

**MINUTES OF THE STUDY SESSION OF THE
TOWN COUNCIL OF THE TOWN OF CHINO VALLEY
WEDNESDAY, JANUARY 15, 2025
6:00 PM
COUNCIL CHAMBERS | 202 N. STATE ROUTE 89 | CHINO VALLEY,
ARIZONA 86323**

1. CALL TO ORDER, ROLL CALL

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

Present: Mayor Tom Armstrong, Vice-Mayor Eric Granillo, Councilmember John McCafferty, Councilmember Sherri Phillips, Councilmember Robert Schacherer, Councilmember Larry Holt, Councilmember Robert Switzer

Absent:

Staff Present: Town Manager Terri Denemy, Development Services Director Laurie Lineberry, Finance Director Katie Pehl, Public Works Director/Town Engineer Frank Marbury, Audio Visual Technician Nicholas Harwick, Town Clerk Erin N. Deskins

2. DISCUSSION ITEMS

a. Consideration and discussion regarding Utility Assessment and Capital Improvement funding.

Mark Holmes, Water Consultant, presented the following:

- This presentation would cover:
 - The water reclamation facility (WRF) assessment and plant modifications
 - The Bright Star water production facility and the impact of PFAS and the Carrollo assessment along with the ADEQ partnership
 - Proposed new water production facility at Old Home Manor
 - WIFA funding and the 2023 rate study
- Mr. Holmes provided a map of Chino Valley and where the WRF was located.
- Discussed how the facility was constructed and gave more details on the location and the implications the location would have on design and engineering.
- Discussed the plant's diurnal flow from midnight to midnight showing gallons per hour.
 - Flows significantly increased from midnight to Noon starting around 4,000 gallons per hour and reaching a peak of approximately 22,500 gallons per hour. Flows then tapered off until about 9:00 p.m. and then dropped back down to 6,000 gallons per hour.
 - Discussed the stresses and challenges the plant was experiencing due to the peak flows and how to possibly mitigate those. The peak flows also happened during a more expensive energy schedule. Processing at night could provide savings to the Town.
- Discussed various solutions for the WRF including expansion, moving the plant to a location near Del Rio Springs, and working on an Integrated Water Master Plan (IWMP) to help with planning.
- Provided a map of the Paulden area including the northern boundary of Chino Valley,

where a northern WRF is planned, and the Wine Glass Ranch lands.

- The Town had purchased 220 acres (nearly 700 acre-feet) within the Wine Glass Ranch with the intent to import water into Chino Valley, take the used wastewater, treat it, and recharge it near the Upper Verde River to mitigate any pumping effects at the Wine Glass Ranch.
 - The total acre-feet available at Wine Glass Ranch was 1,825. This could be acquired through a lease or purchase.
 - Staff stated the Town had publicly stated that it would mitigate any pumping impact. Mitigation was key to:
 - Staying out of a potential lawsuit
 - Protecting what would soon become a Wild and Scenic Designated river
 - Protecting endangered species in the area
- Discussed the Town's investment and return on investment in water rights.
- Discussed the work the Town has completed regarding water availability.
- Discussed the PACE assessment and options moving forward.
- Gave a brief overview of the expansion that was currently being planned for the WRF to extend treatment capacity.
- Gave a breakdown of the original cost estimate of the equalization basins for the plant expansion.
- Discussed the process to have the plant expansion design.
- Gave the updated breakdown of cost for the plant expansion along with other appurtenances that were not included in the original estimate.
- Discussed items that were removed that staff decided was not needed right now and gave a breakdown of the revised cost estimate in two phases.
- Discussed the process of Request for Qualifications for a Construction Manager at Risk.
- Discussed the need and the process for obtaining a Construction Manager for the project.
- Provided an aerial view and gave a brief description of the Bright Star Water Production Facility.
- Discussed the ADEQ findings of PFAS in the Bright Star and Country West Wells and the Carollo Engineering assessment that ensued and what treatment systems would be required to remedy the contamination.
 - Discussed agreement with ADEQ to fund the pilot, design, and construction of PFAS remediation system at the Bright Star Well.
- Discussed the fact that the Chino Meadows II Well also has PFAS contamination and should they be unable to mitigate the contamination within the five years the ADEQ is allowing them, if the new water production facility became operational, the Town could interconnect and provide water to that water service's customers.
- Gave a brief overview of the OHM IWMP completed in 2021.
- Gave a breakdown of how engineers measure the level of service the Town is providing its customers.
 - Staff believed that the Town was at Level 3 where if there was a component failure in the supply system it could cause the water production facility to go down, but they usually met the standard pressures, and fire flow could be met except, perhaps, in an emergency. The goal of the improvements was to get the level of service to Level 1 where there were no supply interruptions, pressures were guaranteed, and fire flow could occur without issue at any time.
- Discussed the OHM Ball Park well and infrastructure needed to transport water to the distribution facility and then tie into existing water lines.

