



# PRESCOTT CITY COUNCIL JOINT STUDY SESSION/ SPECIAL MEETING AGENDA

PRESCOTT CITY COUNCIL  
PUBLIC MEETING – STUDY SESSION/SPECIAL  
TUESDAY, JANUARY 15, 2008  
3:00 P.M.

Council Chambers  
201 S. Cortez Street  
Prescott, AZ 86303  
(928) 777-1100

The following Agenda will be considered by the Prescott City Council at its Joint Study Session/Special Meeting pursuant to the Prescott City Charter, Article II, Section 13. Notice of this meeting is given pursuant to Arizona Revised Statutes, Section 38-431.02.

## CALL TO ORDER

## INTRODUCTIONS

**INVOCATION:** Pastor Warren Thompson, Prescott Community Church

**PLEDGE OF ALLEGIANCE:** Councilman Luzius

## ROLL CALL:

### MAYOR AND CITY COUNCIL:

Mayor Wilson

Councilman Bell

Councilman Lamerson

Councilwoman Lopas

Councilman Luzius

Councilman Roecker

Councilwoman Suttles

## SUMMARY OF CURRENT OR RECENT EVENTS

**NOTE:** Anyone wishing to speak regarding an item on the agenda must address the Council using the microphone at the podium. **PLEASE NOTE:** Comments from the public regarding any item on the agenda will be limited to five (5) minutes. Please refer to the Clerk's desk for the timing sequence of the lighting signals: **GREEN** at the beginning of comments, **YELLOW** with one minute remaining, and **RED** when time has ended.

THE CITY OF PRESCOTT ENDEAVORS TO MAKE ALL PUBLIC MEETINGS ACCESSIBLE TO PERSONS WITH DISABILITIES. WITH 48 HOURS ADVANCE NOTICE, SPECIAL ASSISTANCE CAN BE PROVIDED FOR SIGHT AND/OR HEARING IMPAIRED PERSONS AT PUBLIC MEETINGS. PLEASE CALL 777-1272 OR 777-1100 (TDD) TO REQUEST AN ACCOMMODATION TO PARTICIPATE IN THIS MEETING.

## STUDY SESSION

### I. PUBLIC COMMENT

- A. Letter to be read by representatives of the Chino Valley Irrigation District (CVID) re CVID Assets.

### II. DISCUSSION ITEMS

- A. Adoption of Resolution No. 3877-0845 – A resolution of the Mayor and Council of the City of Prescott, Yavapai County, Arizona, declaring, for purposes of Section 1.150-2 of the Federal Treasury Regulations, official intent to be reimbursed in connection with certain capital expenditures relating to the “Wastewater System Fund – Collection and Treatment System Program” and “Water System Fund – Production and Distribution System Program.”
- B. Adoption of Resolution No. 3878-0846 – A resolution of the Mayor and Council of the City of Prescott, Yavapai County, Arizona, adopting a Council policy approving specific guidelines to improve the Cost-Benefit review of proposed annexations and the creation of a Mayor’s Ad hoc Advisory Annexation Financial Review Committee.
- C. Award of a contract to Heinfield, Meech & Co., PC in the amount of \$91,321.00 (\$86,523.00 for City of Prescott and \$4,798.00 for The Hassayampa Community Facilities Districts) for auditing services for fiscal years 2008, 2009 and 2010.
- D. Adoption of Ordinance No. 4640-0842 – An ordinance of the Mayor and Council of the City of Prescott, Yavapai County, Arizona authorizing the granting of certain electrical utility easement rights to Arizona Public Service Company (APS) to furnish electricity to a new hangar development by Monarch Aviation at the Prescott Municipal Airport and authorizing the Mayor and staff to execute all necessary sale and conveyance documents.
- E. Approval of a professional services agreement with Dava & Associates, Inc., in an amount not to exceed \$191,880.00 for design and associated engineering services for the Airport Zone North and South Loops Water Main Projects.
- F. Notice of Public Hearing (January 22, 2008) of a liquor license application submitted by John Phillips, Agent for PPLD, LLC, for a Series 6, Bar, license for Park Plaza Liquor & Deli located at 402 West Goodwin Street.

❖ **RECESS INTO SPECIAL MEETING** ❖

## SPECIAL MEETING

1. Call to Order.
2. Recess into Executive Session.
3. EXECUTIVE SESSION:

Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to ARS Section 38-431.03(A)(3).

- a. Intergovernmental Agreement with Chino Valley re Safeway Loop.
4. Adjourn Special Meeting.

### ❖ RECONVENE STUDY SESSION ❖

- G. Adoption of Resolution No. 3879-0847 – A resolution of the Mayor and Council of the City of Prescott, Yavapai County, Arizona authorizing the City of Prescott to enter into an Intergovernmental Agreement with the Town of Chino Valley, providing for a temporary license and interim transfer of responsibility to provide water service to the area commonly known as the Safeway Loop and further providing for conditional use permits, in accordance with the agreement, to allow the City of Prescott to provide for wellhead water treatment for wellsites located within the town of Chino Valley, and authorizing the Mayor and staff to take any and all steps necessary to accomplish the above.
- H. Approval of the Minutes of the Prescott City Council Joint Study Session/Regular Voting Meeting of January 8, 2008.
- I. Selection of Items to be placed on the Regular Voting Meeting Agenda of January 22, 2008.

### III. ADJOURNMENT

#### CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on \_\_\_\_\_, at \_\_\_\_\_ .m. in accordance with the statement filed by the Prescott City Council with the City Clerk.

\_\_\_\_\_  
Elizabeth A. Burke, MMC, City Clerk

# CHINO VALLEY IRRIGATION DISTRICT

P.O. BOX 105  
 CHINO VALLEY, ARIZONA 86323  
 PHONE (928)636-4535  
 FAX (928) 636-2361  
*cvirrigation@cablene.net*

Connie Murphy, Board President  
 Herm Federwisch, Board Member  
 Norm Freeman, Board Member  
 Chris Trinka, Water Master  
 Karen Halford, Clerk

January 8, 2007

Mayor Karen Fann  
 Vice-Mayor Joel Baker  
 Councilman Jim Bunker  
 Councilman Pat Purdin  
 Councilwoman Virginia Reid  
 Councilman Ron Romley  
 Councilwoman Gloria Moore

Mayor Jack Wilson  
 Councilwoman Lora Lopas  
 Councilman Jim Lamerson  
 Councilman Bob Bell  
 Councilwoman Mary Ann Suttles  
 Councilman Robert Luzius  
 Councilman Bob Roecker

Ladies and Gentlemen,

Chino Valley Irrigation District is concerned with several comments reported in the Sunday, January 6, 2008 article in the *Daily Courier* Chino Valley Irrigation District lands are not Prescott's assets to sell. We are unclear of which lands Mayor Wilson refers; the point is **Chino Valley Irrigation District assets are not for sale**. We restate, Prescott has an obligation to provide M&I water to CVID constituents, past and present, under the 1998 IGA.

On June 12, 2007 two members of the Board of Directors appeared before the Prescott City Council and spoke with them about their obligations to CVID under the IGA as well as CVID's interest and ability in submitting a competitive bid for the City water system in Chino Valley. A copy of those minutes from the City Council meeting is attached for your reference.

The other issue, that both councils have yet to address, is CVID's right to the effluent credits generated through the M&I water under the IGA.

We have asked in the past and ask again to be included in ALL regular, special and executive meetings and/or water cooler discussions in regard to water issues in the Chino Valley area.

*Letter to TOCV and COP January 8, 2008*  
*Page Two*

We request that this letter be openly read and made a part of the minutes of your next scheduled meeting.

Sincerely,

Connie Murphy

Herm Federwisch

Norm Freeman

Enclosures

Cc w/enclosures: Jim O'Neil, Attorney at Law  
ADWR

PRESCOTT CITY COUNCIL  
COUNCIL WORKSHOP  
JUNE 12, 2007  
PRESCOTT, ARIZONA

A WORKSHOP OF THE PRESCOTT CITY COUNCIL WAS HELD ON TUESDAY, JUNE 12, 2007, in the Prescott Municipal Building, 201 S. Cortez Street, Prescott, Arizona.

**I. CALL TO ORDER**

**II. ROLL CALL**

Mayor Simmons opened the meeting at 2:00 P M. and asked City Clerk Elizabeth Burke to call the roll, which was as follows:

Present:

Mayor Simmons  
Councilman Bell  
Councilman Blair  
Councilman Lamerson  
Councilman Luzius  
Councilman Roecker  
Councilwoman Suttles

Absent:

None

**III. Report and discussion of valuation of a portion of the City of Prescott's municipal water delivery system located within the Town of Chino Valley.**

Public Works Director Craig McConnell explained that in January 2007 the Prescott City Council and the Town of Chino Valley Council approved an Intergovernmental Agreement providing for the preparation of a valuation of Prescott's water delivery system located within the town limits of Chino Valley and each entity paid half of the cost of the contract. Dan Jackson, manager of economist.com would present his report today. The analysis was being done because Prescott had retail customer service within the town limits of Chino Valley following the acquisition of Chino Valley Irrigation District (CVID) customers and obligations in the purchase agreement for Watson and Willow Lakes. The Town of Chino Valley was moving toward creating their own water system and some of the CVID properties were commingled with personal residential properties. Following the assessment of the water delivery system the Town of Chino Valley might want to acquire the distribution system within the town limits

Dan Jackson, Managing Director of economists.com explained the objective of the analysis was to find out what the water delivery system was worth and what

would be a reasonable amount to assess the Town of Chino Valley. (See Exhibit A – the PowerPoint presentation).

Mr. Jackson explained all the information needed to be able to place a value on the water system; there were current connections, lines and meters already serving customers and there were future connections for undeveloped parcels. Prescott would lose the revenue from the customers but would also save money by not owning and maintaining the system.

Mayor Simmons asked what time frame they used in their analysis and Mr. Jackson said they used 20 hard years and 21-50 soft years

They looked at other communities who had sold utilities, both new and older systems; had done three separate analyses and all came in around \$3,000 per water connection.

Councilwoman Suttles asked if the presentation would be made to the Town Council of Chino Valley and Mr. Jackson said it would on the 28<sup>th</sup>.

They placed a value on future accounts in Chino Valley of currently undeveloped land and made the assumption the property would develop in the next 15 to 20 years.

Mr. Jackson explained the Council was seeing what the connections were worth to Prescott. Chino Valley would look at the information from a buyer's view, and Prescott was looking at it as the seller. The assumptions used for the calculations were build-out over the next 15 years, 138 accounts per year, or about 2,000 connections at build-out. Under the existing connections, the value ranged from \$2,700 and \$3,100 per connection, with an average of \$3,000 and CVID connections valued at \$587 per connection. If Prescott was to reach a deal with Chino Valley and they paid the average, it would come to a total of \$3,116,000.00. If the accounts were sold to Chino Valley the ratepayers in Prescott would be repaid in full.

Manager Steve Norwood commented the graph on Page 9 showed an average of \$2,726, but if they looked at the last three cities that had sold their utilities, the connections were increasing in value. Mr. Jackson responded the average range was \$2,500 to \$3,000 in the last two years

Mr. Norwood pointed out on Page 13, the revenue forecast noted the City would eliminate out of City rates for Chino Valley accounts and Mr. Jackson responded during research one of the topics was the City wouldn't charge out of city rates; Mr. Norwood countered that was only an assumption.

Councilman Lamerson asked about the high number of approximately \$3,000 per connection and Mr. Jackson that they took existing connections and estimated future connections in the transaction.

Councilman Lamerson said he understand that but rolling them into one transaction was risky when some of the value might never be there and Council had to decide if it was worth taking \$3 million today and dumping the water delivery system or keep it and hope it would increase in value in the future

Mr. Jackson affirmed it was an economic decision and also a political one; both sides would be taking a risk, whether selling or buying.

Councilman Blair asked what precluded Prescott from selling the system to an independent water company and then they could sell it to Chino Valley. Mr. Jackson replied he was not sure a private company could buy it since it was only a partial system, but if it could be done he thought that the cost per connection would be less to a private owner because they would have to add in fixed costs which would lower the value; and it would be difficult for a private company to get the water they needed.

Mr Norwood asked where the water service area was in Chino Valley and Management Analyst Connie Tucker showed the CVID land and Chino Meadows, stating the service area was on both sides of Highway 89

Mr Norwood commented he would think with property along the corridor the system would have a higher value and Mr Jackson responded the assumption was build-out would occur over the next 15 years

Mayor Simmons added if there was no way to establish what build-out would be how they would calculate how many potential future connections there might be. Mr. Jackson said the agreement gave 1/4-acre foot of water for each acre of undeveloped land, so they knew how much water would eventually be used but didn't know when the properties would be built-out. The population forecasts showed it was reasonable to believe it would build out in 15 years. It was a risk to Prescott that the properties would build out more quickly, and was a risk to Chino Valley that they wouldn't develop as projected.

Mayor Simmons remarked the highest growth was in Chino Valley and Prescott Valley, with Prescott having the lowest amount of growth and he didn't think the consultants had taken the high growth possibility into account

Mr Jackson responded there were existing accounts and future accounts. Existing accounts were worth more than something that might never exist and existing accounts were worth \$3,000, future accounts were worth \$500 because they might never happen.

Councilman Blair added if Prescott set a price that was higher and Chino Valley bought the system and growth didn't happen, they would set their rates to accommodate that. Then, if the area began to grow they would recoup their costs.

Councilman Roecker asked if the infrastructure was in place for the undeveloped property and Mr Jackson said it wasn't there but would be funded through connection fees.

