MINUTES OF THE REGULAR MEETING (RESCHEDULED) OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

TUESDAY, NOVEMBER 18, 2014
6:00 P.M.

The Town Council of the Town of Chino Valley, Arizona, met for a Regular Meeting (Rescheduled) in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, November 18, 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; General Services Director Cecilia Grittman; Town Attorney Phyllis Smiley; Finance Director Joe Duffy; Police Lieutenant Vince Schaan; Police Officer Eric Hatchell; Town Engineer/Public Works Director Ron Grittman; Development Services Director Ruth Mayday; Building Official Dan Trout; Deputy Town Clerk Liz Hart; Town Clerk Jami Lewis (recorder)

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

Mayor Marley called the meeting to order at 6:00 p.m.

Councilmember Best gave the invocation; Mayor Marley led the Pledge of Allegiance.

2) INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS - None

3) CALL TO THE PUBLIC

Call to the Public is an opportunity for the public to address the Council concerning a subject 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.

Ron Romley, resident, spoke about Yavapai Regional Transit offering free rides for Christmas and recognized some Chino Valley bluegrass musicians.

Nancy Best, resident, spoke about the Hometown Chino Christmas event on December 5-6.

Edith Spain, resident, spoke about the Town's options after the GO Bond's failure to pass.

4) RESPONSE TO THE PUBLIC - None

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.

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.

Mayor Marley read his Monthly Mayor's Report, which pertained to the GO Bond election results and the Town's next steps. He also spoke about the town manager's employment.

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

Mr. Smith reported that management was looking at operations and expense options to present to Council for the next fiscal year budget.

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 items 6a and 6b.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to accept consent agenda items c and d.

Vote: 7 - 0 PASSED

a) Consideration and possible action to accept the October 7, 2014 special meeting minutes. (Jami Lewis, Town Clerk)

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to approve consent agenda item a.

Vote: 6 - 0 PASSED

Other: Councilmember Linda Hatch (ABSTAIN)

b) Consideration and possible action to accept the October 14, 2014 regular meeting minutes. (Jami Lewis, Town Clerk)

Mrs. Lewis noted that the minute entry under item 2b was incorrect and that it should reference Mayor Marley recognizing the General Plan Committee members.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to approve item 6b with modifications.

Vote: 6 - 0 PASSED

Other: Councilmember Linda Hatch (ABSTAIN)

c) Consideration and possible action to accept the October 28, 2014 regular meeting minutes. (Jami Lewis, Town Clerk)

d) Consideration and possible action to to approve a Memorandum of Understanding between Phoenix Police Department and Chino Valley Police Department for use of PPD's National Integrated Ballistic Information Network. (Chuck Wynn, Police Chief)

7) ACTION ITEMS

a) Consideration and possible action to adopt Resolution No. 14-1050, declaring and adopting the results of the special election held on November 4, 2014. (Jami Lewis, Town Clerk)

Recommended Action: Adopt Resolution No. 14-1050, declaring and adopting the results of the special election held on November 4, 2014.

Mrs. Lewis reported that

- Staff received the official final election results from the County this morning and updated the resolution to reflect the final numbers.
- Voters defeated the GO bond and approved the General Plan.
- The Town had a 61% voter turnout, an historic high.

Ms. Smiley noted an error in section 1: the reference to the primary election should be special election.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Pat McKee to adopt Resolution No. 14-1050, declaring and adopting the results of the special election held on November 4, 2014, as amended.

Vote: 7 - 0 PASSED

b) Consideration and possible action to adopt Resolution No. 14-1051 authorizing the application for a Clean Water State Revolving Fund (CWSRF) loan from the Water Infrastructure Finance Authority of Arizona (WIFA) for expenses related to waste water treatment plant settlement agreement, in an amount not to exceed $4,545,000; and adopt Resolution No. 14-1052 authorizing the application for a Drinking Water State Revolving Fund (DWSRF) loan from WIFA for expenses related to the Prescott water distribution system acquisition, in an amount not to exceed $3,442,500. (Joe Duffy, Finance Director)

Recommended Action: Adopt Resolution Nos. 14-1051 and 14-1052, authorizing the loan applications.

