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

TUESDAY SEPTEMBER 24, 2018
7:30 A.M.

The Town Council of the Town of Chino Valley met for a Study Session in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, September 24, 2018.

Present: Mayor Darryl Croft; Vice-Mayor Lon Turner; Councilmember Mike Best; Councilmember Cloyce Kelly; Councilmember Corey Mendoza; Councilmember Jack Miller

Absent: Councilmember Annie Lane

Staff Present: Town Manager Cecilia Grittman; Economic Development Project Manager John Coomer; Finance Director Joe Duffy; Human Resources Director Laura Kyriakakis; Police Chief Chuck Wynn; Police Lieutenant Vince Schaan; Public Works Director/Town Engineer Frank Marbury; Community Services Director Scott Bruner; Water Resource Consultant Mark Holmes; Customer Service Manager JoAnn Brookins; Town Clerk Jami Lewis (recorder); Administrative Technician Kathy Frohock (videographer)

1) CALL TO ORDER; ROLL CALL

Mayor Croft called the meeting to order at 7:42 a.m.

2) Review and discussion regarding a possible May 2019 special election:

a) Roads Maintenance Plan property tax ballot measure. (Frank Marbury, Public Works Director/Town Engineer)

Mr. Marbury reviewed the following:

Existing Road Network

- Chino Valley encompassed 64 square miles with 153 miles of road.
- There were 48 miles of arterial Roads and 105 miles of residential and rural streets.
- There were approx. 20 miles of dirt roads, 16 miles of gravel roads, 78 miles of chip sealed roads, and 39 miles of asphalt roads.
- State Route 89 was maintained by Arizona Department of Transportation (ADOT).
- Chip seal and asphalt were the Town's two main types of road surfaces.

Pavement Preservation

- *Road maintenance tool box:* Maintenance treatments included—in order of least expense—fog seal, crack fill, modified fog seal, single and double chip seal, slurry seal, microsurfacing, cape seal, thin overlay, overlay, mill and overlay, and reconstruction. Per mile, chip sealing was $35,000-$50,000, overlay was $150,000-$200,000, mill and overlay added $100,000, and rebuilding was $1.5 million-$6 million depending upon the road.
- *Preservation and rehab strategies:* Pavement preservation theory was to keep the good roads

good. Roads were designed to last 20 years or more. If a road could be rejuvenated or seal coated when the road was in good shape, the road would stay good at a cheaper cost than if it deteriorated and required a full reconstruction.

- *Repair and maintenance strategy:* Use seal coats as much as possible for cost savings; heavily traveled roads needed more expensive asphalt treatments because of heavy traffic and heavy loads; and critical roads such as Road 2 North, Reed Road, and some of the numbered streets needed more reconstruction.
- *General repair strategy:* Treat arterials and collector Roads with a mixture of overlays and seal coats; treat residential roads with seal coats; and as the seal coat life cycle could be stretched to about seven years in Arizona, address every road within the first seven years and then on average every seven years.

Pavement Management Program (PMP)

- A PMP was an asset management program wherein roads were inventoried, the conditions assessed, maintenance treatments determined, and annual funding assessed. It was computer-based but relied on input from visual assessments or vehicle sensors.
- If the Town developed a PMP, it would be a five to seven-year capital improvement and strategic maintenance plan that would be reviewed through the Roads Committee and approved by the Council on an annual basis.
- The estimated cycle would be about 20 years because of the typical lifespan of road surfaces. Estimated costs per year of a Town PMP were: $250,000 for arterial, $175,000 for local streets, $30,000-$50,000 for dirt or gravel, plus allowances for heavy rehab on heavy-use roads, totaling $1.6 to $1.7 million per year or $33.5 million for 20 years.

Council and Mr. Marbury further discussed the following:

- *State Route 89:* The total 153 miles of road did not include the highway.
- *Determining road surfaces:* Each road surface would be customized, with the overlay used on each road dependent on the situation of a particular road. For example, chip sealed roads worked best on longer straighter roads, while slurry and micro surfaced roads worked better on neighborhood streets.