- Discussed the three R's the new water production facility would aim to achieve including robustness, reliability, and resiliency, along with other benefits to the Town's water service area.
- Reviewed the costs, new debt service, and the rate study conducted by Willdan Financial. Also discussed the timeline the funds would be available as well as the duration of time the cost estimates would be good for.
- Discussed the 2023 rate study that included \$12.45 million in debt service and how it would compare to using WIFA funding. Staff would have to be tracking the rate study very closely if Council chose to incur the debt.
- Discussed current debt service the Town holds for water and wastewater which would fall off in 2026 and 2027. Also discussed utility hook up rates.
- Discussed monthly residential charge comparison with other cities and towns and the state average. Staff stated the number did not show the full picture as the Town was being compared with other entities which had older utilities and a much larger customer base, whereas Chino Valley was a young and growing utility.
- Discussed the next steps including debt authorizations and Council approvals. Staff also stated that the Council would have to authorize debt service for the full amount including the grant portion even though it would be received back.

Frank Marbury, Public Works Director, presented the following:

- The Sewer Plant Improvements were his number one priority because without it they would be out of compliance and having to pay fines. He stated it was either fines or debt service. Not doing it meant losing 40% of the cost in grants. He continued with a brief overview of the planned sewer improvements.
- Discussed the Town's current water production position and the importance of, at minimum, having the design for improvements complete.

Council and staff discussed the following:

- Councilmember Switzer inquired if Prescott and Prescott Valley were separate from the Town's issues.
 - Staff stated they had their own contractual alignments that the Town was not a part of. Their locations were about 15 miles northwest of the Big Chino alignment.
- Councilmember Phillips inquired if Prescott or Prescott Valley were purchasing any part of Wine Glass Ranch.
 - Staff stated they were not.
- Councilmember McCafferty inquired if the Town was the only one with a permit.
 - Staff stated that was correct. Council was provided a packet which included a link to a 2007 document issued by the Arizona Department of Water Resources (ADWR) allowing the Town to import what they have access to what was purchased into the AMA.
- Councilmember Switzer inquired what would keep Prescott from increasing their pumping from Chino and taking the water that the Town had just imported.
 - Staff stated they would need to ensure that they get that amount of water back through a wastewater collection facility and then recharge to an area that would ensure base flows were maintained at the Upper Verde River.
 - Staff stated that Prescott was having challenges getting their designation because they have to prove how much groundwater is available in Chino Valley that they can pump, but it cannot impact any of the assured water supply lands that have been

identified by the State. OHM has an analysis of assured water for 100 years and 1,700 acre-feet was obtained in a permit. The location was not far from Prescott's production wells and they have to ensure that they don't impact it. Subdivisions also have certificates of assured water supply which also could not be impacted by Prescott pumping. Every time Prescott has to re-designate, their groundwater supply becomes less and less.

