

AGENDA

REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, TO BE HELD AUGUST 6, 2013, AT 5:00 PM., AT THE COTTONWOOD RECREATION CENTER, 150 S. 6TH STREET, COTTONWOOD, AZ.

- I. CALL TO ORDER
- II. ROLL CALL
- III. PLEDGE OF ALLEGIANCE
- IV. BRIEF SUMMARY OF CURRENT EVENTS BY MAYOR, CITY COUNCIL AND/OR CITY MANAGER -- THE PUBLIC BODY DOES NOT PROPOSE, DISCUSS, DELIBERATE OR TAKE LEGAL ACTION ON ANY MATTER BROUGHT UP DURING THIS SUMMARY UNLESS THE SPECIFIC MATTER IS PROPERLY NOTICED FOR LEGAL ACTION.
- V. INTRODUCTION OF NEW EMPLOYEES--SCOTT ELLIS, PLANNER & KIRSTEN JONES, YOUTH COORDINATOR.
- VI. PROCLAMATIONS

PROCLAIMING THANKS AND RECOGNITION TO THE EMPLOYEES AND PHYSICIANS AT VERDE VALLEY MEDICAL CENTER FOR THEIR ONGOING DEDICATION AND COMMITMENT TO PROVIDING EXCELLENT HEALTHCARE FOR RESIDENTS THROUGHOUT THE VERDE VALLEY.
- VII. CALL TO THE PUBLIC--This portion of the agenda is set aside for the public to address the Council regarding an item that is not listed on the agenda for discussion. However, the Council cannot engage in discussion regarding any item that is not officially listed on the agenda for discussion and/or action (A.R.S. §38-431.02(H).) Comments are limited to a 5 minute time period.
- VIII. APPROVAL OF MINUTES

Work Session of May 14, 2013
Work Session of June 11, 2013
Regular Meeting of June 18, 2013
Budget Work Session of June 19, 2013
Budget Work Session of June 20, 2013
Budget Work Session of June 26, 2013
Regular Meeting of July 2, 2013

Special Meeting of July 9, 2013

Work Session of July 9, 2013

Comments regarding items listed on the agenda are limited to a 5 minute time period per speaker.

- IX. UNFINISHED BUSINESS
- X. CONSENT AGENDA--The following items are considered to be routine and non-controversial by the Council and will be approved by one motion. There will be no separate discussion of these items unless a Council Member or a citizen so requests, in which case the item will be removed from the Consent Agenda and considered in its normal sequence on the Agenda.
 - 1. AWARD OF BID AND CONTRACT FOR THE 10TH STREET RECONSTRUCTION PROJECT TO ALLIANCE STREETWORKS, INC.
- XI. NEW BUSINESS—The following items are for Council discussion, consideration, and possible legal action.
 - 1. PUBLIC HEARING REGARDING THE CITY'S INTENT TO INCREASE WATER & WASTEWATER RATES.
 - 2. ORDINANCE NUMBER 598--AMENDING THE COTTONWOOD MUNICIPAL WATER SYSTEM'S RATES, FEES, AND CHARGES; FIRST READING.
 - 3. ORDINANCE NUMBER 599--AMENDING THE CITY'S WASTEWATER UTILITY'S RATES, CHARGES & FEES; FIRST READING.
 - 4. AWARD OF A JOB ORDER CONTRACT TO KINNEY CONSTRUCTION FOR INSTALLATION OF A RECLAIMED WATER LINE FROM THE MINGUS AVENUE WATER TREATMENT PLANT TO YAVAPAI COLLEGE.
 - 5. BANNING PETS AT THE FARMERS MARKET JAMBOREE EVENT AREA (OLD TOWN ACTIVITY PARK.)
 - 6. SPECIAL EVENT LIQUOR LICENSE APPLICATIONS SUBMITTED BY LANA TOLLESON, APPLICANT FOR THE COTTONWOOD CHAMBER OF COMMERCE, FOR A BUSINESS MIXER TO BE HELD AT HABITAT FOR HUMANITY LOCATED AT 737 SOUTH MAIN STREET ON AUGUST 15, 2013; AND THE RHYTHM & RIBS EVENT TO BE HELD AT THE COTTONWOOD KIDS PARK LOCATED AT 350 SOUTH 12TH STREET, ON OCTOBER 12, 2013.
 - 7. INTERGOVERNMENTAL AGREEMENT WITH THE SEDONA FIRE DISTRICT TO PROVIDE DISPATCHING SERVICES FOR THE COTTONWOOD FIRE DEPARTMENT.

