

**TOWN OF PRESCOTT VALLEY
COMBINED TOWN AND CFD WORK STUDY MEETING
MINUTES
May 2, 2013**

Library Auditorium
7401 E. Civic Circle
Prescott Valley, Arizona 86314

1. Call to Order Special Combined Town of Prescott Valley & Community Facilities Districts Meetings

Mayor Skoog called the meeting to order at 5:30 p.m.

2. Roll Call

Present: Council/Board Member Whiting, Chairman Skoog, Council/Board Member Mallory, Councilmember/Board Member Nye, Council/Board Member Anderson, and Vice Mayor/Chairman Tjiema.

Absent: Council/Board Member Lasker.

3. Discussion of proposed FY2013-14 budget - FOR DISCUSSION ONLY

a. 5:35 pm-6:15 pm Human Resources Karen Smith, Human Resources Director Barbara Lear, Blue Cross/Blue Shield update

Human Resources Director Karen Smith said the Town's turnover rate is 9 percent as compared to the national rate of 16 percent and Arizona rate of 14 percent. HR works in two ways: 1. to support Job Satisfaction for the employees and 2. Employee Engagement (career development, manager employee relations, compensation and benefits and the work environment). Operational costs have been reduced by 5.5 percent in the department. The transfer of Paula Ogren as a receptionist into HR has increased the salary line item.

Town Manager Larry Tarkowski thanked Karen as Prescott Valley is a leader in the area with successful 'Wellness' and 'Volunteer Central' programs. Karen talked a little about the Wellness program and the current programs being offered to the employees which are: 'Biggest Losers' (weight loss) program, walking program and growing your own food program.

Barbara Lear of Lear & Associates, Inc. presented an Executive Summary about the Town's group benefits for the upcoming new year. There will be no increase in the renewal rate. She explained how our claims, population age and other factors drive those rates. Dental coverage remains with Ameritas with no increase in premium. While our average renewal rate could have been an average of 16 percent each year, in reality it has only been 1.6 percent per year. Group term life insurance will be switched from Dearborn Life to Companion Life Co., a BC/BS held

company. Our premium rate will be lower and we will realize an increased benefit of a one-time base salary benefit up to a maximum of \$75,000. UNUM short- and long-term disability renewal rates remain the same. Overall, the Town will see a decrease of \$6,768 in premiums with a 3-year guarantee on the life insurance and 2-year rate guarantee on the UNUM premium. [Scrivener's Note - the complete report is attached.]

Council member Mallory commented to Barbara Lear "You are amazing."

Lear gave an overview of the results of the Health Risk Assessment showing the top three lifestyle factors affecting our employees are: 74% are at a moderate to high for below recommended levels of fruit and vegetable consumption, 42% on the same list for dietary fat intake, 32% for lack of physical activity. Medical risk factors: 75% are at moderate or high risk for hypertension, 66% are overweight and 57% are not in the desirable range for cholesterol. Chairman Skoog and Council agreed Barbara has done a superb job and thanked her. No active was taken.

b. 6:15 pm-6:30 pm Library Stuart Mattson, Library Director

Library Director Stuart Mattson introduced Casey Van Haren who proudly announced that she found out today that a \$30,000 grant was awarded to the library to be used in the Virtual Reality room. Turning to budget matters, Mattson remarked that there is an increase in the Professional Services line item in order to provide for an outside third party 13-hour per week security person for the library starting in the fall while school is in session. The after school kids are creating havoc in and around the library. Assistant Library Director Ted Johnson explained that the average patron attendance a day as well as door count is projected as decreased to bring those figures more in line with reality. Under Education, the Dues and Membership line item is the fee to belong to the Library Network which in turn is turned back to the Library providing an additional \$20,000 for material purchases.

Discussion ensued about the Library being closed on Tuesdays following a Monday Holiday which is the normal closure day of the Library. Vice Mayor Tjiema commented that people are still looking for jobs via use of the library computers and materials – is this serving our customers! Mattson said the staff has to have a day off for a holiday as staff works Tuesday through Friday or Tuesday through Saturday.