- Councilmember Switzer stated that he was in a subdivision with an assured water supply and his well was going dry and it had only been 25 years.
 - Staff stated that everyone pumping water out of the aquifer was impacting others. Prescott's impact would go down every 15 years when they are required to re-designate because they can only pump whatever the State finds is physically available for 100 years for that 15-year period. This further demonstrated the need for a regional water organization to avoid conflict of who was pumping what and work together toward water solutions.
- Councilmember Schacherer stated those parameters were already in place and not being followed.
 - Staff stated the AMA is created when there's already a water deficit and whoever is pumping water gets grandfathered which just promulgates the problem forward in time or gets worse.
 - Staff stated that what could have happened was uncontrolled growth and everyone is pumping versus a set of laws stating no new groundwater could be used except the loophole of exempt wells. However, the State probably did not anticipate 13,000 exempt wells within and around Chino Valley.
 - Councilmember Switzer stated that they are still stamping 100-year water assurances every day.
- Vice-Mayor Granillo inquired about the amount of acreage purchased.
 - Staff stated it was 216 acres at the time it was purchased and there were additional purchases after.
- Vice-Mayor Granillo inquired about land that was split and rejoined together.
 - Staff stated that mostly large, vacant lands were purchased by the Town. However, there was a small part that actually had developed houses with exempt wells and the owners were willing to lease their HIA water rights to the Town, so it wasn't a "purchase" like what Prescott did in Chino Valley many years ago.
- Councilmember Switzer inquired about the price to get the water to Chino Valley.
 - Staff stated those discussions would come more in the future. Staff gave some options such as regional efforts or an investment partner.
- Councilmember Switzer inquired who the water would be provided to.
 - Staff stated due to the Town's small water portfolio and large corporate boundaries it should be kept in the Town.
- Councilmember Switzer inquired if the Town would be able to "beat the hourglass."
 - Staff stated the Town was ahead of Prescott and Prescott Valley and the required infrastructure would cost considerably less in Chino Valley compared to Prescott.
- Councilmember McCafferty suggested a follow-up meeting with Mr. Holmes to discuss the mitigation and potential inherent dangers of the aquifer.
- Councilmember Switzer inquired where the plant would be if every development that had been approved was built out.
 - Staff stated that the numbers presented were based on what they've seen as the trend going forward based on the number of homes built and sold. The estimate of getting eight to 10 more years out of the plant with the expansion was based on that

trajectory. If something came through that suddenly put out 1,000,000 gallons per day it would change everything, and the Town would have to reevaluate.

- Councilmember Switzer stated that the Town may have increased the rate of growth with now requiring hookup to utilities.
- Councilmember Switzer inquired why the dewatering improvements for the WRF were three times the original estimate.
 - Staff stated that they had made the switch from a belt press to a screw press which has made the plant about 30% more efficient. This estimate included a second screw press to provide redundancy in the system so that if one goes offline there's a second to continue operation. It also included a 6,000-gallon storage tank for the sludge.
- Councilmember McCafferty inquired if staff thought the EPA maximum contaminant levels of PFAS might go up with a different administration.
 - Staff stated some that some military bases where large volumes of PFAS were released into drinking water showed users experiencing a large anomaly of various types of cancer to various organs. The science appeared to be in support of PFAS being carcinogens and staff did not think it would be likely for any administration to raise the amount of PFAS allowed.
- Discussion ensued about the Chino Meadows II Well and whether they would make the improvements or if the State would have to take over the well and dedicate it to the Town.
- Councilmember Switzer inquired why they would pump water from the OHM Ball Park well and move it east.
 - Staff stated that they wanted gravity to help with the pressures they would need.
 - Discussion ensued regarding the length of lines and elevation changes and how those factors would inform the infrastructure requirements.
- Councilmember McCafferty inquired about the change from 80/20 to 60/40 for the WIFA loans.
 - Staff stated that in the beginning the department had not evaluated how disadvantaged the Town was using their algorithm. After doing so the Town was reevaluated to a 60% loan, 40% grant program.
- Councilmember McCafferty inquired how many water and sewer customers the Town was currently serving.
 - Staff stated the Town had between 1,000 and 1,100 water customers and between 2,500 and 2,700 sewer customers.
- Councilmember Switzer inquired if the Town was picking up any new customers on the extensions that were just done on Road 1 East and Perkinsville Road.
 - Staff stated that they had not been picked up yet but were in the works. Staff stated that Town code does not require residential to hook up to water and sewer.
 - Discussion ensued regarding Yavapai Estates and some options for getting them hooked up to Town sewer. Discussion continued regarding limited connections coming in and limited land to build on and potential to bring on new customers including the existing apartments, Perkinsville 44, and a potential RV Park.
- Councilmember McCafferty inquired if the Town could delay payment on any current debt service.
 - Staff stated that they could look at some options and mentioned that WIFA was giving some forgivable principles.
- Councilmember McCafferty inquired if the Town ever increased hauled water rates.
 - Staff stated that hauled water customers paid a base rate and a tiered rate on top of that.
 - Discussion continued regarding raising the rate and whether or not it could be