Finance Director Joe Duffy reviewed the following:

- *Annual HURF budget:* $400,000 of the approximately $920,000-$950,000.00 was used for roads. The remainder covered salaries and road crew expenses and work. 90% of the current roads maintenance funding came from HURF with a small percent from the general fund.
- *Property tax proposal:* The Roads and Streets Committee was recommending a two percent property tax, as a one percent tax would not keep up, a 1.5% tax would only maintain the roads as they currently existed, and a 2% tax increase would actually improve the roads.
- *Property tax calculation:* On average, the assessed value of a Chino Valley home was approximately 50% of the home's market value. The Town's assessed property included 255 commercial properties, 2,202 vacant parcels 3,535 residential lots, and 909 non-primary residential lots. Residential properties would pay on average $230 more annually with a 2% tax.
- *Property tax use limits:* Said property tax would be used exclusively for road maintenance and construction. Funds would not be used for salaries and wages, services and supplies, and overhead costs.
- *Budgeting:* Tax monies would be accounted for in a separate fund. Staff would provide an annual report to the Town Council and be made available on the Town website detailing how the

funds were used and showing that the Town had complied with the ballot measure. The Roads and Streets Committee recommended the tax be implemented for 20 years.

- *Comparison with other entities:* Compared to the three other local entities with regard to the number of roads, budgets, and expenses per road mile, the Town was significantly lower; but if the PMP program was adopted and a 2% property tax was implemented, it would be close to the other communities and allow the Town to properly maintain the roads and keep them in good shape.

Council and staff further discussed the differences between HURF funds and tax funded activities:

- With the tax dollars, the street crews would be less involved in rehab work and more involved with every day issues such as signage, maintaining rights-of-way, filling pot holes, and cleaning out drainage ways. These day-to-day expenses and salaries would come exclusively from HURF funds.
- Concerns had been expressed that the increase in funds available to the Town would increase the work load but the money would not be available for salaries and wages. The actual road maintenance and improvements would be performed by contractors, not Town employees. Thus, no additional work load would be incurred by staff.

b) Utility Question ballot measure. (Cecilia Grittman, Town Manager)

Ms. Grittman reviewed the following:

- With the possible ballot measure on the road maintenance tax, it could be a good idea to address this issue at the same time.
- The town had been researching the purchase of private water companies in the Town. State law provided that "before any acquisition of any plant or property rendered by a public utility shall be undertaken, the acquisition shall be authorized by the affirmative votes of the majority of the qualified electors."
- The Town asked the voters about this in 1993 and 2000. The 1993 ballot measure failed, but the 2000 measure passed 367 in favor and 140 opposed. The approved ballot measure asked the voters about the Town being authorized to engage in any public utility business.
- Subsequently, a 2012 Court of Appeals case between Marana and Pima County resulted in a ruling that such voter authorization needed to be specific to the system to be acquired.
- If Council chose to put this item on the May ballot, they would work with the Town's attorney to write language that would not limit the Town to just Chino Valley water companies, but anything within the surrounding area. The Council would have to determine the scope and area to consider, and each individual entity that the Town had an interest in must be stated on the ballot measure.

As there was no money involved and as there would be no reason to hold two special elections, Council favored including this item on the May ballot.

c) Election communication plan. (John Coomer, Economic Development Project Manager; Jami Lewis, Town Clerk)

Mrs. Lewis reviewed the legal requirements and Town approach for a May special election:

- November: Notice must be placed on the Town website 60 days before the Council voted to put the proposal on the ballot.
- January: The call of election must be done 120 days before the election and was scheduled for January 8.
- February: Pamphlet language was due to the printer and ballot language was due to the County.
- April: The pamphlet must be mailed out no later than April 21.
- May: The election date was May 21 and would be vote-by-mail balloting. The County would maintain two physical voting places at their administrative offices for those that needed to vote early.
- October-December: Legal election materials, outreach materials, and ballot and pamphlet language will be developed.
- January-May: Community outreach will take place.
- New laws affecting election: Due to new campaign finance laws, if there were any challenges, complaints or possible violations with regard to campaign financing, a second legal team might need to be hired by the Town.