Mr. Duffy presented the history, current status and proposal of this item:

History

- The Town's current water and sewer rates had been based on projections that the Town would add 435 additional accounts. However, as the Town had not acquired sufficient accounts for the water and sewer utility funds to remain solvent, they had been supported by the general fund and carryover from the sewer fund. In addition, the sewer fund had exhausted its reserves and the utility funds were not solvent enough to set aside funds for capital replacement.
- The Town's general fund could not continue subsidizing the enterprise funds, and at the current rate, the Town will start having solvency issues as early as next fiscal year and be out of funds in three years.
- Doing nothing further would require an increase in the Town's water rates from $36.48 to $60.13 per month to break even; and while the sewer fund would break even in FY 18/19 through the Fann settlement, the Town would still have to fund a $1,350,000 deficit until then by increasing sewer rates from $58.31 to $77.71 per month.
- On May 27, 2014, Council approved Resolution 14-1037 and 14-1038 in anticipation of issuing a General Obligation Bond to complete three main projects that would address the utility fund deficit. However, the Town's voters did not approve the General Obligation Bond.

Options

- After the failed bond election, staff reduced the project's scope to two projects and submitted those details to the Water Infrastructure Finance Authority of Arizona (WIFA) for consideration of obtaining a loan for each of the projects funded through revenue bonds.
- The two subject projects were: (i) acquire the Prescott and Wilhoit water systems within the Town; and (ii) refinance the wastewater treatment plant settlement with Fann.
- Acquiring the two water systems would add 755 accounts, allow rates for current Prescott water users to be reduced, reduce the water fund's annual deficit by 60%, and allow the fund to break even in FY 15/16.
- Refinancing the Fann settlement would save the Town $1,200,000 overall and result in sewer fund solvency in FY 16/17.
- Council could elect to take no action on either item or apply for only one of these loans, which would leave a $750,000 to $1 million difference that would still need to be made up.
- The best case scenario was for the Town to do both projects, which, combined, would allow the utility funds to break even in FY 16/17, be positive in subsequent years, end the general fund subsidy, and allow the Town to put funds away for capital replacement.

Current Status

- WIFA reviewed staff's figures and approved the two loans. WIFA also determined that the Town was a disadvantaged community, which allowed the Town to receive a subsidized interest rate of 0.25% on the wastewater project, and 0.20% on the drinking water project. The Town also qualified to have a portion of the principal of each project forgiven.
- The proposed resolutions corresponded to the two loans. The Town would secure the loans with utility system revenues and excise taxes.
- WIFA's terms were to close on December 31, 2014 at 2.24% interest, with a $636,000 grant of forgivable principle.

Mr. Duffy and Councilmember McKee noted some errors in the packet and presentation materials:

- Resolutions – The loan amounts in the two resolutions were inadvertently switched.
- Staff Report – The interest rates should be 0.25% and 0.20%, not 25% and 20%.
- "Combined Projects" spreadsheet – The total project amount of $7,555,000 should be $7,98,500, and while the total loan amount was incorrect, the individual loan totals were correct.

Public Works Director/Town Engineer Grittman related that:

- Staff anticipated that the Town's costs to operate the sewer plant would be consistent with or less than Fann's and one new plant operator will need to hired. Staff hoped to complete the transfer by fiscal year end.
- Part of the refinancing plan included funds for a new wastewater treatment screen, which was needed to replace the two current screens, both of which used outdated technology, and one of which was no longer usable. The Town had always paid for replacement parts.
- In the next two to five years, the Town will need to discuss plant expansion.
- Dan Jackson with economists.com will perform the Wilhoit water system evaluation as soon as Wilhoit was current with its financial reporting to the corporation commission. The proposed estimate was conservatively based on a 2009 valuation and activity since then.
- The Wilhoit well had an arsenic issue, but the Town was not proposing to use their well or equipment.