Mr. McConnell interjected the Council now had a value per connection of approximately \$3,000. This information could be used to direct staff to proceed and enter into negotiations with Chino Valley for the conveyance of existing and future connections and a decision was not being made today

Norm Freeman, CVID Board, asked the media to be careful in the articles they wrote and clarified CVID was not for sale. Prescott had an obligation to provide municipal and industrial (M&I) water to those lands. Also, it was not clear to him if the transfer occurred if it was just the lines and meters, and who would be responsible for their assured water supply. He asked if that would be transferred to Chino Valley or still be a Prescott obligation

Mr. McConnell said the Legal Department had told them the City obligation to serve CVID was assignable through a sales agreement to the Town of Chino Valley. Wet water could be accounted for annually where Prescott transferred through their portfolio to new connections and it would be a transfer of water.

Mr. Freeman asked if it was assured water credits and Mr. McConnell said yes. Mr. Freeman concluded saying they would be looking for Chino Valley to have those assured water supply credits.

Mr. McConnell said one of the slides showed what Prescott's obligation was to CVID and in the 2005-2010 Water Management Plan there was water set aside for the CVID obligation

#### **IV. Adjournment**

The Prescott City Council Workshop of June 12, 2007, adjourned at 3:00 p.m.

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ROWLE P. SIMMONS, Mayor

ATTEST

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ELIZABETH A. BURKE, City Clerk

<b>COUNCIL AGENDA MEMO – January 15 &amp; 22 2008</b>
<b>DEPARTMENT: FINANCE</b>
<b>AGENDA ITEM: RESOLUTION DECLARING THE CITY’S INTENT TO BE REIMBURSED FOR CERTAIN CAPITAL EXPENDITURES FROM THE ISSUANCE OF DEBT</b>

<b>Approved By:</b>	<b>Date:</b>
<b>Department Head:</b>	
<b>Finance Director: Mark Woodfill</b>	
<b>City Manager: Steve Norwood</b> <i>J. Hadley</i>	<i>1-8-08</i>

**BACKGROUND**

Federal Treasury Regulation Section 1.150-2 requires municipalities to declare their intent to reimburse themselves for capital expenditures through a debt issue prior to, or within, 60 days of the expenditure. The FY 2006 budget identifies several water and sewer project that will be financed through the issuance of debt.

**ITEM**

The projects, which are intended to be financed with debt, are scheduled throughout the year; therefore, in order to minimize the cost of financing, these projects need to be consolidated into one bond issue. Funds for these projects will be advanced through short-term internal borrowing, then, when the bonds are issued, the affected funds will repay these short-term loans with the bond proceeds.

<b>Recommended Action: MOVE to adopt Resolution No. 3877-0845.</b>
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**RESOLUTION NO. 3877-0845**

**RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, DECLARING, FOR PURPOSES OF SECTION 1.150-2 OF THE FEDERAL TREASURY REGULATIONS, OFFICIAL INTENT TO BE REIMBURSED IN CONNECTION WITH CERTAIN CAPITAL EXPENDITURES RELATING TO THE "WASTEWATER SYSTEM FUND - COLLECTION AND TREATMENT SYSTEM PROGRAM" AND "WATER SYSTEM FUND - PRODUCTION AND DISTRIBUTION SYSTEM PROGRAM"**

**RECITALS:**

WHEREAS, the City of Prescott, a municipal corporation of the State of Arizona (hereinafter referred to as the "City"), is authorized and empowered pursuant to law to issue or cause to be issued obligations to finance the costs of various capital facilities owned or to be owned by the City; and

WHEREAS, it is contemplated that certain expenditures made by the City with regard to capital facilities owned or to be owned by the City with regard to certain wastewater and water system improvements will be reimbursed from the proceeds of the sale of obligations to be issued in the future by or on behalf of the City;

**ENACTMENTS:**

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF CITY OF PRESCOTT, ARIZONA, that:

Section 1. Definitions. The following terms shall have the meanings assigned thereto as follows:

"official intent" means a declaration of intent of the City to reimburse an original expenditure with proceeds of an obligation.

"original expenditure" means an expenditure for a governmental purpose that is originally paid from a source other than a reimbursement bond.

"reimbursement bond" means the portion of an issue of obligations allocated to reimburse an original expenditure that was paid before the issue date of such issue.

Section 2. Official Intent. This Resolution is official intent relating to reimbursement for the original expenditures indicated in Exhibit A hereto which are capital expenditures (being any cost of a type that is properly chargeable to a capital

account (or would be so chargeable with a proper election) under general federal income tax principles).

Section 3. Project Descriptions. The projects for which such original expenditures are to be paid are for those described on Exhibit A attached hereto and the maximum principal amount of obligations (including the reimbursement bonds for such purposes) to be issued for such projects will not exceed \$22,500,000.

Section 4. Reasonableness of Official Intent. On the date of this Resolution, the Mayor and Council of the City have a reasonable expectation (being that a prudent person in the same circumstances would have based on all the objective facts and circumstances) that it will reimburse such original expenditures with proceeds of such obligations. (Official intents have not been declared by the City as a matter of course or in amounts substantially in excess of the amounts expected to be necessary for such projects. Moreover, the City does not have a pattern (other than in extraordinary circumstances) of failure to reimburse actual original expenditures covered by official intents.)

Section 5. Public Record. This Resolution shall be included as of the date hereof in the publicly available official records of the City, such records being maintained and supervised by the Clerk of the City, being the main administrative office of the City, and shall remain available for public inspection on a reasonable basis.

PASSED AND ADOPTED by the Mayor and Council of the City of Prescott, Arizona, this 22nd day of January, 2008.

\_\_\_\_\_  
JACK D. WILSON, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
ELIZABETH A. BURKE, City Clerk

\_\_\_\_\_  
GARY D. KIDD, City Attorney

Exhibit "A" - Original Expenditures Intended To Be Reimbursed

EXHIBIT A

ORIGINAL EXPENDITURES INTENDED TO BE REIMBURSED

<u>Description of Original Expenditures</u>	<u>Amount of Expenditures</u>	<u>Dates of Original Expenditures</u>
- Wastewater System Fund - Collection and Treatment System Improvements	\$ 6,735,000	After November 23, 2007
- Water System Fund – Production and Distribution System Improvements	\$15,300,000	After November 23, 2007

## CERTIFICATION

I hereby certify that the foregoing Resolution No. \_\_\_\_ was duly passed and adopted by the Mayor and the Council of the City of Prescott, Arizona, at a regular meeting held on the 22nd day of January, 2008, and the vote was \_\_ ayes and \_\_ nays and that the Mayor and \_\_ Councilmembers were present thereat.

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ELIZABETH A. BURKE, City Clerk

<b>COUNCIL AGENDA MEMO – January 15, 2008 &amp; January 22, 2008</b>
<b>DEPARTMENT:</b> Budget and Finance
<b>AGENDA ITEM:</b> Resolution establishing Cost-Benefit Analysis Guidelines for Proposed Annexations and the creation of a Mayor’s Advisory Annexation Financial Review Committee.

<b>Approved By:</b>	<b>Date:</b>
<b>Department Head:</b>	
<b>Finance Director:</b>	
<b>City Manager:</b> <i>J Hadley</i>	<i>1-9-08</i>

**BACKGROUND**

To improve the cost-benefit review of annexations we have put together a more specific set of criteria. With the assistance of Dr. Danforth and Dr. Kendig who graciously volunteered their time the attached guidelines were developed.

The focus of this project was to provide guidance in the preparation of the annexation cost-benefit submissions making it easier for the applicant by detailing what is needed and produce a more useful report for the Council and staff. The guidelines also suggest the establishment of an Annexation Financial Review Committee which would take advantage of the expertise of local citizens to help the City analyze the cost-benefit portion of annexations.

**ITEM**

This resolution incorporates the guidelines into the annexation application process and establishes the Annexation Financial Review Committee consisting of 3 to 5 qualified members to be appointed by the Mayor.

<b>Recommended Action:</b> MOVE to adopt Resolution No. 3878-0846.
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**RESOLUTION NO. 3878-0846**

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, ADOPTING A COUNCIL POLICY APPROVING SPECIFIC GUIDELINES TO IMPROVE THE COST-BENEFIT REVIEW OF PROPOSED ANNEXATIONS AND THE CREATION OF A MAYOR'S AD HOC ADVISORY ANNEXATION FINANCIAL REVIEW COMMITTEE**

**RECITALS:**

WHEREAS, the City of Prescott recognizes the potential advantage of expanding the City's geographic boundaries through annexations of contiguous areas of Yavapai county; and

WHEREAS, in considering the potential annexations, the City of Prescott is committed to making consistent, fair, and well-informed decisions that will benefit the City; and

WHEREAS, the City of Prescott wishes to adopt a Council policy approving specific guidelines to improve the cost-benefit review of proposed annexations; and

WHEREAS, the establishment of a Mayor's Ad hoc Advisory Annexation Financial Review Committee is necessary to provide guidance to the Council and staff in analyzing the cost-benefit portion of annexations.

**ENACTMENTS:**

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PRESCOTT AS FOLLOWS:**

Section 1. That the City adopts a policy approving the attached guidelines regarding the cost-benefit review of annexations and incorporating the guidelines into the annexation application process.

Section 2. Recognizing the formation of a Mayor's Ad hoc Advisory Annexation Financial Review Committee of no fewer than 3 and no more than 5 qualified members is hereby approved to assist the City in analyzing the cost-benefit portion of proposed annexations through local citizen volunteers.

Section 3 That this Resolution shall become a part of the Council Policy Booklet.

PASSED AND ADOPTED by the Mayor and Council of the City of Prescott this 22<sup>nd</sup> day of January, 2008.

\_\_\_\_\_  
JACK D. WILSON, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
ELIZABETH A. BURKE, City Clerk

\_\_\_\_\_  
GARY D. KIDD, City Attorney

## Cost-Benefit Analysis Guidelines for Proposed Annexations

The City of Prescott recognizes the potential advantages of expanding the City's geographic boundaries through annexations of contiguous areas of Yavapai County. In considering potential annexations, the City is committed to making consistent, fair, and well-informed decisions that will benefit the City. For these reasons, the benefits and costs of all significant annexation proposals will be carefully evaluated prior to annexing property into the City. The following Policies ensure uniformity and completeness in the preparation of such analysis.

**Scope:** A formal cost-benefit analysis prepared according to the guidelines below shall be prepared for any annexation of 250 acres or more and smaller annexations determined to be significant. The analysis should include estimates of all identifiable and quantifiable costs and benefits to the City that can be expected to result from the annexation,

Examples of costs to the City include water, wastewater and road infrastructure construction and related maintenance, police, fire and other governmental services to maintain existing levels of service.

Examples of benefits include impact fees, building permit fees, rezoning fees, transaction privilege tax, property tax state shared revenue, land donations and easements for required infrastructure, open space, or other community benefits such as police or fire stations, schools, libraries and parks.

The revenues and related costs of proposed annexations should be presented by fund to reflect the impact on each fund. For example:

- General government funds would benefit from permit fees, the 1% general fund portion of the privilege tax and state shared revenues. The costs related to general government would include Police, Fire, Recreation, Library, Parks and general government.
- Streets and Open Space funds would be impacted by the 1% privilege tax associated with streets and open space.
- Enterprise fund impacts such as water, wastewater and solid waste.
- Impact fees should be presented and take into consideration any developer contributions that may provide impact fee credits to the developer.

The City recognizes that some costs and benefits are not quantifiable. Non quantifiable costs and benefits should be clearly identified and they will receive explicit consideration in the final review of the proposed annexation as potential mitigating or aggravating factors. **Requirements:** Each cost-benefit analysis shall satisfy the following requirements:

1. **Forecast Period:** The analysis shall encompass a time period of at least 25 years. A year-by-year forecast of costs and benefits will be presented for the first

first ten years following the anticipated annexation approval date and costs and benefits will be aggregated for each of the following five year periods (years 11 through 15, 16 through 20 and 21 through 25).

2. **Assumptions:** A narrative discussion of quantifiable and non-quantifiable cost and benefit assumptions should be set forth in separate sections of the report. The source which supports the assumption should also be identified.
3. **Cost of Funds:** Accumulated costs incurred by the City and revenues received by the City through annexation shall be calculated at the end of each forecast period.

If the balance of accumulated costs exceeds the balance of accumulated revenues, a rate of interest reflecting the City's opportunity or financing cost of funds (referred to herein as the "financing rate") shall be applied to the difference and included in the following period's costs.

If the balance of accumulated costs is less than the balance of accumulated revenues, the financing rate shall be applied to the difference and included in the following period's revenues.