determined where the water was being hauled (in-Town or County) or what the water was being used for (such as commercial or water haulers).

- Councilmember McCafferty asked for clarification on how much money the current debt service would free up when they were completed in 2026 and 2027.
 - Staff stated that with a 4% interest rate on a \$5.1 million loan the payment would be a little less than \$400,000 annually, which is less than the payments now. The Town would be in better shape.
 - Councilmember McCafferty inquired if deferment is something that could be negotiated.
 - Staff stated they could present that option, but it would likely depend on the timing of the project.
- Vice-Mayor Granillo inquired about impact fees and if they could be used on projects like this.
 - Staff equated connection fees to backward-looking impact fees.
- Councilmember Switzer inquired what the term was on the loans.
 - Staff stated it was 20 years.
- Councilmember McCafferty inquired if the OHM Ball Park Well could be retrofitted quickly.
 - Staff did not believe so. Staff stated that they may not even be able to use the same bore hole as there is no casing in it. Without engineering they could not apply for the WIFA loan.
- Councilmember McCafferty inquired if the engineering would be looking to make sure that the well would not be pumping from the recharge because the locations were very close.
 - Staff stated they were studying that issue.
- Councilmember McCafferty inquired if they might not need the entire \$2 million for the water production facility.
 - Staff stated it would be dependent on the contract and 40% of it would be coming from the State as a grant.
- Councilmember McCafferty stated that he wanted to avoid spending money simply because it was budgeted, rather than putting money back in the General Fund if the contracts came in lower.
- Councilmember Switzer stated that he believed inflation would continue and the project would not get any cheaper.
 - Staff stated that on average the cost of doing business goes up 3-5%.
- Councilmember McCafferty expressed concern over the changing ratio of loan to grant throughout the process of applying through WIFA.
 - Staff stated that Council would have the option to approve or deny at the final step.
- Councilmember Schacherer inquired what the final time limit was to acquire the grant.
 - Staff stated that the water portion had already gone to the WIFA board and was closer to moving forward within the next few months. The wastewater portion still had to be scheduled for the board meeting, but the debt authorization could be done prior to it going to the board to help speed up the process a little.
 - Councilmember Schacherer inquired what the timeline would be once Council approved it.
 - Staff estimated it would be about six months.
- Vice-Mayor Granillo inquired if the loans were first come, first served.
 - Staff stated that their goal was meant to be for rural, disadvantaged providers. They would choose the most disadvantaged and then go up from there based on a priority process. Staff believed that if there was only \$5 million left and 30 remaining applicants that were all equally disadvantaged they would then look at who came in

first.

- Councilmember Switzer inquired how the public would be educated about this process.
 - Staff stated that it would be part of the budget process and there would be public hearings for any proposed rate increases.

3. ADJOURNMENT

MOVED by Councilmember Sherri Phillips, seconded by Councilmember John McCafferty to adjourn the meeting at 7:40 p.m.

AYE: Mayor Tom Armstrong, Vice-Mayor Eric Granillo, Councilmember John McCafferty, Councilmember Sherri Phillips, Councilmember Robert Schacherer, Councilmember Larry Holt, Councilmember Robert Switzer

NAY: None

7 - 0 Passed – Unanimously



Tom Armstrong, Mayor

ATTEST:



Erin N. Deskins

Erin N. Deskins, 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 15th day of January, 2025. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 25th day of February, 2025.

Erin N. Deskins

Erin N. Deskins, Town Clerk