Mark Reader, Financial Advisor with Stifel Nicolaus, and Mike Cafiso, Bond Counsel with Greenberg Traurig added that:

- This item's action was to indicate that the Town intended to follow WIFA's requirements.
- As interest rates were at their lowest in 35 years, the municipal bond market was very attractive now.
- Due to the Town's financial situation, the Town had to pledge its excise taxes to secure the funds; this was noted in the resolutions. WIFA will release that pledge once the utility funds were stable. The primary repayment of the loan, however, was based on utility fund revenues with some general fund coverage. The Town's loans for the 2007 Chino Meadows project included the same language.
- If approved, the loans would be for a not-to-exceed amount and the Town would only pay interest upon drawing down the account.

Council asked Mr. Reader and Mr. Cafiso to provide them with their firms' fee amounts at the next meeting.

Town Manager Smith then spoke about the subject proposal within the context of the Town's future fiscal condition:

- Under the do-nothing option, cumulative deficits of $2.5 million, not including the $2 million already owed the general fund, would occur in the utility funds.
- Also, sales taxes should be rolled back at some point to be competitive; $1 million per year will be needed for road work for at least six years; the utility funds needed to pay back the general fund; and capital asset reserves and water and sewer reserves were needed.
- While this proposal would minimize the operations deficit from 2015 to 2019, in order to cover the remaining utility fund deficit through 2019 while maintaining reserves, $1

million per year in operations will need to be reduced. While said reduction could be lessened through revenue enhancements and cost savings, the Town needed to address this now.

- On the positive side, the EDA/ADA grant may generate jobs quickly; current and future infrastructure projects should encourage some development; and acquiring the water system and sewer plant will reduce fire protection costs and minimize deficit totals.
- If Council approved the WIFA funds and paid Fann by January 1, 2015, it will pay no interest.

Council Comments:

- Even if the GO bond had passed, the budget would still need some tightening.
- Council had reviewed this option several times and needed to get the process started to avoid interest on the Fann refinancing.

Public comment:

Cheri Romley, resident, asked about additional personnel for the sewer plant in the numbers. Mr. Duffy stated that personnel was covered in the estimated $200,000 in operations expenses.

Bob McCaullay, water/sewer bond committee member, supported this option.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to adopt Resolution Nos. 14-1051 and 14-1052, authorizing the loan applications, taking into account amendments for transposition of numbers and percentages.

Vote: 7 - 0 PASSED

Mayor Marley recessed the meeting at 7:47 pm and reconvened it at 8:03 p.m.

c) Consideration and possible action to adopt Ordinance No. 14-790, repealing previous ordinances related to previous versions of the International Building Codes; adopting the "Town of Chino Valley Building and Technical Code Amendments - 2015 Edition," by reference; and amending Town Code Title XV Land Usage, Chapter 150 Building Regulations by amending sections related to the 2012 version of the International Codes and 2011 edition of the National Electrical Code. (Dan Trout, Deputy Development Services Director/Chief Building Official)

Recommended Action: Adopt Ordinance No. 14-790, repealing Ordinance Nos. 04-570, 07-686, 07-689 and 09-721; adopting the "Town of Chino Valley Building and Technical Code Amendments - 2015 Edition," by reference; and amending Town Code Sections 150.001 and 150.004.

Mr. Trout reported that:

- Every six years, the Town updated its adopted building codes. Since 2007, the quad cities had coordinated to adopt the same building codes to make it consistent for area builders.
- Adopting the 2012 Codes will enable the Town to lower its ISO rating by one point, which will help maintain lower property insurance rates.
- While Prescott and Yavapai County were still on the 2006 International Energy Conservation Code, the Town needed to update to the 2012 edition as a stipulation of accepting ARRA funds to install solar panels at the wastewater treatment plant.
- As these were international codes, amendments were proposed to suit the local area.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Lon Turner to adopt Ordinance No. 14-790, repealing Ordinance Nos. 04-570, 07-686, 07-689 and 09-721; adopting the "Town of Chino Valley Building and Technical Code Amendments - 2015 Edition," by reference; and amending Town Code Sections 150.001 and 150.004.

