

PRESCOTT CITY COUNCIL  
JOINT STUDY SESSION/  
REGULAR COUNCIL MEETING  
PRESCOTT, ARIZONA  
JANUARY 15, 2008

A JOINT STUDY SESSION/REGULAR VOTING MEETING OF THE PRESCOTT CITY COUNCIL WAS HELD ON TUESDAY, JANUARY 15, 2008, in the Prescott Municipal Building, 201 S. Cortez Street, Prescott, Arizona.

**CALL TO ORDER**

Mayor Wilson called the meeting to order at 3:01 p.m.

**INTRODUCTIONS**

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

Pastor Thompson gave the invocation.

**PLEDGE OF ALLEGIANCE:** Councilman Luzius

Councilman Luzius led the Council and audience in the Pledge of Allegiance.

**ROLL CALL:**

PRESENT:

Mayor Wilson  
Councilman Bell  
Councilman Lamerson  
Councilwoman Lopas  
Councilman Luzius  
Councilwoman Suttles

ABSENT:

Councilman Roecker

**SUMMARY OF CURRENT OR RECENT EVENTS**

City Manager Steve Norwood reported that Governor Napolitano would be over at the Elks Opera House later in the afternoon.

## **STUDY SESSION**

### **I. PUBLIC COMMENT**

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

Norman Freeman, member of the CVIC Board of Directors, read a letter from CVID, attached hereto as Exhibit A.

Councilwoman Suttles asked if it would be a problem to bring in the CVID when they are discussing anything. Mr. Kidd said that was not a problem, as long as it was not during Executive Session.

Mr. Freeman said that they were not requesting to be in Executive Session. He said that they came before the Council some time back and nothing had occurred since then. He appreciated the opportunity to come forward and they look forward to working with the Council.

Councilwoman Suttles said that sometimes they forget that the CVID is a player as well.

### **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.”

Mr. Woodfill explained that the Internal Revenue Service 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.

- 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.

Mr. Woodfill said that they recently went through the Fann annexation process and it became clear, even though they had a cost benefit

requirement since 1994, that there were no clear guidelines. With the help of two volunteers, Dr. Danforth and Dr. Kindig, they put together some guidelines for the next annexation to give them some guidance to that process as well as a recommendation that came from the citizens to form a Mayor's Advisory Committee. He then recognized Dr. Danforth and Dr. Kindig.

Councilman Bell asked for clarification on the wording that said "250 acres or more, or smaller annexations determined to be significant." He asked who would determine if they are going to be significant.

Mr. Woodfill said that it would either be by the Mayor, Council, Finance or City Manager. He said that some annexations are a few acres just to square up a boundary while others may be only 20 acres but they could be retail acreage and have some real issues that need to be addressed. It just needs to be looked at on a case-by-case basis.

Councilman Luzius congratulated the doctors on having a sensitivity analysis included because it is very important.

Councilwoman Suttles asked about the set-up of the committee. Mr. Woodfill said that they are not set up at this point. Should the Council adopt the resolution, they would work with the Clerk and the Mayor to get the committee established. Mayor Wilson said that it is an ad-hoc committee and would happen when an annexation occurs; it would not be a standing committee.

Councilman Lamerson said that he thinks it is important that all annexations be looked at for the reason suggested. In addition to retail, they sometimes have residential areas that like to come into the City that do not meet City Codes. Their streets, water lines, etc. don't meet the codes and without an analysis it is difficult to make decisions, similar to the Mullin Way, so he appreciated seeing that in the paperwork.

Mayor Wilson said that he thinks this is a real accomplishment. He saw in the Fann annexation how their cost benefit analysis was shredded by the two doctors, and once they were involved, it got turned around. He said that he looked forward to opportunities to do that in the future, and he thanked the doctors for their assistance.

- 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.

Mr. Woodfill said that this is a contract for auditing services for a three-year period. He said that the City Charter requires that the auditor be changed every three years to keep an independence issue. They took proposals from auditing firms from around the state, receiving five, and Heinfield, Meech & Co. was determined to be the most qualified. He noted that Mr. Kees is present if there are any questions.

Councilman Bell asked where they were from. Mr. Woodfill said that they have offices in Phoenix, Tucson and Flagstaff.