The financing rate to be used in cost-benefit analysis shall be provided by the City of Prescott Finance Department. *[Normally, the Finance Department will set the financing rate equal to the current estimate of the "True Interest Cost" of City of Prescott 20-year bonds, where the True Interest Cost is defined as the rate necessary to discount the debt service payments, compounding semi-annually, to the portion of bond sale proceeds received by the issuer at the time of bond closing (that is, the principal amount of the bond issue net of underwriter discount, legal fees, rating agency fees and other costs of issuance).]*

4. **Inflation:** The analysis shall incorporate projected inflation rate(s) to be provided by the City of Prescott Finance Department. *[For simplicity, we would recommend use of a projected rate of inflation equal to the 20-year, constant-maturity nominal rate of interest on Treasury notes minus the 20-year, constant-maturity rate of interest on Treasury Inflation Protected securities as published in the most recent available Federal Reserve H-15 statistical release. <http://www.federalreserve.gov/releases/h15/update/>]*
5. **Net Present Value:** Proposed annexations will be evaluated in terms of the discounted value of their associated benefits less the discounted value of their associated costs. Costs and benefits realized during the forecast period will be reflected using the net present value discounted to the present using a discount rate to be provided by the City of Prescott Department of Finance

Discounting takes into account the time value of money thereby permitting expenses incurred and revenues received at different dates to be compared

using a common metric. The discount rate used in cost-benefit analysis shall be equal to the financing rate, defined above. Future costs and benefits shall be discounted as if they occurred at the midpoint of the period in which they are realized

6. **Sensitivity Analysis:** Baseline cost and benefit projections should be accompanied by sensitivity analysis showing the impact of changing selected critical assumptions on the projected costs and benefits and on the estimated net present value of the proposal. A separate sensitivity analysis will be conducted for each of the critical assumptions identified by City staff. Sensitivity analysis will be provided for alternative assumptions regarding two or more of the following factors:

- Build-out periods (compressing the build-out period by 25-35% and extending the build-out period by 25-35%),
- Occupancy rates (plus or minus 10-20% of projected occupancy rates)
- Retail sales projections underlying projected privilege tax revenues (plus or minus 15-20% of projected retail sales per foot of retail space)
- Infrastructure costs (plus or minus 15-20% of projected infrastructure costs)
- Building costs (plus or minus 15-20% of projected building costs)

The City's Finance Department should be consulted by the party preparing the cost-benefit analysis to identify which of the foregoing assumptions are most critical to the cost-benefit analysis of the subject annexation and the amount by which these critical assumptions should be adjusted for purposes of completing the required sensitivity analysis.

7. **Responsibility for Completing and Paying for the Analysis:** A Consultant, acting on behalf of the City, shall be engaged by the City to conduct the Cost Benefit Analysis of the proposed annexation. The consultant will work with the parties proposing the annexation and with City staff to complete the analysis. There are no additional fees to the applicant associated with annexations of 250 acres or more. The fees associated with significant smaller annexations will be determined on a case by case basis.
8. **Independent Review:** All cost-benefit submissions will be reviewed and evaluated by the City of Prescott's Annexation Financial Review Committee comprised of local citizen-volunteers with expertise in economics, finance, accounting or other relevant background and/or experience including, but not limited to, cost benefit analysis.

Members of this committee with no direct or indirect financial interest in the proposed annexation will examine and prepare a written report commenting on the (1) completeness and (2) validity of assumptions underlying the submission. The reviewers will be provided with copies of all material provided to the City by the party/organization submitting the cost-benefit analysis. Included in the

material to be submitted to the City by the applicant will be digital copies (in Microsoft Word, Microsoft Excel and pdf file formats) of all components of the financial model used to generate cost and benefit projections in order to facilitate review by the City and the Annexation Financial Review Committee.

*In the event the applicant has questions on any aspect of the foregoing Policies, they should be directed to the City of Prescott Finance Director.*

<b>COUNCIL AGENDA MEMO – January 15 &amp; 22, 2008</b>
<b>DEPARTMENT:</b> Budget and Finance
<b>AGENDA ITEM:</b> Independent Audit Contract

<b>Approved By:</b>	<b>Date:</b>
<b>Department Head:</b>	
<b>Finance Director:</b> Mark Woodfill	
<b>City Manager:</b> Steve Norwood <i>R Haduey</i>	<i>1-9-09</i>

The City is required to have an independent audit by a Certified Public Accountant every year. For the last three years Eide Bailly, LLP has performed the audit for a total price of \$66,000. The City Charter requires us to change auditors every three years. We received proposals from five CPA firms for the next three-year period.

The proposals were evaluated evenly between three areas: Mandatory Elements, Technical Qualifications, and Price. The table below shows the total scores of each auditing firm by category.

	Mandatory Elements	Technical Qualifications	Price	Total Score
Heinfeld Meech & Co., PC	5.0	4.6	4.0	13.6
Cronstrom & Osuch	5.0	4.6	3.0	12.6
Helfinstine & Associates	4.2	3.0	5.0	12.2
Fester & Chapman PC	5.0	4.4	1.0	10.4
Henry & Horne, LLP	3.8	4.0	2.0	9.8

(The complete proposals are available in finance for your review)

Although all of these firms are capable of performing the audit, it is our opinion that Heinfeld, Meech & Co., PC's has extensive relevant governmental accounting experience, providing audit services to seven of the ten largest municipalities in the State of Arizona. They also complete more than 25% of all Single Audits in Arizona, which is more than double any other accounting firm. Their firm invested over 1,300 hours of Continuing Professional Education in the area of governmental reporting in addition to conducting many seminars and presentations on governmental accounting. This expertise, in our opinion, makes Heinfeld, Meech & Co., PC the best-qualified firm. Their bid is \$91,321 which represents a 38% increase from the prior auditing services contract.

**Recommended Action:** MOVE to award the contract in the amount of \$ 91,321.00 (\$86,523.00 for City of Prescott and \$4,798.00 The Hassayampa Community Facilities Districts) for auditing services to Heinfeld, Meech & CO., PC for fiscal years 2008, 2009, and 2010.

<b>COUNCIL AGENDA MEMO – January 15, 2008</b>
<b>DEPARTMENT: AIRPORT</b>
<b>AGENDA ITEM:</b>  Adoption of Ordinance No. 4640-0842 - Authorizing sale of easement rights to Arizona Public Service Company upon City property located at the Airport.

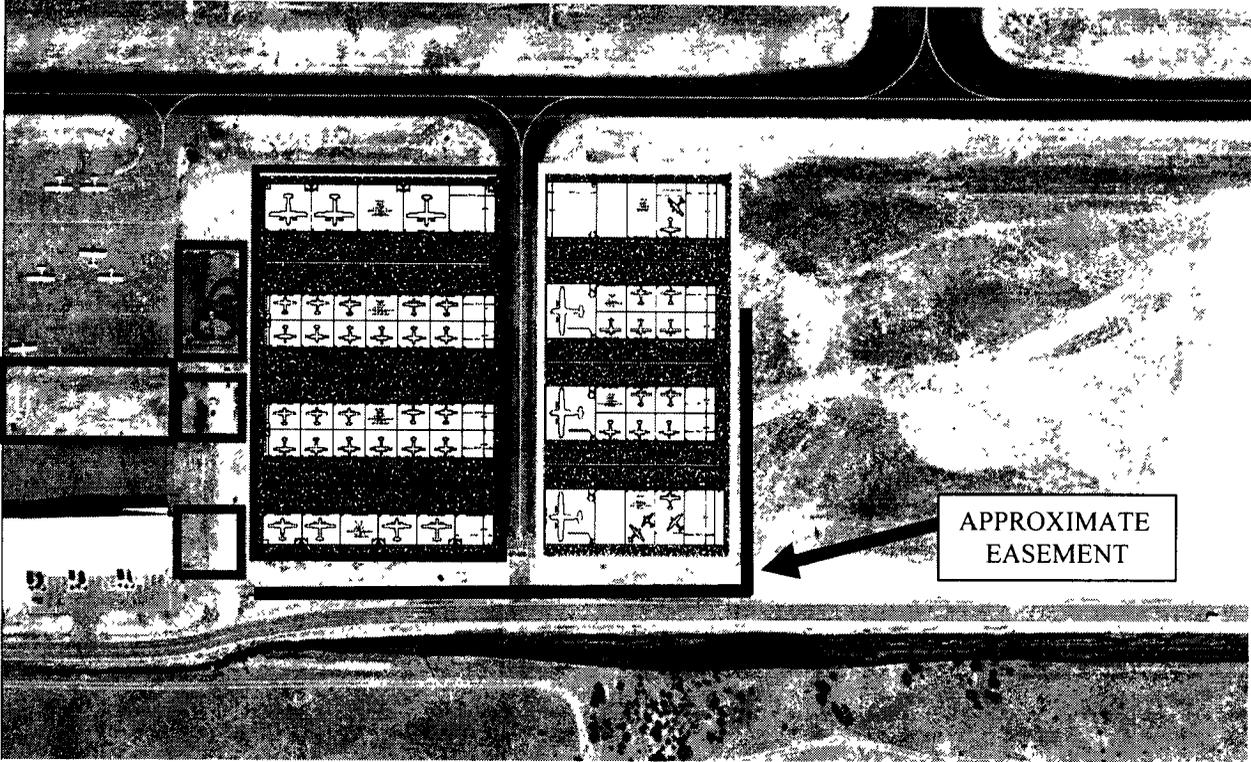
<b>Approved By:</b>	<b>Date:</b>
<b>Department Head: Benjamin Vardiman, Airport Manager</b>	<b>Jan 15, 2008</b>
<b>Finance Director:</b>	
<b>City Manager: Steve Norwood</b> <i>A Hadley</i>	<i>1-9-08</i>

This is a request to grant easement rights to Arizona Public Service Company (APS) to extend electrical service to a new hangar development by Monarch Aviation at the Prescott Municipal Airport.

This easement is requested by APS to provide underground power supply to Monarch Aviation for their hangar complex currently being built in the vicinity of Melville Road at the Airport. The entire easement will be contained upon City property at the Airport, as shown on the attached area map (Exhibit 1), and will be 8 feet wide and 1097.66 feet long. Compensation of One Dollar (\$1.00) will be received by the City in consideration of this easement.

<b>Recommended Action: MOVE to adopt Ordinance No. 4640-0842.</b>
---

EXHIBIT 1



## **ORDINANCE NO. 4640-0842**

**AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, AUTHORIZING THE GRANTING OF CERTAIN ELECTRICAL UTILITY EASEMENT RIGHTS TO ARIZONA PUBLIC SERVICE COMPANY (APS) TO FURNISH ELECTRICITY TO A NEW HANGAR DEVELOPMENT BY MONARCH AVIATION AT THE PRESCOTT MUNICIPAL AIRPORT AND AUTHORIZING THE MAYOR AND STAFF TO EXECUTE ALL NECESSARY SALE AND CONVEYANCE DOCUMENTS**

### **RECITALS:**

WHEREAS, the Mayor and City Council of the City of Prescott have determined that the granting of an easement, more particularly described in the attached Exhibit "A," to furnish power to a new hangar development by Monarch Aviation at the Prescott Municipal Airport is necessary as it would provide new underground primary power supply to Monarch Aviation for their hangar complex currently being built in the vicinity of Melville Road; and

WHEREAS, the City of Prescott, as owner of the affected property, has agreed to grant said easement to APS for and in consideration of One Dollar (\$1.00); and

WHEREAS, the granting of easements is provided for by the APS Utility Franchise agreement and the requirements of Article VIII, Section 12 of the Prescott City Charter has been complied with.

### **ENACTMENTS:**

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF PRESCOTT AS FOLLOWS:

SECTION 1. THAT, the easement rights to the real property described in the attached Exhibit "A," are not needed for other public use and that the Mayor and Council have determined that the granting of said easement is in the public interest and will benefit the public and is provided for by the APS Utility Franchise Agreement.

SECTION 2. THAT, the Mayor and City Council hereby accept the offer to purchase said easement rights by APS for the amount of One Dollar (\$1.00) for the property described in Exhibit "A", pursuant to the terms and conditions as set forth herein.

SECTION 3. THAT, the Mayor and Staff are hereby authorized to execute any and all documents necessary to transfer title to said utility easement and cause said easement to be recorded by the Office of the Recorder, Yavapai County, Arizona.

PASSED AND ADOPTED by the Council of the City of Prescott, Arizona, on this 22<sup>nd</sup> day of January, 2008

\_\_\_\_\_  
JACK D. WILSON, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
ELIZABETH A. BURKE, City Clerk

\_\_\_\_\_  
GARY D. KIDD, City Attorney

## UTILITY EASEMENT UNDERGROUND

APS FOLDER

SE, NE - 25 - 15N - 2W  
W366402  
PJF

City of Prescott, an Arizona municipal corporation, (hereinafter called "Grantor"), is/are the owner(s) of the following described real property located in Yavapai County, Arizona (hereinafter called "Grantor's Property"):

A portion of Section 25, Township 15 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, lying within the Prescott Municipal Airport – Ernest A. Love Field boundary, according to the Results of Survey recorded in Book 10, Pages 46 through 50 of Land Surveys, on file in the Yavapai County Recorder's Office, Yavapai County, Arizona.

Grantor, for and in consideration of One Dollar (\$1.00) and other valuable consideration, receipt of which is hereby acknowledged, does hereby grant and convey to **ARIZONA PUBLIC SERVICE COMPANY**, an Arizona corporation, (hereinafter called "Grantee"), and to its successors and assigns, a non-exclusive right, privilege, and **underground** easement eight (8) feet in width, at locations and elevations, in, upon, over, under, through and across, a portion of Grantor's Property described as follows (herein called the "Easement Premises"):

Said easement to lie four (4) feet each side of the following described centerline:

Commencing at the Northeast corner of the above described Section 25; Thence South 00°04'12" West, along the East line of said Section 25, a distance of 479.31 feet; Thence South 41°15'06" West, a distance of 2,992.79 feet; Thence North 48°44'54" West, a distance of 98.37 feet to the **TRUE POINT OF BEGINNING** of the easement herein described; Thence North 40°35'48" East, a distance of 45.20 feet to **POINT "A"**; Thence North 40°36'35" East, a distance of 668.80 feet; Thence North 48°49'10" West, a distance of 114.66 feet to **POINT "B"**; Thence North 48°48'18" West, a distance of 269.00 feet to **POINT "C"** and a point of termination.

**ALSO:** Commencing at **POINT "A"** as described above; Thence South 48°39'27" East, a distance of 11.00 feet to a point of termination.

