plant and had begun accumulating funds in the WIFA account for future equipment replacement costs.
- All major revenues, except state-shared income tax, were experiencing growth.
- There were still a lot of challenges ahead, particularly in road maintenance, which was only being funded at 20%.

Town Manager Smith added that this was the second year that the budget had included the capital improvement program. These funds were for heavy expenses that the Town should be budgeting over time, such as large rolling stock, cars, and equipment maintenance. Most of this budget schedule was unfunded and the Town needed to put more money into it.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Jack Miller to approve Financial Report for the twelve months ending June 30, 2016.

Vote: 7 - 0 PASSED - Unanimously

d) Consideration and possible action to approve recommended budget adjustments for the Fiscal Year Ending June 30, 2016. (Joe Duffy, Finance Director)

Recommended Action: Approve recommended budget adjustments for Fiscal Year Ending June 30, 2016.

Mr. Duffy reported that:

- Auditors recommend adjusting the original budget to actual expenses in the General Fund each year. The Town's practice was to inform Council of major adjustments throughout the year and approve them at year end.
- In total, the General Fund was $586,000 under budget.
- The largest over-budget expenses came from four departments and included: additional staffing to prepare the Town Clerk's office for a retirement; health insurance adjustments in three departments; parks water leak and vandalism; an undercalculation in electricity costs; and a position change in engineering.
- As of today, budget adjustments were needed for $139,798, but he recommended approving up to $177,500, as staff was still working on them.
- Staff usually covered adjustments using contingency funds, rather than moving the funds from other departments, as it was cleaner and easier for the public, and was the industry standard.

Mr. Duffy responded to questions from Council:

- Contingency funds did not need to be replenished, as they were included with every annual budget, which was built from scratch every year. Recent contingency amounts were around $400,000.
- Funds left over at the year-end were rolled into the reserve fund. As the $600,000 fund balance was higher than needed per current policy, staff proposed to use $200,000 of it during fiscal year 2017.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to approve recommended budget adjustments for Fiscal Year Ending June 30, 2016.

Vote: 7 - 0 PASSED - Unanimously

8) EXECUTIVE SESSION

Council may vote to recess the Regular Meeting and hold an executive session, which will not be open to the public, for the following purposes.

9) ACTION ITEMS RESUMED

After the Executive Session, Council will reconvene the Regular Meeting.

10) ADJOURNMENT

MOVED by Councilmember Jack Miller, seconded by Councilmember Mike Best to adjourn the meeting at 7:26 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 Regular Meeting of the Town Council of the Town of Chino Valley, Arizona held on the 9th day of August, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 13th day of September, 2016.

Jami C. Lewis, Town Clerk