Councilwoman Suttles asked if the company that did this before was part of the bidding process. Mr. Woodfill said that was Eille Bailey and they were not allowed to bid.

- 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.

Airport Manager Ben Vardiman said that this is a request for approval of an ordinance accepting the sale of easement rights to APS for the Monarch Hangar development along Melville Road. It will be 8 feet wide by approximately 1,097.66 feet long, and compensation in the amount of \$1 will be received by the City for the sale.

- 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.

Public Works Director Craig McConnell said that this is a professional services agreement with Dava & Associates for design and engineering for the Airport Zone North and South Loops water main project.

He said that these links will 1) upgrade service to existing airport water customers and 2) provide new capacity for additional development in the area. The commitment for these was made in a Development Agreement, approved in July 2007, for Executive Airpark. In that agreement it provides

for completion of construction by July 2009. The design would be completed by July 2008 which would give the City a year for construction, which is more than adequate.

Councilman Luzius asked Mr. McConnell what the size of the line was that was feeding the two 12" lines. Mr. McConnell said that the Airport Zone is currently fed by an 8" line. They have another project which will provide equipping of Well #2 to supply water directly from the airport area. They will have an 18" line when that project is complete.

- 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.

Ms. Burke reviewed the application, noting that it was just notice for next week's public hearing. Councilman Luzius asked if a Series 6 would allow them to sell individual drinks. Ms. Burke explained that a Bar license allows individual drinks on site, or packaged goods for off-site consumption.

### **❖ RECESS INTO SPECIAL MEETING ❖**

The Prescott City Council recessed into a Special Meeting at 3:18 p.m.

## **SPECIAL MEETING**

1. Call to Order.

Mayor Wilson called the Special Meeting to order at 3:18 p.m.

2. Recess into Executive Session.

The Prescott City Council recessed into Executive Session at this time.

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.

The Special Meeting was adjourned at 4:28 p.m.

## ❖ **RECONVENE STUDY SESSION** ❖

The Prescott City Council reconvened into Study Session at 4:29 p.m.

- 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.

Mr. Kidd said that Item G is a proposed resolution adopting an IGA dealing with 1) an interim proposed license agreement with the Town of Chino Valley for a portion of the City's water system known as the Safeway Loop, and 2) Conditional Use Permits that the City is seeking in the Town for well sites. They started out with a draft IGA, and this is the second iteration that has a number of additional comments from the City's technical staff.

Mr. Kidd said that the Town of Chino Valley had indicated to him through their counsel that they are faced with some form of a claim dealing with Safeway and water issues. They indicated that they would, if sued, possibly bring the City of Prescott back into that law suit. Rather than get involved in a lawsuit situation, they are trying to work out a mutual agreement.

Mr. Kidd said that what is before the Council today is a redraft with the City's technical comments. There will probably be some minor changes in the verbiage to make it read better. At this point in time, staff is presenting it to the Council for their information. He said that it is scheduled next week for voting. They anticipate in the meantime having the City's technical people meet with Chino Valley's technical staff to work through any details. He will also be in touch with their legal counsel to discuss any technical/legal issues and hopefully bring some agreeable form back to the Council for consideration.

Mayor Wilson said that Mr. Kidd needs to get it to Mr. Musgrove because Chino Valley is voting on it on January 24, and they need to be working off the same document. Mr. Kidd said that he would be in touch with him.

Councilwoman Suttles noted that this item would not be on the Consent Agenda.

- 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.

Councilwoman Suttles noted that Items II-A through II-E and Item II-H would be on the Consent Agenda; Items II-F and II-G would be on the Regular Agenda.

### **III. ADJOURNMENT**

The Joint Study Session/Special Meeting of the Prescott City Council held January 15, 2008 adjourned at 4:34 p.m.

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JACK D. WILSON, Mayor

ATTEST:

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ELIZABETH A. BURKE, City Clerk

EXHIBIT 'A'

I-A

**CHINO VALLEY IRRIGATION DISTRICT**

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

Prescott City Council Workshop  
June 12, 2007

Page 2

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.

Prescott City Council Workshop  
June 12, 2007

Page 3

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.

Prescott City Council Workshop  
June 12, 2007

Page 4

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