Town Manager Larry Tarkowski added that if library staff were required to work on a Tuesday after a Monday holiday, they would have to be paid holiday pay (double time).

Council member Mallory commented that she faces these same concerns at her place of business. Council member Nye commented that we didn't always do this and she looks forward to when our budgets are different from what they are now. Vice Mayor Tjiema is right – it is a service to the public. It is unfortunate, but a sad reality.

Mattson said he would like to be open on Mondays. Council member Whiting agreed that with the economic times, both the Library and the Parks & Recreation Departments experience the

same constraints because of the economy. Mayor Skoog stated Mattson is running it like a business and that is how it should be run. No action was taken.

c. 6:30 pm-6:45 pm Reclaimed Water, Water Resource/Recharge Neil Wadsworth, Utilities Director John Munderloh, Water Resources Manager

Water Resources Manager John Munderloh commented water recharge is dealt with through: the recharge, Big Chino Water Ranch project litigation and water conservation. We hit a couple of major milestones this year that will allow us to reduce the budget for FY 13/14. We reached a subsequent agreement with SRP and the recent North Plains Recharge project. Both those projects demonstrate our commitment through action to reach safe yield, to provide long-term water supplies, for responsible groundwater development and the continued health of the Verde River. Therefore, he indicated a reduction in the cost for the Big Chino Water Ranch operation through the agreements. Also, we are not spending as much money on attorneys in the form of litigation fees. Then too, when we finish a large capital project we don't carry those expenditures forward. They were also able to use some previous expenditures (monitoring well equipment) on the Big Chino Ranch as credit going forward for this year with SRP and the City of Prescott. The Upper Verde Watershed Protection Coalition is part of this budget as the fiscal administrator for this water group. It is written with the capacity to accept grants paying its way forward.

Council member Nye commented she wanted to go on record saying how proud she is of the communities making efforts to the management of water. These programs will mean a great deal in the future underscoring that the Verde River will benefit from all of it. Council member Whiting echoed Nye's comments. We are walking the walk instead of talking about doing something.

Utility Director Neil Wadsworth said his operational expenditures are going up because of the North Plains Recharge project, but other than that it is much the same. They will need to make a few more expenditures on the operations side in managing that facility. No action was taken.

d. 6:45 pm-7:30 pm Utilities - Prescott Valley Water/Wastewater System Neil Wadsworth, Utilities Director

Wastewater: Utility Director Neil Wadsworth said they are endeavoring to go to a 2-year cleaning cycle for the entire wastewater collection system. This has never happened in the past. After the entire system is cleaned they will bring it back to a 3- or 4-year cycle. The department is getting a new Vactor truck which is re budgeted in the new budget. Sewer replacement lines will go in near Bradshaw Mountain High School (Prescott East area consisting of 130 homes) increasing the 6 inch pipe to 8 inches. The ADEQ settlement due to the wastewater spill has settled after a culmination of 3 years. A part of that settlement specified installation of SCADA software on all 10 of the Town's lift stations to allow quicker response times to problems reducing frequency and size of spills. Council member Nye and Whiting said these steps will create additional efficiencies in the department.

Water: Utility Director Neil Wadsworth said they have a couple of Capital Equipment and purchases to make this year. First they have increased the budget for a new water line on 2nd Street between Ace Hardware and Lake Valley Road to improve fire fighting capabilities, improve water circulation and distribution, and provide property owners with flexibility in the future development of their property. They will be purchasing a portable generator for emergency situations to deliver power to the two booster stations at the tank farm to ensure water delivery to several entities. It is their intention to purchase mobile leak detection equipment for \$60,000. \$500,000 is budgeted for the water meter program. They have applied for a couple of grants this year; one for \$300,000 and the other for \$1.5 million for additional meters. He hopes to get at least one of them.
No action was taken.