SE, NE - 25 - 15N - 2W  
W366402  
PJF

**ALSO:** Commencing at **POINT "A"** as described above; Thence North 48°39'27" West, a distance of 5.00 feet to a point of termination.

**ALSO:** Commencing at **POINT "B"** as described above; Thence South 41°23'17" West, a distance of 11.00 feet to a point of termination.

**ALSO:** Commencing at **POINT "B"** as described above; Thence North 41°23'17" East, a distance of 5.00 feet to a point of termination.

**ALSO:** Commencing at **POINT "C"** as described above; Thence South 41°56'35" West, a distance of 11.00 feet to a point of termination.

**ALSO:** Commencing at **POINT "C"** as described above; Thence North 41°56'35" East, a distance of 5.00 feet to a point of termination.

Grantee is hereby granted the right to: construct, reconstruct, replace, repair, operate and maintain **underground** electrical lines, together with appurtenant facilities and fixtures for use in connection therewith, for the transmission and distribution of electricity to, through, across, and beyond Grantor's Property; install, operate and maintain telecommunication wires, cables, conduits, fixtures and facilities incidental to supplying electricity or for Grantee's own use (said electrical and telecommunication lines, facilities and fixtures collectively herein called "Grantee Facilities"); utilize the Easement Premises for all other purposes connected therewith; and permit the installation of the wires, fixtures, conduits, or cables of any other company.

Grantee is hereby granted the right, but not the obligation, to trim, prune, cut, and clear away trees, brush, shrubs, or other vegetation on, or adjacent to, the Easement Premises whenever in Grantee's judgment the same shall be necessary for the convenient and safe exercise of the rights herein granted.

Grantee shall at all times have the right of full and free ingress and egress to and along the Easement Premises for the purposes herein specified.

Grantor shall not locate, erect or construct, or permit to be located, erected or constructed, any building or other structure or drill any well within the limits of the Easement Premises; nor shall Grantor plant or permit to be planted any trees within the limits of the Easement Premises without the prior written consent of Grantee. However, Grantor reserves the right to use the Easement Premises for purposes that are not inconsistent with Grantee's easement rights herein conveyed and which do not interfere with or endanger any of the Grantee Facilities, including, without limitation, granting others the right to use all or portions of the Easement Premises for utility or roadway purposes and constructing improvements within the Easement Premises such as paving, sidewalks, landscaping, and curbing. Notwithstanding the foregoing, Grantor shall not have the right to lower by more than one foot or raise by more than two feet the surface grade of the

SE, NE - 25 - 15N - 2W  
W366402  
PJF

Easement Premises, and in no event shall a change in the grade compromise Grantee's minimum cover requirements or interfere with Grantee's operation, maintenance or repair.

Grantor shall maintain a clear area that extends two (2) feet from and around all edges of all transformer pads and other equipment pads, and a clear operational area that extends ten (10) feet immediately in front of all transformer and other equipment openings. No obstructions, trees, shrubs, fixtures, or permanent structures shall be placed by Grantor within said areas.

Grantee agrees that following any installation, excavation, maintenance, repair, or other work by Grantee within the Easement Premises, the affected area will be restored by Grantee to as close to original condition as is reasonably possible, at the expense of Grantee.

The easement granted herein shall not be deemed abandoned except upon Grantee's execution and recording of a formal instrument abandoning the easement.

The covenants and agreements herein set forth shall extend and inure in favor and to the benefit of, and shall be binding on the heirs, administrators, executors, successors in ownership and estate, assigns and lessees of Grantor and Grantee.

IN WITNESS WHEREOF, City of Prescott, an Arizona municipal corporation, has caused this Utility Easement to be executed by its duly authorized representative, this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

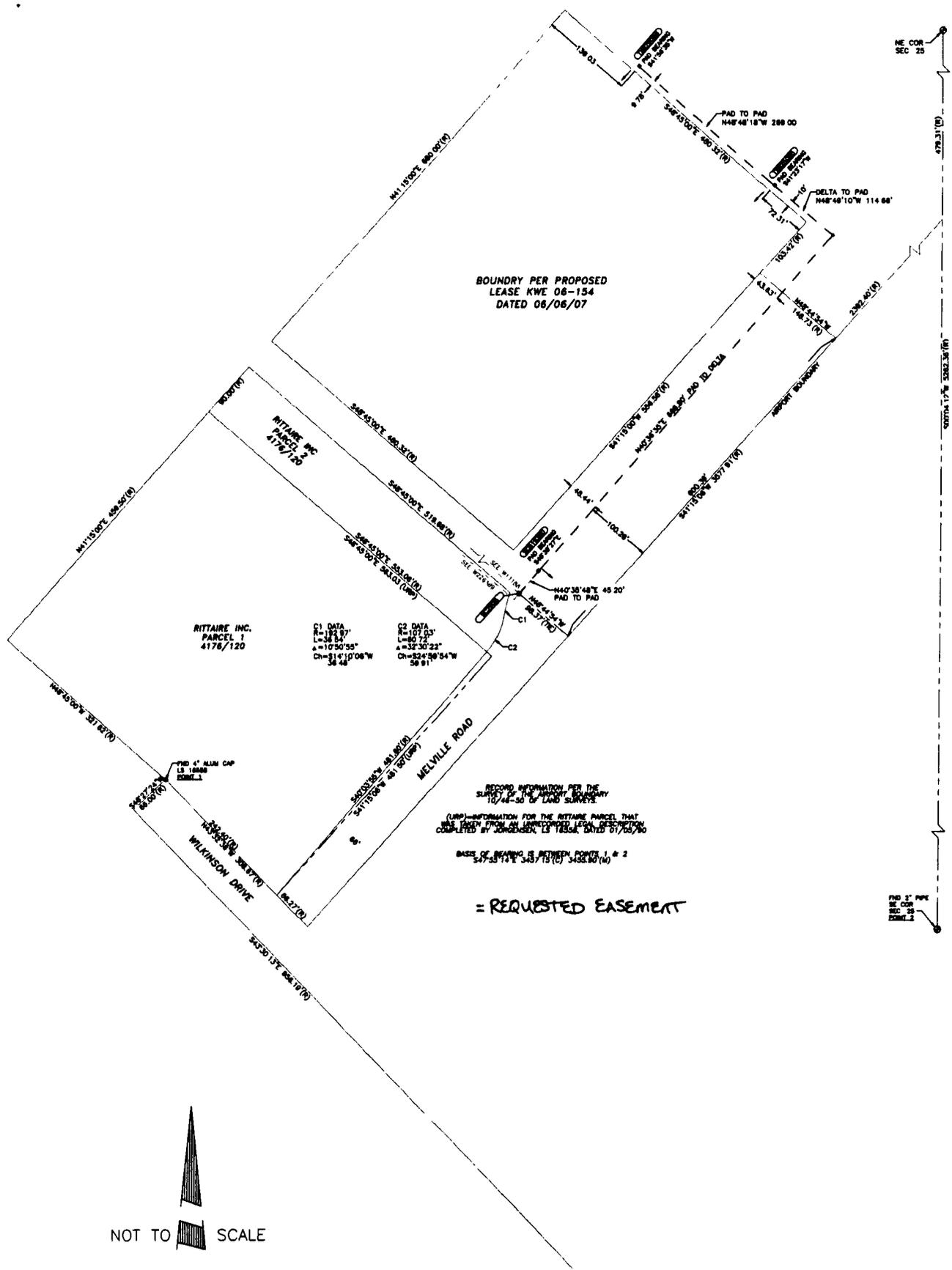
City of Prescott

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
(Signature) - Grantor





BOUNDARY PER PROPOSED  
LEASE KWE 08-154  
DATED 08/08/07

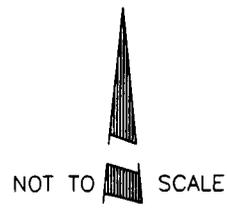
RITTAIRE INC.  
PARCEL 1  
4176/120

C1 DATA  
R=174.97'  
L=38.94'  
α=10°30'55"  
Ch=31°41'08"W  
38.48'

C2 DATA  
R=107.53'  
L=48.73'  
α=32°30'22"  
Ch=52°58'54"W  
59.61'

RECORD INFORMATION FOR THE SURVEY OF THE ABOVE BOUNDARY 10/14/50 BY LAND SURVEYOR  
(LUMP) INFORMATION FOR THE RITTAIRE PARCEL THAT WAS EXCISED FROM AN UNRECORDED LEGAL DESCRIPTION COMPLETED AT JONASDEN, IS TREC# 01/05/780  
BASE OF BEARING IS BETWEEN POINTS 1 & 2  
S47°55'12"E 343.713 (C) 343.80 (M)

= REQUESTED EASEMENT



NOT TO SCALE

ARIZONA PUBLIC SERVICE CO.  
PRESCOTT, ARIZONA  
W366402 PACIFIC AVIATION DEV  
NW 1/4 SEC. 25, T15N, R2W  
ORTEGA, K. HUTTON, JOHNSON  
11/18/07 (PRESCOTT)  
REVISED 12/14/07

M	<b>COUNCIL AGENDA MEMO – January 15, 2008</b>
L	<b>DEPARTMENT:</b> Public Works
S	<b>AGENDA ITEM:</b> Approval of a professional services agreement with Dava & Associates, Inc., in an amount not to exceed \$191,880.00 for design and associated engineering services for the Airport Zone North and South Loops Water Main Projects
M	

**Approved By:****Date:**

<b>Department Head:</b> Craig V. McConnell <i>Craig McConnell</i>	1-9-08
<b>Finance Director:</b> Mark Woodfill	
<b>City Manager:</b> Steve Norwood <i>Steve Norwood</i>	1-9-08

**Item Summary**

This item is to approve an agreement with Dava & Associates, Inc., Prescott, Arizona, for design of new 12" water transmission mains to be located in the Airport Zone (see attached location map). These new system links will upgrade service within the Airport Zone, and fulfill certain City utilities commitments set forth in Development Agreement No. 2008-009 (Resolution No. 3836-0804 of July 10, 2007) with Prescott Airport Development, LLC, for water infrastructure improvements to be completed by July 2009.

The new mains are necessary to both upgrade existing service and meet future growth in demand, reinforcing the Council's 2007 goal targeting the Airport area as a top priority for proactive annexation and economic development.

**Background**

The Airport Pressure Zone is presently fed from a single 8" line tapped off the high pressure transmission main from Chino Valley located approximately one mile to the west. The South Loop project will consist of a new 12" water main extending from the existing 12" line in Melville Road, traversing the south end of the main runway, and connecting to the existing 10" main on the west side of the Airport. The North Loop project will install a new 12" water main beginning at the existing Airport Pump Station, proceeding north and then west beyond the planned main runway extension, and then connecting to the existing 10" main on the west side of the Airport.

**Schedule**

Commence/Complete Design  
Bidding and Construction

January/July 2008  
Summer 2008

**Budget**

The sum of \$368,000 has been budgeted in FY08 in the Water Fund for these two projects, and is available for this agreement in an amount not to exceed \$191,880.00. The combined estimated cost for the projects totals \$2.7 million.

**Agenda Item:** Approval of a professional services agreement with Dava & Associates, Inc., in an amount not to exceed \$191,880.00 for design and associated engineering services for the Airport Zone North and South Loops Water Main Projects

**Attachments** - Location map  
- Scope of work, fee, and schedule

**Recommended Action:** **MOVE** to approve a professional services agreement with Dava & Associates, Inc., in an amount not to exceed \$191,880.00 for design and associated engineering services for the Airport Zone North and South Loops Water Main Projects.

**SCOPE OF WORK**  
**DAVA & ASSOCIATES, INC.**  
**Airport Zone Water Main Design Project**  
**North/South Loop Main Extensions**  
**January 7, 2008**

Dava & Associates, Inc. is pleased to offer this proposal for professional services in preparation for the North/South Loop Main Extensions Project. The Project Scope & Work Tasks are as follows:

**Project Description & Scope:** The City of Prescott wishes to construct new 12-inch water mains around the perimeter of the airport to increase fire flow potential in the commercial areas around the airfield. Additionally, connections to external sources of water supply are needed for future connections into the airport zone area. The following work elements are proposed to complete the water main design and prepare bid documents for its construction.

**Task 100 - Pre-Design:** Dava & Associates will coordinate with Public Works Staff to determine scope and schedule of the design project. An initial schedule for the design process is provided with this proposal as a starting place for these discussions. Prior to the pre-design meeting we will visit the site to gain further familiarity with the routes and challenges that may be encountered during the design phase.

**Task 200 - Topographic Survey:** To augment the aerial mapping, Dava & Associates, Inc., will complete surveys along proposed routes around the airport perimeter to collect location data of existing hydrants, valves and other appurtenances for the design of the new water mains. Evidence of other existing utilities will be surveyed including Blue-Stake markings. Construction control monuments tied to the City of Prescott datum will be established during these surveys. This proposal assumes that as-built drawings of existing water & sewer utilities will be provided by the City of Prescott.

**Task 300 - Preliminary Design Report and Construction Cost Estimate:** A preliminary design report and cost estimate will be prepared to identify potential routes and recommend a preferred route for each loop. An Estimation of Probable Costs will be prepared based on the preferences submitted in the report. We anticipate meeting with Public Works Staff during the preparation of the report to gather additional data pertinent to the selection of the best alignments. We will coordinate with other City Consultants to account for on-going development projects for the Airport and determine infrastructure needs. Pre-initial plans (15%) will be included in the preliminary design report.