Vote: 7 - 0 PASSED

d) Consideration and possible action to adopt Ordinance No. 14-791, adopting the "Chino Valley Fire District 2012 International Fire Code" by reference, and amending the Town Code Title XV Land Usage, Chapter 153 Fire Prevention and Protection, Section 153.001 International Fire Code Adopted. (Dan Trout, Deputy Development Services Director/Chief Building Official)

Recommended Action: Adopt Ordinance No. 14-791, adopting the "Chino Valley Fire District 2012 International Fire Code" by reference and amending Town Code Section 153.001.

Mr. Trout reported that:

- The Town updated its building and fire codes every six years. Adoption of the Fire Code updates will lower the Chino Valley Fire District's ISO rating, which will positively affect property insurance rates throughout town.
- The Town adopted such fire regulations to enable them to be enforceable through the Town Code.
- The fee schedule at the end of the resolution was the Fire District's and was included in error.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Pat McKee to adopt Ordinance No. 14-791, adopting the "Chino Valley Fire District 2012 International Fire Code" by reference and amending Town Code Section 153.001, omitting the Chino Valley Fire District permit and fee schedule.

Vote: 7 - 0 PASSED

e) Report by Councilmember Mike Best and possible action regarding a report from the Council Public Safety Subcommittee pertaining to noise pollution from the Prescott Airport and airport expansion plans. (Public Safety Subcommittee)

Recommended Action: Direction to the Public Safety Subcommittee or Town staff.

Councilmember Best reported that:

- During the September 23 Call to the Public, Al Gibbons submitted an agenda item request, asking Council to issue an opinion on noise pollution from the Prescott Airport, as well as airport expansion plans.
- On October 14, Council voted to refer the matter to the Public Safety Subcommittee and report back in a month.
- The subcommittee had not yet met, as he was still awaiting a response from the FAA to an inquiry he sent pertaining to FAA responsibilities, flight patterns, and the Town's designation as a "flight sensitive" area.

Councilmembers commented that the expansion was being proposed to allow bigger fire planes and/or freight jets.

Council took no action.

f) Consideration and possible action regarding Council's procedure for appointing members to the Planning and Zoning Commission. (Jami Lewis, Town Clerk)

Recommended Action: Direction to staff and/or Council Appointments Subcommittee.

Ms. Lewis reported that:

- Currently, the Council Appointments Subcommittee reviewed applications for Planning and Zoning Commissioner positions, conducted interviews in some cases, and made recommendations to Council for appointment.
- Since the Commission dealt with certain technical and legal matters, the mayor and vice-mayor desired a discussion regarding the possibility of:
    - directing staff to develop a "job description" for prospective Commissioners, with specific requirements for candidacy that could be used during recruitment and interviews; and
    - changing the appointment process by setting specific parameters, such as requiring the Subcommittee to interview all prospective candidates for Commissioner or determining that the whole Council should interview Commission applicants.

A councilmember suggested that the "job description" be a recommendation, not a requirement, as staff might have trouble finding qualified candidates.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to send back to the Appointments Subcommittee for review and make a recommendation to the full council for decisions at that time.

Vote: 7 - 0 PASSED

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.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to recess and to go into executive session at 8:28 p.m.

Vote: 7 - 0 PASSED

Mayor Marley reconvened the regular meeting at 9:52 p.m.

a) Pursuant to A.R.S. § 38-481.03(A)(1) for discussion or consideration of employment, assignments, appointment, promotion, dismissal, salary of Town Manager Robert Smith, and pursuant to A.R.S. § 38-481.03(A)(4) for discussion or consultation with the Town Attorney in order to consider its position and instruct the Town Attorney regarding the Town's position regarding the contract with Town Manager Robert Smith. (Mayor and Council)

Mayor Marley reported that the Council consulted with the town attorney on this matter.

9) ACTION ITEMS RESUMED

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

10) ADJOURNMENT

MOVED by Councilmember Don Wojcik, seconded by Councilmember Lon Turner to adjourn the meeting at 9:53 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 Regular Meeting (Rescheduled) of the Town Council of the Town of Chino Valley, Arizona held on the 18th day of November, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 9th day of December, 2014.

Jami C. Lewis, Town Clerk