e. 7:30 pm-7:45 pm Legal Ivan Legler, Town Attorney

Town Attorney Ivan Legler said the legal department doesn't change much. The personnel are the same year after year. They are a service organization. Their biggest expense is litigation with outside counsel costs. The Event Center litigation has been going on since 2009 which is covered by insurance so it is not coming out of Town money. This year they used less for outside counsel than they had planned for which they hope to repeat this year. They are purchasing a new color copier this year that allows scanning. No action was taken.

f. 7:45 pm-8:00 pm Management Services William Kauppi, Management Services Director

District Treasurer Bill Kauppi noted that he is fortunate to have three very qualified individuals that he works with Heidi Derryberry, Casey Danner and Tim Henry. He is not proposing to add any staff in the new year. His operating expenses went down by about \$90.00.

Council member Mallory commented that it is obvious that Bill takes a heartfelt interest in this Town. Bill said he is hoping to go electronic with an Accounts Payable system.
No action was taken.

g. 8:00 pm-8:15pm Debt Service William Kauppi, Management Services Director

District Treasurer Bill Kauppi said the total debt service with interest is \$84.5 million (both town and utility side). Last year we had about \$94.2 million of outstanding debt which has since been decreased via principle and interest payments made, special assessment payoffs, and bond refinancing. We did not issue any more debt last year.

Council member Nye commented that this reduction is a remarkable step in this economy. Kauppi identified each Municipal Property Corporation with the fund that pays toward that debt.
No action was taken.

COMMUNITY FACILITIES DISTRICTS MEETING
May 2, 2013

h. 8:15pm Community Facilities District William Kauppi, District Treasurer

Eastridge CFD

District Treasurer Bill Kauppi said Eastridge CFD is an assessment district. Two property owners have paid off their assessments so the figures will be modified to reflect that in the final budget book.

Entertainment Center CFD

District Treasurer Bill Kauppi said we only budget for board/staff costs in the event they could ever pay it.

Parkway No. 1 CFD

District Treasurer Bill Kauppi said this is an ad valorem/property tax. The secondary assessed value has gone down about 16 percent again. Last year it was about \$2 million and is currently \$1.6 million. As a result, in order to generate enough property tax to pay the debt service the tax rate plus the O&M will be \$16.24. Last year it was \$13.69. The assessed values are all over the board in this district.

District Counsel Ivan Legler added that some of the properties are non taxable. The actual rate must go up as the value goes down the actual amount must also go up because of the properties that are not paying taxes. The only way to resolve that would be to modify the district in some way so that we go to an assessment district as opposed to a property tax district. That is something that is being looked at and considered but until that happens we are going to have to do what we have to do to make sure the bonds payment are made.

District Manager Larry Tarkowski added that we have a meeting with one of the property owners next week to see if he wants to take the lead in looking at a change in the methodology for that. Approximately \$50,000 a year is being avoided by the tax exempt status that has been filed for.

Pronghorn CFD

District Treasurer Bill Kauppi said the assessed value went up by one half of one percent (at least it has finally stopped decreasing). The secondary assessed valuation last year was \$10,841,000 and is now \$10,893,275. He proposes the rate remain the same as last year. The problem with that is it does not generate enough property tax revenue to pay the debt service payment. Bill is budgeting \$36,000 in this year's budget for that additional collection. We will be short about \$78,000 - \$80,000. Two years of funding is left in the deposit account. At some point we will have to raise rates to cover the debt service. Consideration is being given to refinancing or

private placement of the bonds for both Pronghorn and Quailwood, but that step could not be accomplished in time for this budget.

District Manager Larry Tarkowski said they are also exploring private placement for the fairgrounds issuance looking for a better interest rate.

District Counsel Ivan Legler stated that we have been working on Quailwood, Pronghorn and StoneRidge for a number of years. Each is a little different requiring a different approach. One of them is now operating under the approach that has been achieved in each case. Pronghorn had benefit of continuing to have houses being built. So the desire was not to do anything that would cause that to end. With the fee in place, there is hope the fee will continue to expand in terms of the money that comes in and that will allow us to stretch out the deposit amount for 2 or 3 years.