**Task 400 - Construction Plans, Estimates, & Specifications:** Dava & Associates will prepare plans for the construction of the new water mains around the airport perimeter. Details will be included for connections to existing and future City water mains. Geotechnical investigations will be scheduled along the selected routes so determined by the acceptance of the preliminary design report. Up to 40 soil borings at 1000 foot intervals are contemplated along the north and south alignments. Plans will be submitted at the Initial (30%), Preliminary (60%), Final 1A (90%), and Final 1B (100%) stages of the project to the Public Works Staff for review.

After the 30% review comments are received, we will break the design into two construction phases for the 60% plan submittal providing separate plan sets for the south phase and the north phase. An outline of the Special Provisions will be provided at the 60% level of plan development.

Specifications will be submitted with the 90% and 100% plans. Construction estimates will be prepared and updated with the 60%, 90%, and 100% submittals.

Coordination with the utility companies will be provided by submitting plans at each phase of plan completion and requesting feedback. After receiving comments from the 30% plans submittal, potholing as necessary of existing utilities by the soft dig method will be coordinated with the Public Works Staff. We contemplate no more than 24 utility locate holes will be required.

Once 60% plans are reviewed, we will coordinate public notification efforts to arrange an informational meeting for the residents of the areas where construction of the water main will have an impact. We will conduct the meeting to answer questions and present exhibits and plans showing the scope and schedule of construction. We assume that the City of Prescott will determine the location of the meeting and arrange for the venue's use.

Dava & Associates, Inc. will prepare ADEQ application documents, a Design Report, and construction plans to submit to ADEQ for the Approval-to-Construct for the water system improvements. Confirmation of water pressure and supply for the area has been determined by the City of Prescott who will make this information available for inclusion in the Design Report. We will submit the application package to ADEQ after the City of Prescott approves the 90% plans

*Task 500 - Construction Bid Phase Services:* Dava & Associates, Inc. will be available to address questions that may arise during the bidding process. We will assist the City Staff during the pre-bid meeting and the duration of the bidding period. Addenda will be prepared as necessary. Subsequent to bid opening we will assist staff in the evaluation of the bids and bidders and make a recommendation regarding project award if so desired.

*Task 600 – Project Management:* While not a part of this proposal, Dava & Associates can provide construction period services including construction management, construction staking, and sufficient observation of the water main installation to provide a certification of the completed work. We would work closely with Public Works staff during the construction phases to help assure a successful installation. We would prepare As-built plans and the Engineer's Certificate of Completion for submittal to ADEQ. Should the City request construction period services, we would be pleased to prepare a separate proposal to be considered concurrently with the construction contract award

*Task 900 – Additional Services/ Project allowances:* The following items can be provided if they are determined to be necessary during the design phase of the project:

*Topographical mapping:* In the event that aerial mapping is not available for this project, Dava & Associates will provide the ground control survey necessary for accurate aerial 2-foot interval mapping. We have received quotes from Cooper Aerial Survey Company to fly and prepare the topographical mapping, which will be delivered to the City in both electronic format and hard copy once we have verified its accuracy with follow-up ground checks

*Preparation of temporary construction or permanent utility easements:* It is our intent to locate the water main alignments in existing rights-of-way or appropriate easements. Should this not be possible, we can provide survey services and prepare the necessary easements for acquisition by the City of Prescott. We do not propose to negotiate with

property owners for the City, but we will be available for discussions with the property owner if requested.

*Additional Engineering Services as directed:* As the project progresses, opportunities may emerge to explore different options not specifically contemplated or covered by this proposal. Only additional engineering services authorized by the Public Works Staff will be implemented under this allowance

Fees for Professional Services: The following fees are proposed per the attached man-hour estimate:

Surveys	\$ 20,580
Preliminary Report	\$ 22,180
Plans, Estimates & Specifications	\$ 73,730
ETC Geotechnical	\$ 11,000
ELM Underground Utility	\$ 11,880
Reimbursable	<u>\$ 2,200</u>
Project Total	\$ 141,570

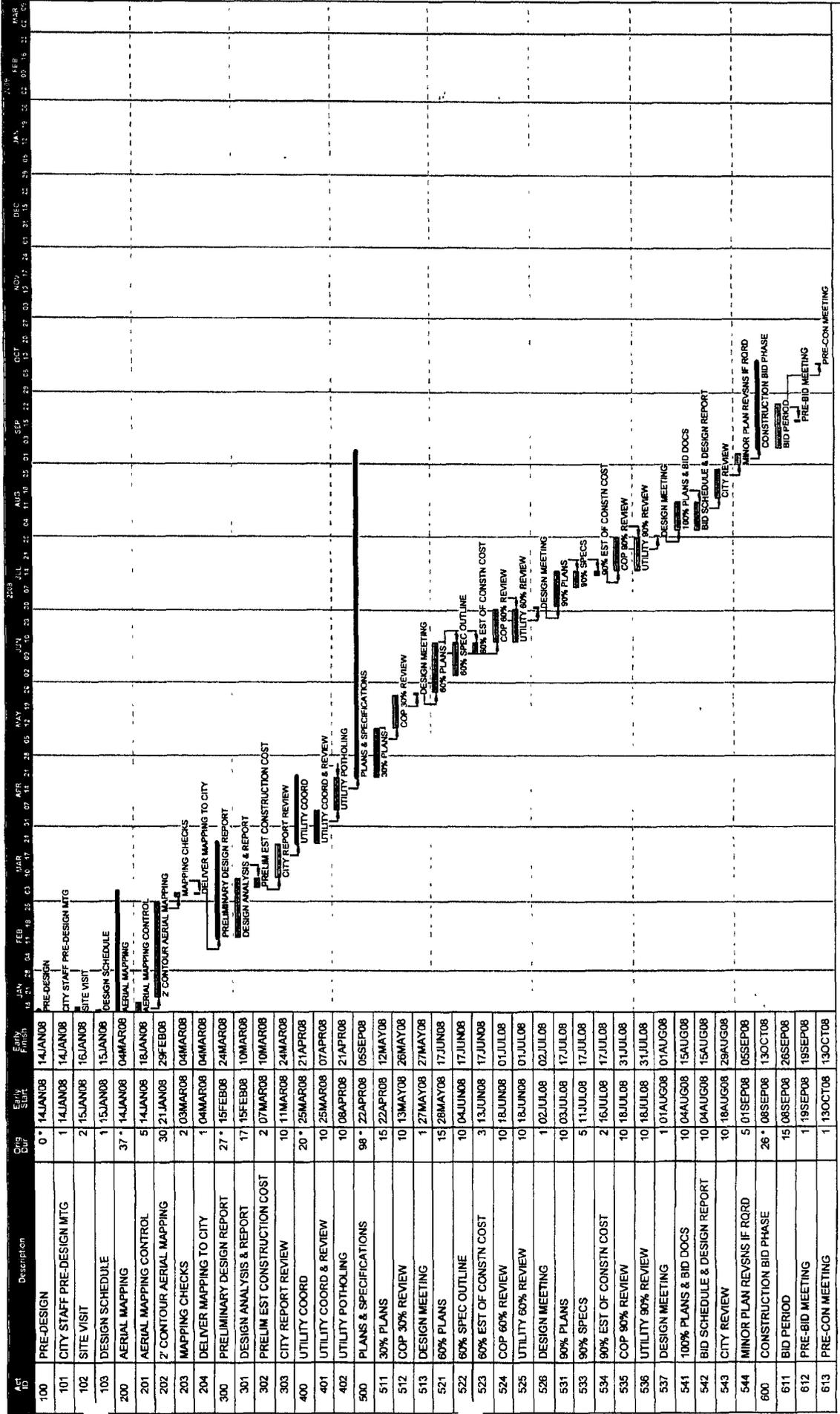
Allowances for Aerial Mapping, Easement Descriptions, and Additional Services:

Aerial Mapping	
Cooper Aerial Survey	\$ 9,625
	<u>\$ 11,285</u>
Subtotal	\$ 20,910
Easement Descriptions	
Property Survey	\$ 6,800
24 @ \$350 per description	<u>\$ 8,400</u>
Subtotal	\$ 15,200
Additional Engineering Services as Directed	
Additional Services	\$ 14,200
Total Allowances	\$ 50,310

Dava & Associates appreciates the opportunity to offer this proposal for the Airport Zone Water North/South Loop Extensions Project. We are including with this proposal an initial design schedule; an initial Engineer's Estimate of Probable Costs; and the staff hour estimate used to derive the project fees. Should this proposal be acceptable, we are prepared to begin upon your authorization to proceed.

CLIENT CITY OF PRESCOTT PUBLIC WORKS DEPARTMENT  
 JOB AIRPORT ZONE WATER MAIN EXTENSIONS - NORTH & SOUTH LOOPS  
 DATE January 7, 2008

ITEM	DESCRIPTION	PRIN	SRPE	JRPE	EIT	TECH	SRLS	JRLS	LSIT	2CREW	3CREW	GPS	CLRCL	REIMB	TOTAL	TOTAL COST
		\$120	\$110	\$100	\$90	\$75	\$100	\$80	\$70	\$120	\$160	\$25	\$60	\$\$	HOURS	
<b>A SURVEYS &amp; BASE MAP</b>																
1	GROUND CONTRL MAP														0	\$0 00
2	BLUE STAKE TIES		4				8	16		20		20			48	\$5,420 00
3	UTILITY TIES						8	16		40					64	\$6,880 00
4	EASMT DSCR														0	\$0 00
5	CONSTN CNTRL		4				4	16		48		16			72	\$8,280 00
6	COOPER AERIAL															\$0 00
7	REIMBURSABLE													\$400		\$440 00
														SBTOT		
	SUBTOTAL	0	8	0	0	0	20	48	0	108	0	36	0	184	184	\$21,020 00
<b>B PRELIM DESIGN</b>																
1	FIELD REVIEW	4	10			10									24	\$2,330 00
2	PLRM LAYOUT	8	40			40									88	\$8,360 00
3	MTGS & COORD	4	10												14	\$1,380 00
4	PRE DESIGN RPRT	4	40			20							20		84	\$7,580 00
5	PRE COST ESTIMATE	4	10			10									24	\$2,330 00
6	REIMBURSABLE													\$100		\$110 00
														SBTOT		
	SUBTOTAL	24	110	0	0	80	0	0	0	0	0	0	20	234	234	\$22,290 00
<b>C 30% PLANS</b>																
1	PLANS & DETAILS	10	40			120									170	\$14,600 00
2	QUANTITIES	10	10			20									40	\$3,800 00
3	COORD MTGS	4	4												8	\$920 00
4	ETC SOILS INVEST													\$10,000		\$11,000 00
5	POTHOLE UTILITIES													\$10,800		\$11,880 00
6	REIMBURSABLE													\$200		\$220 00
														SBTOT		
	SUBTOTAL	24	54	0	0	140	0	0	0	0	0	0	0	218	218	\$42,420 00
<b>D 60% PLANS</b>																
1	PLANS & DETAILS	10	40			120									170	\$14,600 00
2	QUANTITIES	10	10			20									40	\$3,800 00
3	SPECS	2	6												8	\$900 00
4	COORD MTGS	4	4												8	\$920 00
5	PUBLIC MEETING	4	4			16							16		40	\$3,080 00
6	REIMBURSABLE													\$900		\$990 00
														SBTOT		
	SUBTOTAL	30	64	0	0	156	0	0	0	0	0	0	16	266	266	\$24,290 00
<b>E 90% PLANS</b>																
1	PLANS	10	20			60									90	\$7,900 00
2	QUANTITIES	10	10			20									40	\$3,800 00
3	SPECS	10	10												20	\$2,300 00
4	DESIGN RPRT	4	12			8							8		32	\$2,880 00
5	DEQ APPLIC		2										4		6	\$460 00
6	COORD MTGS	4	4												8	\$920 00
7	REIMBURSABLE													100		\$110 00
														SBTOT		
	SUBTOTAL	38	58	0	0	88	0	0	0	0	0	0	12	196	196	\$18,370 00
<b>F 100% PLANS</b>																
1	PLANS	10	20			30									60	\$5,650 00
2	QUANTITIES	10	10			20									40	\$3,800 00
3	SPECS	10	20												30	\$7,400 00
4	REIMBURSABLE													300		\$330 00
														SBTOT		
	SUBTOTAL	30	50	0	0	50	0	0	0	0	0	0	0	130	130	\$13,180 00
														TOT		
	PROJECT SUBTOTAL	146	344	0	0	514	20	48	0	108	0	36	48	1228	1228	\$ 141,370 00
<b>G ALLOWANCES</b>																
1	GROUND CONTRL MAP		4				8	32		56		24			100	\$11,120 00
2	COOPER AERIAL													\$8,750		\$9,625 00
3	REIMBURSABLE													150		\$165 00
														SBTOT		
	SUBTOTAL	0	4	0	0	0	8	32	0	56	0	24	0	100	100	\$20,910 00
4	ESMT DSCR (24 MAX)						40	82		32		32			154	\$15,200 00
5	ADD ENG SERVICES	12		40		60	1	16		24						\$14,200 00
	ALLOWNCS SUBTOTAL	12	4	40	0	60	49	130	0	112	0	56	0	407	254	\$50,310 00
	D & A SURVEY															\$20,580 00
	D & A DESIGN															\$95,910 00
	ELM UG UTILITIES															\$11,880 00
	ETC TESTING															\$11,000 00
	REIMBURSIBLES															\$2,200 00
	ALLOWANCES															\$50,310 00
	PROJECT TOTAL															\$191,880 00



