

DRAFT

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

**WEDNESDAY, OCTOBER 6, 2021
4:00 P.M.**

**CHINO VALLEY COUNCIL CHAMBERS
202 N. STATE ROUTE 89, CHINO VALLEY, AZ**

Present: Eric Granillo, Councilmember; Cloyce Kelly, Councilmember; Tom Armstrong, Councilmember

Staff Present: Town Manager Cindy Blackmore; Administrative Services Director Joe Duffy; Police Chief Chuck Wynn

1) CALL TO ORDER

Chair Granillo called the meeting to order at 4:07 p.m.

2) ROLL CALL

3) APPROVAL OF MINUTES

- a)** Consideration and possible action to approve the May 4, 2020, special meeting minutes.

MOVED by Councilmember Tom Armstrong, seconded by Councilmember Cloyce Kelly to approve the May 4, 2020, special meeting minutes.

AYE: Councilmember Eric Granillo, Councilmember Cloyce Kelly, Councilmember Tom Armstrong

3 - 0 PASSED - Unanimously

4) OLD BUSINESS

5) **NEW BUSINESS**

- a) Discussion and review of the \$7,495,000 Pledged Revenue Refunding Obligations Police Department Financing, Series 2021 ,and \$5,190,000 Pledged Revenue Obligations refunding, Series 2021.

Joe Duffy and Subcommittee Members discussed the following:

- They were meeting to discuss the \$7 million Police Building loan, the Police budget, and refunding of existing debt.
- The financing approval and contract award for the Police Building would be on the next Council Agenda.
- A spreadsheet with the original Police Building budget numbers and the actual budget numbers was reviewed.
- The original construction estimate was approximately \$5.4 million, and the actual cost was \$7 million.
- They received approximately 9 bids ranging from \$7 million to \$8 million.
- They had also budgeted for furniture and equipment. Several furniture companies had been interviewed, and the chosen company's quotes came in at \$500,000. The ancillary and surveillance equipment suppliers were all State contract vendors, so the Town only received proposals instead of going out to bid.
- The furniture contractor had extensive police experience. The price included the design, delivery, and setup. In addition to desks and chairs, there were lockers, gun cabinets, evidence lockers, and mobile storage. The Police Department would also keep their current long term storage areas.
- Staff was working on automated door locks. The same style of locks would be retrofitted to the other Town facilities over time for compatibility.
- The Town would be putting approximately \$1.1 million into the project.
- Construction activity was estimated to take place from January 2022 to December 2022.
- They currently had \$500,000 in the current budget and would need approximately another \$300,000-\$500,000 in the next fiscal year budget to finish the building.
- The type of process chosen to award the construction bid was the lowest bidder, and Council would be awarding it at the next meeting. Danson Construction was the apparent low, qualified bidder. Staff was actively looking for a Construction Manager to represent the Town and be on the job daily.
- Staff had provided paperwork to the S&P Bond representatives to evaluate and rate the Town's bonds. The better the rating, the cheaper the interest rate. Staff expected the Town to be an A or AA.
- Staff reviewed two finance schedules, which showed the Town could afford the project.
 - The Fund balance had grown from \$5.4 million to \$9.6 million as of June 2021. After high expenditures, staff estimated that the balance would be \$9.3 in the upcoming year.
 - There was strong revenue growth, most of which came from sales tax. The sales tax from 2016 to 2021 almost doubled. Online businesses now had to collect tax for online sales, which helped increase the revenue.
 - Revenue increased by over \$1.5 million.
 - The net cost to the Town for the Police building, after the savings from the

financing, was \$250,000.

- Members discussed growth in the Town.
- Members discussed the pros and cons of either paying cash or financing some of the Town's cost of the construction. Staff explained the cash could be used for other Town projects such as roads, water, sewer, or other infrastructure projects. Anything used for the Police building would take away from other projects.
- Staff explained they were financing the construction of the building. The Town would pay for the architecture, design, furniture, fixtures, and anything over the contract price, for a total of approximately \$1.5 million.
- The loan was for 25 years and had a ten-year call date. After ten years, the Town could pay it down completely or pay down only a portion if they wanted.
- The loan interest rate was not locked in. The Town needed at least a 6-1 vote to pass it with the emergency clause. If it passed with a supermajority of 6-1, it would take approximately an additional week to lock in the interest rate. The current interest rate was approximately 1.6%. If the vote was not at least 6-1, the bonds could not be sold for thirty days, and the interest rate could change.
- The Town had three outstanding loans that could be refinanced. Interest rates of the loans ranged from 2.75% to almost 5%. Refinancing the loans would ultimately save the Town \$1.3 million in interest.
- Staff had originally estimated the Police Department annual payments to be approximately \$420,000, but the payment would be closer to \$360,000 because of the lower interest rate. With all the savings, the net-net added annual debt service payment was about \$250,000.
- It was the best time to borrow money for a municipality.
- There were administrative costs, but those costs would remain the same regardless of the loan amount.
- Members discussed the consequences of increased construction prices. If the contractor was unable to perform, the Town was bonded for the project. The Town also had enough cash reserves to cover unforeseen costs. Construction costs were in a downward trend.

6) ADJOURNMENT

MOVED by Councilmember Cloyce Kelly, seconded by Councilmember Tom Armstrong to adjourn the meeting at 4:40 p.m.

AYE: Councilmember Eric Granillo, Councilmember Cloyce Kelly, Councilmember Tom Armstrong

3 - 0 PASSED - Unanimously

Submitted: October 18, 2021.

By: *Traci Lavelle*, Deputy Town Clerk

Approved: MONTH DAY, 2021.