Mr. Coomer reviewed staff's communication plan:

Phase 1 – Development

- This phase involved holding dialogue sessions with targeted individuals and groups, such as business owners, long-time residents, developers, and other stakeholders to obtain input and comments. Sessions will include eight to ten people dialoguing with the town manager, mayor, staff members and/or councilmembers. Questions, concerns, and suggestions will be added to a Frequently Asked Questions (FAQs) document. Some session members might agree to become spokespersons.
- Sessions should begin as early as October. Staff will hold meetings in such a way to reach as many people as possible at different times and places. A telephone survey could also be useful.
- HURF fund expenditures would fall into a FAQ category and the Town should spend time researching any type of valid question a community member might have and include those questions on the FAQ.
- As public employees, no staff member could promote the ballot measure, but they could educate and share the facts with the community.

Phase 2 – Deployment

- This phase was for public presentations and education.
- Presentations will be made at group meetings, such as Veterans group, Rotary Club, Police Foundation, Town Committees, and staff members.
- The informational campaign could include mailers, newspapers, or any free publication that was delivered to a house (Chino Valley Review, HOA newsletters, etc.) or any publication that was written to a targeted group. What was not as effective were Public Service Announcements through radio. The most important venue would be social media.
- One idea to include in educational materials is to demonstrate how the Town was different from other communities by showing the number of dollars spent per road mile per citizen.

Council, Mrs. Lewis and Mr. Coomer discussed the following:

- Any presentation should first include the water issue, then delve into the more complicated road

issue. Presenters needed to ensure that voters were not confused by the two issues.

- While on duty, employees should only give facts regarding the ballot issues. Off-duty, they could offer opinions. Council asked Ms. Lewis to check on how that would affect the Police Officers Association should they desire to form a political committee.
- Staff intended to use the Home Rule outreach model when developing the brochure, website powerpoints, and any public communications. A simple general message must be developed.
- Council asked Mr. Marbury to research how the roads issue would affect subdivisions that did not have town-maintained roads, such as Country West Mobile Home Park. FAQs needed to address these areas, as well as private easements and ingress and egress roads that would not be included in the roads maintenance plan.
- The Town Council would be involved in the entire process including the development of the pamphlet and the language used.
- The Town Council needed to decide on the tax percentage increase before the communication process began. A recommendation for the percentage could be scheduled at the first Town Council meeting in October specifying that the Roads and Streets Committee recommended a 2% increase to the property tax rate.

Mayor Croft recessed the meeting at 8:58 a.m. and reconvened it at 9:11 a.m.

3) Review and discussion regarding water resource matters:

a) Water 101 overview. (Mark Holmes, Water Consultant)

Mark Holmes reviewed the following:

Water Resources Overview

- *Prescott Active Management Area (AMA)*: Chino Valley was within the Prescott AMA wherein grandfathered groundwater rights were quantified and regulated. These water rights were highly regulated due to the fact that groundwater was being pumped faster than it naturally or artificially recharged into the aquafer or the aquafer was not in a sustainable water usage condition. Within the AMA, new development must obtain a 100-year assured water supply.
- *Exceptions* to these existing water rights to obtain new groundwater within the AMA included service area rights (water companies); new ground or pumping permits under for uses like mining operations, road construction or general industrial use; and exempt wells for domestic purposes, livestock or small commercial or industrial uses.
- *Doctrine of Reasonable Use*: Outside the AMA, there were no ground water rights and there were limited regulatory devices in effect for adequate water supply programs. Reasonable use meant that as long as there was reasonable use of the landowners' property, neighboring properties had no claim for damages even if the groundwater withdrawal adversely affected water levels under the neighbor's property.
- *The Prescott AMA* was approximately 450 square miles and all three of the municipalities within the AMA must abide by strict regulatory compliance and codes. There was a small piece of Chino Valley north of the Prescott AMA that was exempt from compliance. It was comprised of two subbasins: Little Chino to the north and the Upper Agua Fria to the south. Chino Valley and Prescott were primarily in the Little Chino portion and Prescott Valley was mainly in the Upper Agua Fria portion but all three municipalities were pumping water from the Little Chino Subbasin and were currently in an overdraft situation.
- *Groundwater rights*:
    - Irrigation Grandfathered Right – Confers the right to irrigate specific plots of land that had been irrigated between 1975 and 1980. Land without the irrigation grandfathered right

may not irrigate with groundwater.