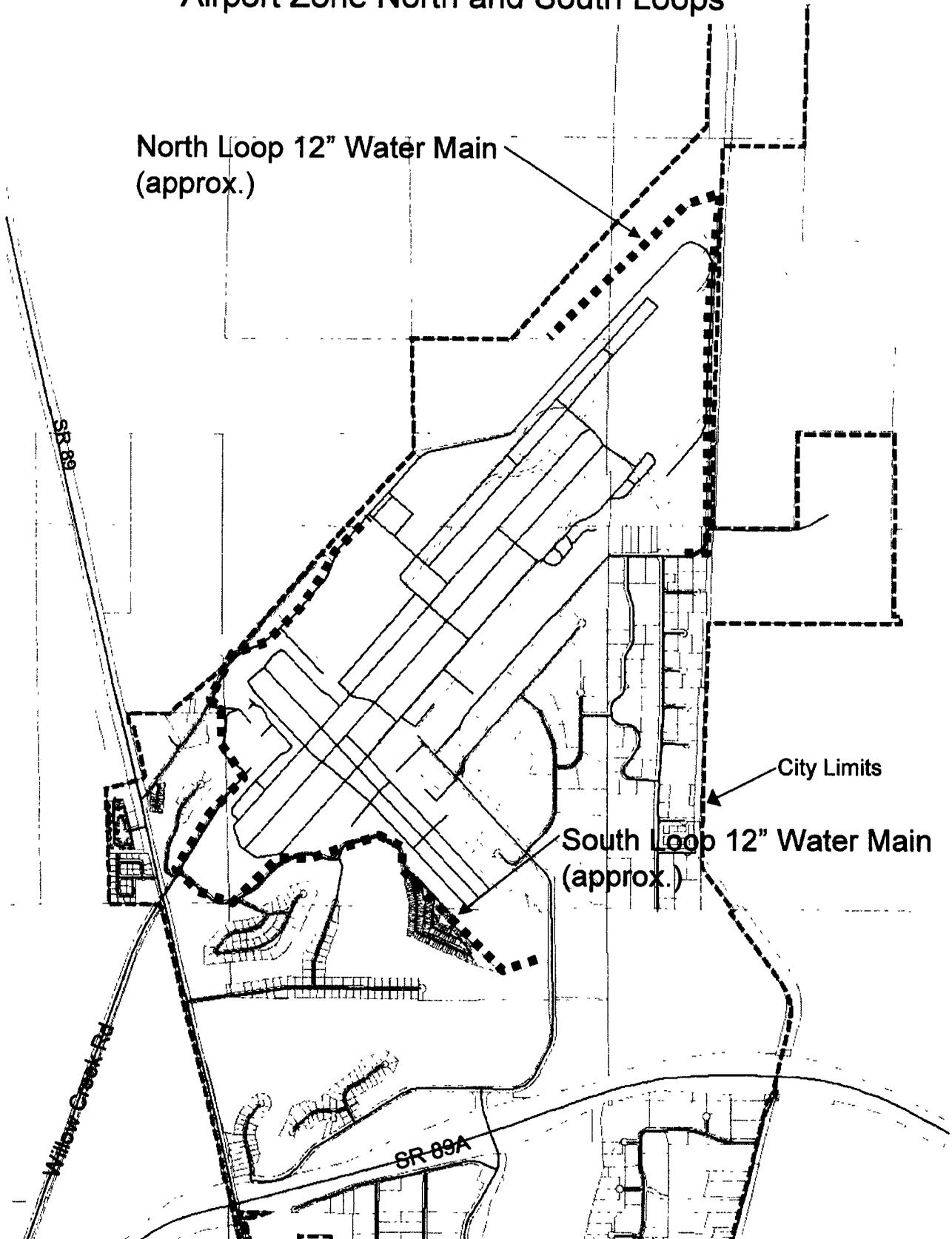
Act ID	Description	Orig Dur	Early Start	Early Finish	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
100	PRE-DESIGN	0*	14JAN08	14JAN08															
101	CITY STAFF PRE-DESIGN MTG	1	14JAN08	14JAN08															
102	SITE VISIT	2	15JAN08	16JAN08															
103	DESIGN SCHEDULE	1	15JAN08	15JAN08															
200	AERIAL MAPPING	37*	14JAN08	04MAR08															
201	AERIAL MAPPING CONTROL	5	14JAN08	18JAN08															
202	2' CONTOUR AERIAL MAPPING	30	21JAN08	29FEB08															
203	MAPPING CHECKS	2	03MAR08	04MAR08															
204	DELIVER MAPPING TO CITY	1	04MAR08	04MAR08															
300	PRELIMINARY DESIGN REPORT	27*	15FEB08	24MAR08															
301	DESIGN ANALYSIS & REPORT	17	15FEB08	10MAR08															
302	PRELIM EST CONSTRUCTION COST	2	07MAR08	10MAR08															
303	CITY REPORT REVIEW	10	11MAR08	24MAR08															
400	UTILITY COORD	20*	25MAR08	21APR08															
401	UTILITY COORD & REVIEW	10	08APR08	07APR08															
402	UTILITY POT-HOLING	10	08APR08	21APR08															
500	PLANS & SPECIFICATIONS	98*	22APR08	05SEP08															
511	30% PLANS	15	22APR08	12MAY08															
512	COP 30% REVIEW	10	13MAY08	26MAY08															
513	DESIGN MEETING	1	27MAY08	27MAY08															
521	60% PLANS	15	28MAY08	17JUN08															
522	60% SPEC OUTLINE	10	04JUN08	17JUN08															
523	60% EST OF CONSTN COST	3	13JUN08	17JUN08															
524	COP 60% REVIEW	10	18JUN08	01JUL08															
525	UTILITY 60% REVIEW	1	02JUL08	02JUL08															
526	DESIGN MEETING	1	02JUL08	02JUL08															
531	90% PLANS	10	03JUL08	17JUL08															
533	90% SPECS	5	11JUL08	17JUL08															
534	90% EST OF CONSTN COST	2	16JUL08	17JUL08															
535	COP 90% REVIEW	10	18JUL08	31JUL08															
536	UTILITY 90% REVIEW	10	18JUL08	31JUL08															
537	DESIGN MEETING	1	01AUG08	01AUG08															
541	100% PLANS & BID DOCS	10	04AUG08	15AUG08															
542	BID SCHEDULE & DESIGN REPORT	10	04AUG08	15AUG08															
543	CITY REVIEW	10	18AUG08	29AUG08															
544	MINOR PLAN REVNS IF RORD	5	01SEP08	05SEP08															
600	CONSTRUCTION BID PHASE	26*	08SEP08	13OCT08															
611	BID PERIOD	15	08SEP08	26SEP08															
612	PRE-BID MEETING	1	19SEP08	19SEP08															
613	PRE-CON MEETING	1	13OCT08	13OCT08															

14JAN08  
 13OCT08  
 14JAN08  
 14JAN08  
 21DEC07  
 © FUTURE SYSTEMS, INC.

CITY OF PRESCOTT  
PRESCOTT AIRPORT ZONE WATER LOOP

Early bar  
 Progress bar  
 Summary bar  
 Start milestone point  
 Finish milestone point

# Airport Zone North and South Loops



<b>COUNCIL AGENDA MEMO – (January 15 &amp; 22, 2008)</b>
<b>DEPARTMENT:</b> City Clerk
<b>AGENDA ITEM:</b> Public Hearing and consideration of a liquor license application from John Phillips, Agent for PPLD, LLC, for a Series 6, Bar, license for Park Plaza Liquor & Deli located at 402 West Goodwin Street.

<b>Approved By:</b>	<b>Date:</b>
<b>Department Head:</b> Elizabeth A. Burke	
<b>Finance Director:</b>	
<b>City Manager:</b> Steve Norwood <i>R Hadley</i>	1/3/08

A Liquor License Application, City No. 08-124 State No. 06130079, has been received from John Phillips, Agent for PPLD, LLC for a Series 6, Bar, License for **Park Plaza Liquor & Deli** located at 402 West Goodwin Street.

The public hearing will be held at the Regular Council Meeting of Tuesday, January 22, 2008. The applicant has been requested to attend the Regular Meeting to answer any questions Council may have.

The plaza has had a liquor license for the last 45 years. This is not a new or additional license, rather PPLD, LLC is changing their current Series 9, Off-sale retailer, Liquor Store license to a Series 6, on-sale retailer, Bar license in order to reduce overhead expenses.

The property was posted December 28, 2007, and ends on January 18, 2008. No protests or comments have been received regarding this application.

A copy of the application is available for Council's review in the City Clerk's Office.

<b>Recommended Action:</b> (1) <b>MOVE</b> to close the Public Hearing. (2) <b>MOVE</b> to approve/deny State Liquor License Application No. 07130023, for a new Series 6, Bar, License for John Phillips for Park Plaza Liquor & Deli located at 402 West Goodwin Street.
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**ARIZONA STATE LIQUOR LICENSES  
TYPES / PURPOSES  
AS OF 04/07**

**License Types: Series 01 In-State Producer's License**

Allows an in-state producer to produce or manufacture spirituous liquor and sell the product to a licensed wholesaler

**License Types: Series 02 Out-of-State Producer's License**

Allows an out-of-state producer, exporter, importer or rectifier to ship spirituous liquor into the state to a licensed Arizona wholesaler

**License Types: Series 03 Domestic Microbrewery License**

Allows the licensee of a microbrewery to manufacture or produce not less than 5,000 gallons of beer in each calendar year following the first year of operation and not more than 620,000 gallons of beer in a calendar year

**License Types: Series 04 Wholesaler's License**

Allows a wholesaler to warehouse and distribute for sale, spirituous liquor to a licensed retailer

**License Types: Series 05 Government License**

Allows the holder of a government license to sell and serve spirituous liquor solely for consumption on the premises for which the license is issued. The license is issued in the name of a county, city, town or state university whose governing body has authorized its use

**License Types: Series 06 Bar License – Transferable**

Allows a bar retailer to sell and serve spirituous liquors, primarily by individual portions, to be consumed on the premises and in the original container for consumption on or off the premises

**License Types: Series 07 Beer and Wine Bar License - Transferable**

Allows a beer and wine bar retailer to sell and serve beer and wine, primarily by individual portions, to be consumed on the premises and in the original container for consumption on or off the premises.

**License Types: Series 08 Conveyance License (Airplanes, Trains, and Boats)**

Allows the owner or lessee of an operating airline, railroad or boat to sell all spirituous liquors in individual portions or in original containers for consumption *only* on the plane, train or boat

**License Types: Series 09 Liquor Store License (All spirituous liquors) - Transferable**

Allows a spirituous liquor store retailer to sell all spirituous liquors, only in the original unbroken package, to be taken away from the premises of the retailer and consumed off the premises

**License Types: Series 10 Beer and Wine Store License (Beer and wine only)**

Allows a retail store to sell beer and wine (no other spirituous liquors), only in the original unbroken package, to be taken away from the premises of the retailer and consumed off the premises.

**License Types: Series 11 Hotel/Motel License (with Restaurant)**

Allows the holder of a hotel/motel license to sell and serve spirituous liquor solely for consumption on the premises of a hotel or motel that has a restaurant where food is served on the premises

**License Types: Series 12 Restaurant License**

Allows the holder of a restaurant license to sell and serve spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food.

**License Types: Series 13 Domestic Farm Winery License**

Allows a domestic farm winery licensee to manufacture or produce more than two hundred (200) gallons, but less than seventy-five thousand (75,000) gallons of wine annually, from grapes or other agricultural products, of which at least seventy-five percent (75%) are grown in this state

**License Types: Series 14 Club License**

Allows the holder of a club license to sell and serve spirituous liquor for consumption only on the premises owned, leased or occupied by the club, and only to bona fide members of the club and their guests

**License Types: Series 15 Special Event License**

Allows a charitable, civic, fraternal, political or religious organization to sell and serve spirituous liquor for consumption only on the premises where the spirituous liquor is sold, and only for the period authorized on the license This is a temporary license.

**Non-transferable License Types: Series 16 Wine Festival/Wine Fair License (Temporary)**

1. Wine festival license: Allows a licensed domestic farm winery to serve samples of its products on the wine festival premises and the sale of such products in original containers for consumption off the wine festival premises.
2. Wine fair license Allows a licensed domestic farm winery to serve samples of its products at a sanctioned county or state fair, and the sale of such products in original containers for consumption off the fair premises.

**License Types: Series 17 Direct Shipment License**

Allows an out-of-state producer, exporter, importer, or rectifier to take orders from retail customers by telephone, mail, catalog or the Internet The orders must be shipped into the state to a licensed Arizona wholesaler. The wholesaler must sell the product to a licensed retailer The retailer will deliver the spirituous liquor to the customer

## R19-1-102. Granting a License for a Certain Location

Local governing authorities and the Department may consider the following criteria in determining whether public convenience requires and that the best interest of the community will be substantially served by the issuance or transfer of a liquor license at a particular unlicensed location:

1. Petitions and testimony from persons in favor of or opposed to the issuance of a license who reside in, own or lease property in close proximity.
2. The number and series of licenses in close proximity.
3. Evidence that all necessary licenses and permits have been obtained from the state and all other governing bodies.
4. The residential and commercial population of the community and its likelihood of increasing, decreasing or remaining static.
5. Residential and commercial population density in close proximity.
6. Evidence concerning the nature of the proposed business, its potential market, and its likely customers.
7. Effect on vehicular traffic in close proximity
8. The compatibility of the proposed business with other activity in close proximity
9. The effect or impact of the proposed premises on businesses or the residential neighborhood whose activities might be affected by granting the license.
10. The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report(s) of such activity at least 20 days before the hearing by the Board
11. Comparison of the hours of operation of the proposed premises to the existing businesses in close proximity
12. Proximity to licensed childcare facilities as defined by A R S. § 36-881

### **Historical Note**

Former Rule 2; Former Section R4-15-02 renumbered as Section R4-15-102 without change effective October 8, 1982 (Supp. 82-5). Repealed effective July 11, 1983 (Supp. 83-4) New Section adopted effective March 3, 1993 (Supp. 93-1). R19-1-102 recodified from R4-15-102 (Supp. 95-1). Amended by final rulemaking at 11 A.A.R 5119, effective January 9, 2006 (Supp. 05-4).

