

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

**TUESDAY, DECEMBER 16, 2014
6:00 P.M.**

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 Tuesday, December 16, 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; Town Attorney Phyllis Smiley; Finance Director Joe Duffy; Development Services Director Ruth Mayday; Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER; ROLL CALL

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

(Councilmember Mike Best attended via conference phone at 6:09 p.m.)

2) Consideration and possible action to adopt Resolution No. 14-1054 approving the form and authorizing the execution and delivery of a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) from its Clean Water State Revolving Fund Program.

Recommended Action: Adopt Resolution No. 14-1054.

Mr. Duffy presented an overview of the loan:

- October 7, 2014 – Council approved an agreement with Fann Contracting to buy out the construction manager-at-risk (CM@R) contract for the wastewater treatment plant. The WIFA loan will allow the Town to essentially refinance the debt already approved with said agreement, but with better terms and a significantly lower interest rate.
- November 18, 2014 – Council adopted Resolution 14-1051 authorizing application for a clean water loan from WIFA for this purchase.
- Resolution 14-1054 will authorize the execution and delivery of the WIFA loan agreement.
- Loan amount – The original loan amount was \$3,442,500; less the WIFA grant of \$478,829, the intended repayment amount was \$2,963,671.
- Loan actions – Interest rate to be determined December 26, 2014; closure to be on December 30, 2014; annual payment to be determined at closing; first payment to be July 1, 2015; and term to be 20 years..
- Reserve fund – The Town will be required to fund a reserve fund over five years to fund the annual debt service.
- Loan funds will be used for wastewater treatment plant purchase, new screen for plant, and financial advisor and bond counsel fees.

- Town funds of \$200,000 will be used toward purchase of the plant, financial advisor and bond counsel fees, and other possible expenses. The Town funds will come from an amount paid to Fann as of June 30, 2014, the amount due to Fann from July 1 to December 31, 2014, CM@R fees from April through June, 2014, and sewer contingencies.
- Although WIFA Loan Resolution 2015-001, Section 2.3 Project Description referenced sewer extensions along SR 89 between Road 2 North and Road 3 North, this was no longer valid, as that resolution was based on the general obligation bond loans. Since the Town reduced the scope of the project, WIFA did not require adoption of a new resolution.

Mike Cafiso, Bond Counsel with Greenburg Traurig, explained the pledge structure:

- In 2007-2008 the Town financed the Chino Meadows collection system through two WIFA loan agreements and three promissory notes with USDA Rural Utility Services (RUS).
- The complicated structure of the transaction pledge was two-tiered: (i) a set of tests related to debt as secured payable only from Town sales taxes; and (ii) the other was typically secured through sewer revenues; however, since the Town's utility system's cash flows were not sufficient, this tier was secured through 50% sewer revenues and 50% sales taxes.
- Due to the complexity of the structure, the Town needed to meet several tests before additional debt could be issued. The Town not only met, but exceeded, the required tests. Once the Town met a certain test for five years in a row, the excise tax will fall off and the debt will become a utility system pledge once more, which will free up even more bonding capacity.
- In the next three months, the Town's next transaction with WIFA for water acquisitions will incur the same limits and require an amendment of the total pledge for everything.

Mark Reader, Financial Advisor with Stifel Nicolaus, reported that:

- He will be back in early 2015 for the two water acquisitions from the City of Prescott and Wilhoit. Per projections, there will be some revenue bonding capacity for water, but sewer needed to be stronger.
- He was hoping to refinance certain of the Town's prior debt next year.
- While the WIFA loan projected an annual loan payment of \$215,000, today's interest rate at 1.9425% would yield an annual debt service payment of about \$184,000. In addition, the benefit from the grant would reduce that percentage to 1.34%.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Pat McKee to adopt Resolution No. 14-1054.

Vote: 7 - 0 PASSED

- 3) 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)

Council took no action on this item.

- 4) Consideration and possible action to approve an employment agreement with Town Manager Robert Smith or an amendment to his current agreement with the Town. (Mayor and Council)

Recommended Action: Approve an employment agreement with Town Manager Robert Smith or an amendment to his current agreement with the Town.

Council asked about the current agreement's end date and how the additional retirement and health care benefit amounts in the new agreement will be paid out. Mr. Duffy related that when the new contract started on January 1, 2015, the previous one will stop; and the retirement and health care funds had been and will be paid out on a monthly basis, so no prorating between the two contracts were needed.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Lon Turner to approve employment agreement with Town Manager Robert Smith on amendment to his current agreement with the Town.

Vote: 7 - 0 PASSED

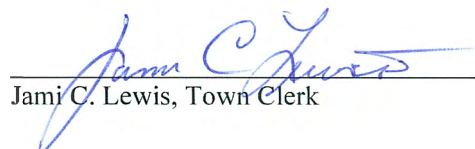
5) **ADJOURNMENT**

MOVED by Councilmember Mike Best, seconded by Councilmember Linda Hatch to adjourn the meeting at 6:43 p.m.

Vote: 7 - 0 PASSED


Chris Marley, Mayor

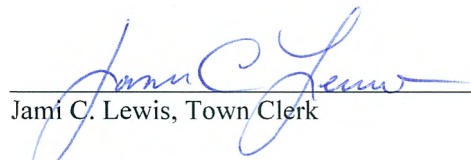
ATTEST:


Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the Town Council of the Town of Chino Valley, Arizona held on the 16th day of December, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 13th day of January, 2015.


Jami C. Lewis, Town Clerk