- Type I Non-Irrigation Right – Associated with land permanently retired from farming and converted into non-irrigation right (e.g.: converting to an industrial use or a subdivision).
- Type II Right – Can only be used for non-irrigation (e.g.: industry, livestock water, golf courses) and equals the maximum amount pumped for any one year between 1975 and 1980.
- Service Area Groundwater Right – Authorizes cities, towns and private water companies to withdraw water to serve their customers. ADWR preferred this right in order to reduce the number of independent wells, so that they could instill water conservation requirements, future conservation requirements, and other specific restrictions on how the water was provided to the customers.

Chino Valley's Water Portfolio

- *Irrigation Grandfathered Rights (IGFRs):* The Town acquired IGFRs with the purchase of Old Home Manor. The IGFRs were converted into assured water supply credits, most of which have been allocated to several developments within the Town requiring a 100-year assured water supply. Only a small amount of credits remained available for use.
- *Non-irrigation rights:* The Town had 29.8-acre feet per year of Type I non-irrigation water right and 32.8 Type II non-irrigation right. The Type I rights were being used at Old Home Manor, ballfields, and other land-based uses.
- *Cost of water:* In May 2018, he and Council discussed the ordinances created to determine the cost of an assured water supply credit—a one time purchase of one acre-foot per year—from water within the AMA, which was $25,000 per acre foot. Water derived from outside the AMA was $45,000 per acre foot, as it would have to be transported into the AMA.
- *Renewable water supply:* The Town's only increasing renewable assured water supply was reclamation through the sewer collection system, and the Town may decide to sell the credits to a development that will generate wastewater that is put back into the ground and reused.
- *Recharge credit policy*: The Town did not currently have a policy or guidance on who its future development partners would be, but issues to consider in the decision process of such policy were:
  - Current Town strategic and master plans.
  - Developments that would use the water and give most back to a sewer collection and recharge system.
  - Developments that would consume the water and ship the reclaimed water outside the Town, wherein the Town would get very little back as part of the renewable supply.
  - The type of developers the Town would want to partner with and allow access to the Town's water portfolio for either reclaimed or other water supply, as the water supply was very limited.
- *Assured Water Supply:* A condition affirming that a new subdivision had a water supply sufficient for 100 years to the satisfaction of the Arizona Department of Water Resources (ADWR).
- *Subdivision:* Real Estate Law defined this as a land divided into six or more parcels with at least one parcel or lot having an area of less than 36 acres. The Town's definition differed from the State's and it was possible for the Town to have what they classified as a subdivision not be required to provide a certificate of assured water supply. Such subdivision would use the Service Area Right. Apartments were also exempt from the State's definition of Subdivision regardless of the size. If lots sold in OHM met the State's subdivision definition, it would need an assured water supply certificate. Leasing the land would not meet the definition and would be exempt from the assured water supply. Land subdivisions that created parcels all of which were larger than 36-acres were classified as un-subdivided land and did not require assured water supply.

- *Certificate of assured water supply:* Two ways to meet this requirement were (i) Obtain a certificate of assured water supply issued by ADWR—this process was costly to the land owner, could take up to two years, and the Town had no say in the process; or (ii) The Town could become a Designated Water Provider and land owners would negotiate directly with the Town with no State involvement. Properties that were in the Town of Chino Valley but connected to the Prescott water supply, would claim the City of Prescott as their official water supplier despite being the Town of Chino Valley city limits.