Council member Whiting asked if Pronghorn and Quailwood would both be eligible for private placement. Tarkowski responded that is in the exploration stage. No action was taken.

Quailwood CFD

District Treasurer Bill Kauppi said this district went down in value again although it is a small decrease. This has happened for the last 4 consecutive years. We are going to keep the rate the same as last year at \$5.55. The developer will be paying \$175,140 as per the standby contribution in place. The taxes will generate about \$360,000 so it will be about \$30,000 short to make the debt service payment. The healthy deposit account could cover the debt service for the next 30 years, if he can keep it healthy. The good news is home sales are increasing in that area.

District Counsel Ivan Legler added that the standby contribution made by the developer is capped so we only have that for another 4 years. As long as the economy keeps building more houses we should arrive at a soft landing.

Raven Ridge CFD

District Treasurer Bill Kauppi said this is assessment district with the majority of it having been paid off. The remainder to be paid off is owned by one individual. There have been no major issues regarding this district. No action was taken.

Southside CFD

District Treasurer Bill Kauppi said this is another assessment district. Unfortunately he budgeted for receiving the full assessment payments. We have one property owner who has not and who will not make future payments. Unfortunately the reserve has almost been used up for this district. We have enough for July's payment, but after that we may fall short of making the January payment.

District Counsel Ivan Legler said we have been working with outside counsel on this and urging counsel to revisit some of the advice they have given in the past. Outside counsel has indicated that the district nor the Town should purchase the unpaid assessment, which is what the street

and sewer assessment districts do (Phases I and Phase II). If we could do that we would resolve the issue. We would have a lien on the property, would be able to make a loan to pay off the debt and then when the economy improved we would be able to sell the property and get our money back. In the past counsel has not been willing to give us permission to do that. We have told him that when we are at the point of where we are going to run out of reserve money, we are going to do that and thereby avoid default. We have tried auctioning this property off twice but it hasn't sold. Someday it will. No action was taken.

StoneRidge CFD

District Treasurer Bill Kauppi said there is no budget as yet for this district as we have not received the final documents for the planned private placement. Instead of putting the current budget in the book with the old numbers when we know something is going to happen he decided just to leave it blank for now. It will be brought back hopefully with the adoption of the tentative budget.

District Counsel Ivan Legler said it is the same information we shared when we had the most recent public hearing with StoneRidge. The standby contributions have been made by the developer, however with the refinancing the standby contributions will go away. The developer believes that will fit into his model and he will then be able to go forward confidently in terms of developing new product. The payment by the current residents is being reduced because of the money that was obtained through the bankruptcy and use of the healthy deposit amount (nearly \$3 million) which has never been used as the standby contributions have been made to date. Once the refinancing is done we should be in good condition in StoneRidge.

Board member Mallory said things are looking up with these districts and we're going to get there.

District Counsel Ivan Legler added that it is important that the one that we still haven't resolved is Parkway. We have to get the Parkway taken care of one way or another this year. No action was taken.

4. Adjournment

Mayor/Chairman Skoog adjourned the meeting at 7:01 p.m.

ATTEST:

APPROVED:

Diane Russell, Town/District Clerk

Harvey Skoog, Mayor/Chairman

STATE OF ARIZONA)
COUNTY OF YAVAPAI) ss:
TOWN OF PRESCOTT VALLEY)

CERTIFICATE OF COUNCIL MINUTES

I, Diane Russell, Town/District Clerk of the Town of Prescott Valley, Arizona, hereby certify that the foregoing minutes are a true and correct copy of the Minutes of the Combined Town and Community Facilities Districts Work Study Meetings of the Town Council/Board members of the Town of Prescott Valley, held on Thursday, May 2, 2013.

I further certify that the meeting was duly called and held and that a quorum was present.

Dated this May 7, 2013

Diane Russell, Town/District Clerk