Editor's Note: The following Section was amended under an exemption from the Arizona Administrative Procedure Act (A.R.S. Title 41, Chapter 6) pursuant to Laws 1996, Ch. 307 § 18. Although exempt from certain provisions of the rulemaking process, the Department was required to provide for reasonable notice and hearing. This Section was not reviewed by the Governor's Regulatory Review Council; and the Department did not submit notice of proposed rulemaking to the Secretary of State for publication in the Arizona Administrative Register (Supp

<b>COUNCIL AGENDA MEMO – (January 15 and 22, 2008)</b>
<b>DEPARTMENT:</b> Legal Department
<b>AGENDA ITEM:</b> Approval of Resolution supporting an IGA licensing an interim connection to a portion of the City of Prescott's water system located in Chino Valley.

<b>Approved By:</b>	<b>Date:</b>
<b>Department Head:</b> Gary D. Kidd	<b>01/10/2008</b>
<b>Finance Director:</b> Mark Woodfill	
<b>City Manager:</b> Steve Norwood	

**Item Summary -** The Town of Chino Valley has requested the City to approve an Intergovernmental Agreement ("IGA") licensing an interim connection to a portion of the City of Prescott's water system located in Chino Valley. The Agreement provides for temporary licensing of use of the Safeway Loop system area. The Town of Chino Valley has indicated that there is a claim by Safeway for a lawsuit based upon Chino Valley's water obligation to Safeway. They have also indicated that in the event of a lawsuit, they would authorize Prescott being involved.

Additionally, the City of Prescott has applied for conditional use permits to provide for interim water treatment to comply with federal EPA standards in the Town of Chino Valley. The Agreement provides for prompt responsible efforts for approval of the conditional uses subject to certain mutually agreed upon conditions set forth in the IGA. These conditions are intended to be applicable to two additional wellsites, which are also required by the Agreement to be promptly reviewed and responsible best efforts are required to assist the City of Prescott in obtaining all necessary permits. The agreement provides for a future road dedication by Prescott and upon such dedication paving by Chino Valley.

**Attachments-**  
1) Draft IGA

<b>Recommended Action:</b> MOVE to adopt Resolution No. 3879-0847.
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**RESOLUTION NO. 3879-0847**

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, AUTHORIZING THE CITY OF PRESCOTT TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE TOWN OF CHINO VALLEY, PROVIDING FOR A TEMPORARY LICENSE AND INTERIM TRANSFER OF RESPONSIBILITY TO PROVIDE WATER SERVICE TO THE AREA COMMONLY KNOWN AS THE SAFEWAY LOOP AND FURTHER PROVIDING FOR CONDITIONAL USE PERMITS, IN ACCORDANCE WITH THE AGREEMENT, TO ALLOW THE CITY OF PRESCOTT TO PROVIDE FOR WELLHEAD WATER TREATMENT FOR WELLSITES LOCATED WITHIN THE TOWN OF CHINO VALLEY, AND AUTHORIZING THE MAYOR AND STAFF TO TAKE ANY AND ALL STEPS NECESSARY TO ACCOMPLISH THE ABOVE**

**RECITALS:**

WHEREAS, the City of Prescott and the Town of Chino Valley wish to enter into a cooperative agreement providing for licensed use of the area commonly referred to as the Safeway loop, allowing the Town of Chino Valley to provide interim service for customers of said system pending sales negotiations between the municipalities for sale of the system, and;

WHEREAS, the City of Prescott wishes to enter into a cooperative intergovernmental agreement with the Town of Chino Valley, and to engage in a cooperative intergovernmental effort to support the mutual interests of the parties hereto; and

WHEREAS, the City of Prescott and the Town of Chino Valley have the authority to enter into the foregoing agreement pursuant to ARS Sections 11-952, 26-307 and 26-308.

**ENACTMENTS:**

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PRESCOTT AS FOLLOWS:

Section 1. THAT the City of Prescott hereby approves the attached Intergovernmental Agreement with the Town of Chino Valley, which agreement is attached hereto as Exhibit "A".

Section 2. THAT the Mayor and staff are hereby authorized to execute the attached Intergovernmental Agreement in substantially the same form as the attached IGA to comport with the intent of the City Council, and to take any and all steps deemed necessary to accomplish the above.

PASSED AND ADOPTED by the Mayor and Council of the City of Prescott this 22nd day of January, 2008.

\_\_\_\_\_  
JACK D. WILSON, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
ELIZABETH A. BURKE, City Clerk

\_\_\_\_\_  
GARY D. KIDD, City Attorney

# **CITY OF PRESCOTT'S PROPOSED DRAFT FOR DISCUSSION PURPOSES ONLY**

**INTERGOVERNMENTAL AGREEMENT BETWEEN THE TOWN OF CHINO VALLEY AND THE CITY OF PRESCOTT PROVIDING FOR A TEMPORARY LICENSE AND INTERIM TRANSFER OF RESPONSIBILITY FOR PROVIDING MUNICIPAL WATER SERVICE TO THE SAFEWAY LOOP AND FURTHER PROVIDING FOR THE APPROVAL OF CONDITIONAL USE PERMITS AND PROCESSING OF BUILDING PERMITS TO ALLOW THE CITY OF PRESCOTT TO PROVIDE FOR WELLHEAD WATER TREATMENT AT CITY OF PRESCOTT WELLSITES LOCATED WITHIN THE TOWN BOUNDARIES OF CHINO VALLEY**  
(hereinafter referred to as Agreement)

This Agreement is entered into as of \_\_\_\_\_, \_\_\_\_ 2008(the Effective Date), by and between the Town of Chino Valley ("Chino Valley") and the City of Prescott ("Prescott"), each being a political subdivision of the State of Arizona. Collectively, Chino Valley and Prescott are sometimes referred to in this Agreement as the "Parties" and each as a "Party."

## **RECITALS**

- A. Prescott and Chino Valley are municipal water providers serving potable water for municipal use pursuant to their respective service area rights and in their respective capacities as municipal water providers.
- B. A portion of Prescott's service area (the "Transfer Area") is located within the municipal boundaries of Chino Valley. In January 2007 the Parties entered into an intergovernmental agreement ( the "January 2007 IGA) providing for valuation of Prescott's water distribution system within the Transfer Area, for the purpose of enabling the Parties to consider purchase of said system by Chino Valley and assumption of Prescott's associated service rights and responsibilities, including specific obligations to serve properties within the Chino Valley Irrigation District ("CVID") pursuant to that certain 1998 agreement (the "CVID Agreement") among Prescott, CVID, and other parties recorded in Book \_\_\_\_, Page \_\_\_\_, records of the Yavapai County Recorder.
- C. Among the customers within the Transfer Area presently being served municipal water by Prescott are commercial customers located within that area referred to as the "Safeway Loop, more particularly depicted in Exhibit "A" attached to this Agreement. Prescott is neither obligated nor has it agreed to provide fire flow to any of said CVID properties, which lands include certain properties which are or would be in the future served by the Safeway Loop. Chino Valley desires to acquire the Safeway Loop to provide fire flow to said properties, and for other municipal purposes.

- D. Both Chino Valley's and Prescott's municipal water systems are contemplated to be physically interconnected to the Safeway Loop, and, therefore, either Party, subject to existing rights, obligations, and limitations of service represents and acknowledges that it is capable of providing municipal water to customers located within the Safeway Loop (the "Safeway Loop Customers").
- E. The Parties desire to further explore the possibility of entering into a separate intergovernmental agreement providing for the conveyance of the Transfer Area to Chino Valley (the "Transfer Area IGA"), whereby Chino Valley will agree to act as the sole municipal water provider on a permanent basis to any landowner located within the Transfer Area, including those with rights pursuant to said CVID Agreement, and Safeway Loop Customers, upon reaching a mutually satisfactory and agreed upon sale.
- F. Prior to completion of the Transfer Area IGA, Chino Valley desires to provide municipal water service to the Safeway Loop Customers; and, the Parties desire and agree to license, on an interim basis, the ability and authority of Chino Valley to assume such responsibility in consideration for certain assurances by Chino Valley to Prescott, CVID, and other parties of interest.
- G. The City of Prescott has six (6) water production wells located upon five (5) well-sites within the Town of Chino Valley; and, pursuant to current federal EPA standards, the City of Prescott is obligated to meet certain mandated water quality standards pertaining to arsenic and has voluntarily applied to Chino Valley for conditional use permits for interim arsenic reduction treatment at all of said well-sites as more fully set forth in the Conditional Use Permit applications dated September 14, 2007, in cooperation with the Town of Chino Valley; and,

WHEREAS, the Chino Valley has asserted that certain real property owned by Prescott and located within the municipal boundaries of Chino Valley is subject to the Town's Zoning Codes, including and, specifically referencing its conditional use permit process; and

WHEREAS, the City of Prescott asserts that said well-sites and the proposed water treatments for each are not subject to such zoning and conditional use permit processes; and,

WHEREAS, the parties, as part of this Agreement, wish to resolve this disputed legal matter in an amicable way with neither party waiving any of its rights or legal positions in order to facilitate and assure continued cooperation with one another and to avoid potential legal actions and the associated fees and costs which each party would incur; and

WHEREAS, the attached Exhibit "B" and Section 14 herein set forth the conditions for the issuance of a Conditional Use Permit that both parties are agreeable to and, accordingly, the Parties agree that the granting of conditional use permits in settlement of the legal issues between the Parties will expeditiously facilitate the delivery of water meeting federal arsenic standards by Prescott to its customers and will additionally enable Chino Valley to serve Safeway Loop Customers; and,

WHEREAS, It is mutually agreed by the Parties that each will benefit by mutual cooperation and expeditious approval of the License Agreement and Conditional Use Permits contemplated by this IGA Agreement; and,

WHEREAS, Arizona Revised Statutes Section 11-952(A) provides that public agencies may enter into intergovernmental agreements for the purpose of providing services or for joint or cooperative action;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

### AGREEMENT

1. Incorporation of Recitals. The Recitals set forth above are incorporated in this Agreement by this reference as if fully set forth and are acknowledged and agreed to by the Parties.
2. Effective Date. This Agreement shall be effective as of the date it is (i) approved by both Parties' councils authorizing the execution of this Agreement by the respective representatives of the Parties; and (ii) fully executed by Chino Valley and Prescott, pursuant to A.R.S. § 11-952(F) (the "Effective Date"). Prior to recordation, and pursuant to A.R.S. § 11-952(H), as amended, the Parties shall attach to this Agreement copies of appropriate action by ordinance, resolution, or otherwise authorizing the respective Party to enter into this Agreement.
3. Transfer of Municipal Water Service Responsibilities to Chino Valley; Conditions Precedent. The Parties shall prepare for and implement said transfer according to the following sequence of actions.
  - a. Within five days of the Effective Date, the Parties shall meet to coordinate Prescott's termination of water service to the Safeway Loop Customers and license of such service to Chino Valley, as well as to coordinate the simultaneous commencement of such service (the "Transfer Meeting"). At the Transfer Meeting the Parties shall discuss any physical changes required to effectuate the license and subsequent transfer of service contemplated by this Section 3 and the timing thereof. Simultaneously therewith, Prescott shall furnish to Chino Valley a list of names, mailing addresses and physical addresses of customers being served by the Safeway Loop.
  - b. Chino Valley shall obtain any and all necessary prior consent of each of CVID, the Salt River Project ("SRP"), and owners of properties to be served by the Safeway Loop for the licensing and transfer of municipal water service responsibilities as described herein. In the event that this agreement is

challenged by any of the aforementioned parties the parties to this IGA agree to meet and attempt to resolve any underlying legal issues which may impact this IGA. In the event that such issues cannot be resolved or in the event that any lawsuit is initiated by any outside party claiming an interest under the CVID contract challenging the validity of the licensing agreement to Chino Valley, Chino Valley agrees that it shall at its sole cost and expense, defend any such claim or lawsuit. In the event that this Agreement or any approvals related to this Agreement are ever challenged, the City of Prescott also reserves the right to intervene in any action defended by Chino Valley, such intervention and defending action will be at the City of Prescott's' sole cost and expense. However, nothing shall prevent the parties from mutually agreeing to terminate the license agreement in response to any claim or lawsuit and thereafter, Prescott shall resume its operation of the water system as provided in its agreement with CVID.

c. Chino Valley shall approve and issue one or more conditional use permits to Prescott for interim arsenic reduction treatment at all of its well-sites located within Chino Valley, expeditiously process and not unreasonably withhold the issuance to Prescott of building and any other permits which may be required for Prescott and/or its contractors to install and operate arsenic reduction treatment.

d. Chino Valley shall install valves as necessary, subject to prior engineering and construction approvals by Prescott, to enable isolation of the Safeway Loop from Prescott's distribution system.