Becoming A Designated Water Provider

- *Requirements to demonstrate to the State included:* (i) Physical water availability that would not impact other well owners in the AMA; (ii) Legal water availability; (iii) Continuous availability for 100 years; (iv) Financial capability to build the proper infrastructure to serve the area and to treat the water; (v) Meeting water quality standards; and (vi) Conservation management plans and goals, including Safe Yield.
- *Benefits:* Becoming a designated water supplier would allow the Town to make its own decisions on development, save land owners a considerable amount of time and cost, and was a much more efficient and effective way for the Town to control its destiny.
- *Importation permit:* The Town owned many acres at the lower end of the Big Chino and ADWR had issued a permit to the Town to import water into the AMA. If the Town were able to pump that water into Chino Valley, it would significantly change the Town's water issue. It also may require the Town to be designated a provider because they would have a legal, much larger water supply that was continuous. The available pumping supply was 18,000-acre feet every year for 100 years.
- *Mitigation:* Drawing water from the Big Chino would still require mitigation of the impact of water withdrawal, which would most likely require reclaimed water, the Town's only supply of water, being put back into the ground.
- *Dry Lot Subdivision:* These lots were allowed under the State, but the development would not acquire the water rights. Instead, each home owner would use an exempt well, but the State would still govern the water supply and property owners must still assure a 100-year physical supply and safe drinking water standards.
- *Town's water rights:* All groundwater was considered non-renewable, while surface and reclaimed water was considered renewable. Two of the Town's rights that could be used for development were: (i) Renewable effluent developed through sewer collection, treatment and recharge project, currently about 284-acre feet per year; and (ii) Big Chino historically irrigated acres (HIA) of 445-acre feet per year for 100 years. The Town did not yet have the ability to import HIA water but it had the ability to use its affluent towards development projects.

Future Challenges:

- *Limited supply:* The Town service area could continue to expand and serve non-subdivision developments of five or less lots, but there was small and limited amount of water rights available within the Prescott AMA.
- *Importation:* Prescott and Prescott Valley were looking at taking HIA water as well and would also be required to mitigate the effects of any water removal. The Town had the only permit issued by the State before they changed the permit process rules and it could sell this water to another community or anyone else. Ideally, the three communities should share the cost of a pipeline to mitigate costs.
- *Contamination:* Contamination was a big issue in Arizona. The Town could explore expansion of the wastewater treatment and recharge system to ensure that wastewater would not contaminate the aquifer.

- *Designated water provider:* If the Town could successfully import HIA water from the Big Chino, it would be a new 100-year water supply and could qualify the Town as a designated water provider.
- *Overdraft:* The Prescott AMA was in overdraft condition, with water being pumped at more than twice or possibly thrice what was naturally and artificially coming back into the ground. Overdraft has or will impact home owners and require wells to be deepened and in some instances, lands had permanently gone dry and property values cut in half. Being a water provider in an overdraft situation would help these residents.
- *Exempt wells:* Due to the number of exempt wells in high density areas, the Town would have a difficult time placing its wells in the high-density areas.
- *Private septic systems:* These were proliferating as much as exempt wells and in higher density areas of six plus septics per acre, they created water quality issues.
- *Service area expansion:* Through friendly acquisitions, the Town may be able to expand its service areas.

Integrated Water Master Plan

- *Integrated water master plan:* This included four master plans for water resources, water system, wastewater, and reclaimed water, which addressed issues such as water infrastructure, HIA pumping, treatment and delivery, transmission, reclamation, sewer collection, various basins, reclamation plants, mitigation and reclaimed water supply.
- *Master plans:* These types of plans use general plans, zoning population projections, and growth centers to project current, near, and future challenges and the best approach for overcoming those challenges; identification of needed capital projects, financing, timing, impact fee studies, equitable rate studies, and water conservation efficiency standard issues.
- *One-Water philosophy:* This new philosophy considered all water in the water cycle as equally valuable whether black, grey, potable, waste, reclaimed, storm, salty, or contaminated, as all could be treated and used for the purposes designed for it.
- *Strategic planning:* Timing was critical in financial and capital improvement plans to provide for rate stability, capital needs, and future investments. Master plans may provide information for further refining codes and ordinances for better water management and engagement with land development interests that match other strategic town objectives. Following these plans would ensure the highest level of service with the lowest price to the customer and allow control of the future with smart and sustainable growth. Due to the cost to develop such plans, they could be phased in.

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

- *2025 Safe Yield:* If safe yield was not met, nothing would happen because there were no teeth to the policy and the overdraft condition would continue to increase. Exempt wells, municipalities, and agriculture all impacted the aquifer, and the water table dropped every year. ADWR preferred all users to be on a municipal system for conservation reasons.
- *Agricultural uses:* ADWR was not trying to reduce agricultural use but was incentivizing conversion from agricultural water use to municipal and industrial. Farming operations from outside Arizona coming into the state were affecting water use.
- *Importation:* The Town's HIA water was about eight to ten miles away from the Town. Several years ago, it was priced at approximately $15 million just to get the water into Town and did not include the reclamation lines back into the aquifer. The law allowed for water to be put in the ground in one area and be recovered in another area.
- *Deficits:* Central Arizona Project (CAP) lakes were at near record lows and due to a calculation error when created, Lake Mead loses 1.2 million acre feet per year. Groundwater was drought

proof but it was not forever water because it was not renewable. If nothing is done, this will be a big issue for future generations. The City of Prescott did not need to mitigate for water taken out of the AMA because they were grandfathered into the system.

- *Water table:* As the water table moved eastward, more and more exempt wells will go dry and more people will be hauling water every year. The Town may want to expand their infrastructure every year to accommodate those properties but it will be expensive and the number of customers may not be in high density. The Town should look at the planning stages and work from higher density areas to lower density areas. The Town may need a second water hauling station.
- *Water master planning:* The Town may want to concentrate more time on water management plan issues than on the OHM industrial park and where funds should be invested in the community. Master planning would also be beneficial when working on road infrastructure because it would be cheaper to add sewer and water infrastructure while working on the roads. It would be important to look at the five-, ten- and twenty-year horizon or longer. The total cost for all plans was $800,000 to $1.2 million, but they could be done in phases of $100,000 to $200,000.
- *Reclamation:* The Town was in a key position if it could plan its part in importation and recharge accordingly. Ideally, it would find partners willing to finance part of the infrastructure. The Town's location was an engineering dream because the flow of the basin was north, the Big Chino flow was southeast, and the two met at Sullivan Lake. A regional reclamation center at Sullivan Lake would be ideal, wherein reclaimed water could be managed to go toward mitigation for all three cities and reducing the overdraft condition.
- *Budget:* Council will hold a study session in January to review the upcoming budget and water was the next big issue for Council to review.
- *Privatizing:* Privatizing utilities could be complicated, as the Town would still have to deal with customer issues and would lose control of overall systems, since the goals of a private company might conflict with the Town's.

b) Recharge credit policy. (Mark Holmes, Water Consultant)

Mr. Holmes related that Council needed to discuss to whom to sell reclaimed water, HIA, or retired IGFRs. Possible customers included: (i) industry, such as a customer who used a lot of water, but might give back a lot of water to the Town; (ii) reserving a certain amount of water for residential, commercial and industrial; and (iii) sewer treatment that was in a good area to provide service for Prescott and Prescott Valley. The Town should be thinking about the back end of the water first.

4) ADJOURNMENT

MOVED by Councilmember Jack Miller, seconded by Councilmember Mike Best to adjourn the meeting at 11:07 a.m.

AYE: Mayor Darryl Croft, Vice-Mayor Lon Turner, Councilmember Mike Best, Councilmember Cloyce Kelly, Councilmember Corey Mendoza, Councilmember Jack Miller

PASSED - Unanimously

Darryl L. Croft, 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 24th day of September, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 9th day of October, 2018.

Jami C. Lewis, Town Clerk