4. Commencement of Service to Safeway Loop Customers by Chino Valley. Upon satisfaction of all of the conditions presently set forth hereinabove in Section 3, and upon determination of a mutually acceptable effective date, Chino Valley shall commence serving the Safeway Loop Customers (the "Commencement of Service Date"). As of the Commencement of Service Date, Chino Valley shall be licensed by Prescott to be solely responsible for providing municipal water service to the Safeway Loop Customers. Nothing in this Agreement shall create an obligation of Chino Valley to provide municipal water service to any customers within the Transfer Area other than to the Safeway Loop Customers as set forth in the customer list hereinabove mentioned or to provide sewer service to any party within the Transfer Area, including, but not limited to the Safeway Loop Customers.
5. Physical Connection of the Safeway Loop to Remain Intact While This Agreement is in Force. The Parties agree that the specific requirements pertaining to eventual physical disconnection of the Safeway Loop from Prescott's distribution system shall be as set forth in the Transfer Area IGA provided, however, that it is mutually understood that Prescott shall determine the configuration and requirements for said disconnection, and Chino Valley shall implement such disconnection requirements and bear all the associated costs.

6. Valuation of and Payment for the Safeway Loop. Chino Valley shall pay Prescott for the Safeway Loop as follows.
  - a. In the event the parties execute the Transfer Area IGA, Chino Valley shall pay to Prescott an amount which is the sum of the replacement cost new less depreciation (RCNLD) for all Prescott infrastructure comprising the Safeway Loop, plus the present value (PV) of all actual revenue collected by Chino Valley from water sales to the Safeway Loop Customers plus projected revenue for all future water sales to existing and future Safeway Loop Customers. This amount shall be calculated according to the valuation methodologies set forth in the January 2007 IGA, and any other methods and/or criteria as may be set forth by the Transfer Area IGA.
  - b. In the event this Agreement is terminated without execution of the Transfer Area IGA, to compensate Prescott for its revenue loss, Chino Valley shall remit to Prescott all actual revenue collected by Chino Valley from water sales to the Safeway Loop Customers during the time this Agreement was in force.
7. Water Credits and Fees for Service. The Parties recognize that currently the Arizona Department of Water Resources (ADWR) has no mechanism for Prescott, a designated water provider which has pledged all its water credits for assured water supply, to unpledge and transfer such water credits for a change in service provider as described herein; and accordingly Prescott presently can not and will not be able to provide any water credits to Chino Valley for Chino Valley to serve the Safeway Loop Customers. In the event ADWR creates a mechanism which would enable Prescott to do so, and if the parties agree to such a transfer in the Transfer Area IGA, then the credits transferred by Prescott to Chino Valley shall be calculated at 0.25 acre-feet per acre of CVID land, which amount is the entitlement of CVID lands for Prescott water pursuant to the CVID Agreement. Chino Valley additionally acknowledges that Section 9.1 of the CVID Agreement entitles Prescott to recover certain fees for providing service to CVID lands, including water development fees, and agrees that the transfer of any Prescott water credits to Chino Valley will require payment of Prescott's water development fee existing at the time of transfer. Chino Valley further agrees that in the event of reversion to Prescott as the municipal water service provider, as set forth in Section 13 herein, Chino Valley shall remit to Prescott all such fees collected for new connections during the time Chino Valley operated the Safeway Loop.
8. Notice to Safeway Loop Customers; Transfer of Misdirected Water Payments. Not less than seven (7) calendar days prior to the effective date for commencement of service by Chino Valley, Chino Valley shall notify the Safeway Loop Customers in writing and take any additional steps necessary to ensure actual notice to customers that Chino Valley has assumed from Prescott responsibility for providing municipal water service, and that all payments for such service shall be made to Chino Valley. Prescott shall, within 30 days of receipt, remit to Chino Valley any payments made to

Prescott by Safeway Loop Customers for municipal water service provided by Chino Valley as of the Commencement of Service Date.

9. Rates and Fees. Upon assuming Prescott's obligations to serve municipal water to the Safeway Loop Customers, under this license Chino Valley shall incorporate such service obligations into its overall rate plan and apply the same rates and fees to the Safeway Loop Customers as are charged to residents of Chino Valley in the same class currently receiving municipal water service from Prescott.
10. Transfer of Service Area. During the period within which this license agreement is in effect, there shall be no transfer of water service area by the parties for the Safeway Loop unless otherwise required by ADWR. In the event that both ADWR requires such a transfer and this license agreement is subsequently terminated, the water service area for the Safeway Loop shall be restored to Prescott. In the event the Transfer Area IGA is executed, the Parties shall cooperate in obtaining the Arizona Department of Water Resources' ("ADWR's") approval of the withdrawal of the Safeway Loop portion of the Transfer Area from Prescott's service area and addition of such area to Chino Valley's service area.
11. Required Approvals; Filings. As of Chino Valley's initiation of service to the Safeway Loop and assumption of responsibility for providing municipal water service to the Safeway Loop Customers, Chino Valley shall, at Chino Valley's expense, file all reports and obtain all licenses, permits, authorizations, consents, certifications, and approvals required by federal or state governmental agencies as a result of Chino Valley's initiation of service to the Safeway Loop. Prescott shall cooperate in good faith with Chino Valley in the preparation of any required reports and in Chino Valley's efforts to obtain any required approvals. Chino Valley shall reimburse Prescott for any and all reasonable out of pocket costs incurred by the City of Prescott in providing such assistance.
12. Right of Inspection. Prescott and Chino Valley will work together to ensure that any Interim connections to the Safeway loop are in accordance with City of Prescott Standards. Nothing in this agreement shall require the City of Prescott to engineer the system beyond the current City of Prescott Standards, including providing for fire flow; however, nothing in this agreement shall prevent Chino Valley at its sole expense from doing so, provided that the City of Prescott shall not incur any costs or liability therefore.
13. Reversion to Prescott as Municipal Service Provider. If the Parties are unable to agree on terms for the sale of the Transfer Delivery System and enter into the Transfer Area IGA on or before December 31, 2008, the Parties shall confer and discuss expeditiously transferring responsibility for providing municipal water service to the Safeway Loop Customers back to Prescott. Any transfer of responsibility to Prescott shall provide a reasonable time to effect any physical changes required for such transfer of service to Prescott and to appropriately notify the Safeway Loop Customers in a manner similar to the procedures set forth hereinabove. However, in

no event shall such transfer back to Prescott occur later than March 1, 2009, unless there is a written agreement between the Parties to extend the transfer beyond March 1, 2009. Upon reversion to Prescott pursuant to this Section 13, Prescott shall provide municipal water service to the Safeway Loop Customers under the same terms as it provides to similar commercial and residential users outside of the City its boundaries provided, however, that as hereinbefore stated in Recital C, Prescott is neither obligated nor has agreed to provide fire flow to any CVID property it does already serve, and will not assure adequate fire flow to any properties connected to the Safeway Loop during the time it is under the operational cognizance of Chino Valley. The Parties shall work together in the event of a mutually agreeable sales contract to cooperate in obtaining ADWR approval of the withdrawal of the Safeway Loop portion of the Transfer Area from Prescott's service area and addition of such area to Chino Valley's service area. The Parties shall work cooperatively to execute all documentation required by ADWR needed to allow any interim license to allow Chino Valley to utilize Prescott's Safeway loop system under license with Prescott and, if the Transfer Area IGA is approved by both Parties, to effectuate such transfer of the Safeway Loop portion of the Transfer Area. Chino Valley shall cooperate in good faith with Prescott in the preparation of any required reports and in Prescott's efforts to obtain any required approvals.

14. Indemnification.

- a. Chino shall indemnify and hold Prescott and its respective representatives and employees harmless from liability from claims for personal injury, property damage or loss, and insurable risks arising out of Chino's construction, operations, maintenance and customer servicing of the as well as as any challenges to the license agreement or licensing of the Safeway Loop system pursuant to this IGA, during the interim licensed period which acknowledged as being the period of time beginning on the date of the licensed transfer of the Safeway Loop delivery service to Chino and ending of the date that the Transfer Area is connected to Chino's water distribution system.
- b. Prescott shall indemnify and hold Chino and its respective representatives and employees harmless from liability from claims for personal injury, property damage or loss, and insurable risks arising out of Prescott's operation, maintenance and customer servicing of the Safeway Loop delivery service and area which occurred prior to the date of transfer of the Safeway Loop service to Chino.

15. Termination. This Agreement shall terminate upon occurrence of any of the following:

- a. Upon execution of A Transfer Area IGA setting forth terms and conditions for transfer of the Transfer Delivery System (including the Safeway Loop) and/or the entire Transfer Area to Chino Valley; or

- b. The Parties' failure to enter into the Transfer Area IGA due to an inability to agree on terms for the sale of the Transfer Delivery System and Transfer Area.

16. General Provisions.

16.1. Conflict of Interest. Notice is hereby given of the provisions of A.R.S. § 38-511. By this reference, the provisions of that statute are incorporated in this Agreement to the extent of their applicability to contracts of the nature of this Agreement under the laws of the State of Arizona.

16.2. Governing Law. The terms and conditions of this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

16.3. Entire Agreement. This Agreement, including all exhibits hereto, constitute the entire understanding among the Parties regarding the subject matter of this Agreement, supersedes any and all previous understandings among the Parties regarding the subject matter of this Agreement, and binds and inures to the benefit of the Parties, their successors, and assigns. Neither Party has entered into this Agreement in reliance upon any oral or written representation or information provided by the other Party. To the extent there is a conflict between the terms and conditions of this Agreement and the terms and conditions of the Appraisal IGA, the terms and conditions of this Agreement shall prevail.

16.4. Modification. This Agreement shall not be modified or extended except by written instrument executed by both Parties and adopted in the manner by which this Agreement was adopted.

16.5. No Waiver. The failure on the part of either Party to enforce its rights as to any provision of this Agreement shall not be construed as a waiver of its rights to enforce such provision in the future.

16.6. No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties.

16.7. Headings. Section headings used in this Agreement are for convenience and reference only and do not define, limit, or describe the scope or intent of any provision of this Agreement.

16.8. Applicable Law. The terms, conditions, and provisions of this Agreement shall be governed by and construed in accordance with the law of the State of Arizona.

16.9. No Party the Drafter. This Agreement is the product of negotiation among the Parties. No Party is deemed the drafter of this Agreement.

16.10. Authorizations. The signatories to this Agreement represent that they have been appropriately authorized to enter into this Agreement on behalf of the Party for which they sign, and that no further action or approvals are necessary before execution of this Agreement.

16.11. Counterparts. This Agreement may be signed in counterparts by the Parties with the same effect as though each Party had executed the same documents. Signature and notary pages may be detached from the counterparts and attached to a single copy of this Agreement to form one legally effective document.

17. Pending Conditional Use and Building Permits - Chino Valley, having exercised its discretion in approving this Agreement, shall undertake all necessary procedural and legislative steps to approve the Conditional Use Permits sought by Prescott for all its well-sites as set forth on the Conditional Use Permit Applications dated September 14, 2007, filed by Prescott, specifically including those terms hereinafter agreed to between the Parties which shall become part of such Conditional Permits. The Permits shall be approved, in accordance with Chino Valley's conditional use process, no later than \_\_\_\_\_, 2008; and, Chino Valley agrees to expeditiously review any and all further necessary plans for said well sites submitted by Prescott. Chino Valley agrees that it will actively support and will use all reasonable efforts to promptly approve the conditional use permits to meet the uses depicted on the permit applications, subject to Chino Valley's applicable notice, public hearing and zoning procedural requirements, with the conditions agreed to between the parties in this Agreement Exhibit "B", as settlement of a disputed legal issues and in furtherance of the mutual cooperation and objectives of the parties herein. The parties agree that with regard to that certain right of way requested by Chino Valley to be dedicated as roadway for Road One East, that at the time any future change of use on the adjacent well-site is contemplated by Prescott, the Parties agree that they will cooperatively meet to discuss the voluntary dedication of such right of way by the Prescott at such time as the property is to be further developed by Prescott and/or additional commercial or residential development in the Road One East area defined as South of Perkinsville Road and North of Road One North. In consideration of such dedication, Chino Valley shall construct a road on said dedicated area in accordance with its road standards at no cost or expense to Prescott upon the dedication by Prescott.
18. The Town of Chino Valley and the City of Prescott acknowledge that the City of Prescott desires to proceed with the expeditious development of the wellsite properties arsenic well treatment equipment in an expeditious manner and that, accordingly, the Town will use its best reasonable efforts to expeditiously implement the development review processes, any building permit processes and any and all plan review processes and will not unreasonably delay or withhold building permits required to implement the interim arsenic treatment.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first written above.

TOWN OF CHINO VALLEY, a municipal corporation of the State of Arizona

By: \_\_\_\_\_

Its: \_\_\_\_\_

This Agreement between the Town of Chino Valley and the City of Prescott has been reviewed pursuant to Arizona Revised Statutes Section 11-952(D), as amended, by the undersigned counsel for the Town of Chino Valley who has determined that it is in the proper form and is within the powers and authority granted to the Town of Chino Valley. No opinion is expressed as to the authority of any parties other than the Town of Chino Valley, to enter into this Agreement.

Approved as to Form:

\_\_\_\_\_  
Counsel for Town of Chino Valley

CITY OF PRESCOTT, a municipal corporation of the State of Arizona

By: \_\_\_\_\_

Its: \_\_\_\_\_

This Agreement between the Town of Chino Valley and the City of Prescott has been reviewed pursuant to Arizona Revised Statutes Section 11-952(D), as amended, by the undersigned counsel for the City of Prescott who has determined that it is in the proper form and is within the powers and authority granted to the City of Prescott. No opinion is expressed as to the authority of any parties other than the City of Prescott, to enter into this Agreement.

Approved as to Form:

\_\_\_\_\_  
Counsel for City of Prescott

**EXHIBIT "A"**

**[MAP OF THE SAFEWAY LOOP AND PARCEL NUMBERS FOR CVID LANDS SERVED BY IT]**

**EXHIBIT "B"**

**[ CONDITIONAL USE PERMIT CONDITIONS ]**