XII. CLAIMS AND ADJUSTMENTS

XIII. DISCUSSION AND POSSIBLE ACTION REGARDING THE CITY MANAGER'S EMPLOYMENT AGREEMENT.

XIV. EXECUTIVE SESSION--UPDATE OF THE ANNUAL REVIEW OF THE CITY MANAGER—PURSUANT TO A.R.S. §38-431.03.(A)(1) DISCUSSION OR CONSIDERATION OF EMPLOYMENT, ASSIGNMENT, APPOINTMENT, PROMOTION, DEMOTION, DISMISSAL, SALARIES, DISCIPLINING OR RESIGNATION OF A PUBLIC OFFICER, APPOINTEE OR EMPLOYEE OF ANY PUBLIC BODY, EXCEPT THAT, WITH THE EXCEPTION OF SALARY DISCUSSIONS, AN OFFICER, APPOINTEE OR EMPLOYEE MAY DEMAND THAT THE DISCUSSION OR CONSIDERATION OCCUR AT A PUBLIC MEETING; THE COUNCIL MAY VOTE TO CONVENE INTO EXECUTIVE SESSION SUBJECT TO THE CITY MANAGER'S RIGHT TO COMPEL THE COUNCIL TO DISCUSS THIS MATTER IN OPEN MEETING.

XV. ADJOURNMENT

Pursuant to A.R.S. 38-431.03.(A) the Council may vote to go into executive session on any agenda item pursuant to A.R.S. 38-431.03.(A)(3) Discussion or consultation for legal advice with the attorney or attorneys of the public body.

The Cottonwood Council Chambers is accessible to the disabled in accordance with Federal "504" and "ADA" laws. Those with needs for special typeface print or hearing devices may request these from the City Clerk (TDD 634-5526.) All requests must be made 24 hours prior to the meeting.

Members of the City Council will attend either in person or by telephone conference call.

Notice is hereby given that pursuant to A.R.S. 1-602.A.9 , subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council are audio and/or video recorded, and, as a result, proceedings in which children are present may be subject to such recording. Parents in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. 1-602.A.9 have been waived.



Proclamation

Whereas, the Cottonwood City Council is always proud to recognize those institutions which contribute to the benefit of their community and ultimately to all the people of the City of Cottonwood; and

Whereas, Verde Valley Medical Center is a community-based hospital providing for the healthcare needs for the Verde Valley for nearly 75 years; and

Whereas, Verde Valley Medical Center has been honored by Healthgrades with the prestigious Patient Safety Excellence Award™ in 2013; and

Whereas, this award places VVMC in the top 5 percent of hospitals nationwide for patient safety and it is the fifth year in a row that Healthgrades has given VVMC the Patient Safety Excellence award; and

Whereas, VVMC was also given a five-star rating for joint replacement for the fifth year in a row.

Now, therefore, I, Diane Joens, Mayor of the City of Cottonwood, do hereby proclaim thanks and recognition to the employees and physicians at Verde Valley Medical Center for their ongoing dedication and commitment to providing excellent healthcare for residents throughout the Verde Valley.

IN WITNESS THEREOF, I have hereunto set my hand and caused to be affixed the Seal of the City of Cottonwood, Arizona, this 6th day of August 2013.

Diane Joens, Mayor

**City of Cottonwood, Arizona
City Council Agenda Communication**



 Print

Meeting Date:	August 6, 2013
Subject:	10 th Street Construction Contract
Department:	Development Services
From:	Morgan Scott, Development Services Manager

REQUESTED ACTION

Consider awarding the 10th Street Improvements Contract to Alliance Streetworks Inc.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

I move to award the 10th Street Improvements Contract to Alliance Streetworks Inc in the amount of \$327,637.

BACKGROUND

The City of Cottonwood received a Community Development Block Grant (CDBG) to reconstruct the portion of 10th Street from Main Street to Mingus Avenue. Originally the project was also intended to reconstruct a portion of Cochise Street, but this portion was dropped when federal funds decreased the amount of the grant. The current plans include bike lanes, vertical curb, gutter and 5 foot wide sidewalks on both sides of the road. Staff and the designer attempted to fit 6 foot wide sidewalks along the road, but this was not possible without substantial utility relocation and Council directed staff to proceed with five foot sidewalks.

The engineer's estimate for this project was \$441,891. Eleven bids were received in response to the city's solicitation and they ranged from the low bid of \$327,637 to the high bid of \$578,733.66. Because of the wide range between the lowest and second lowest bids (approximately \$79,000) the low bidder was contacted to ensure they had not made any miscalculations in their bid. Alliance Streetworks reviewed their bid and informed the city that their bid was correct and they looked forward to the project. References were called on Alliance and they were all favorable and staff also checked with the Registrar of Contractors and determined their license was in good standing.

JUSTIFICATION/BENEFITS/ISSUES

The reconstruction of 10th Street will provide a needed new roadway and sidewalks for pedestrian, particularly young people, to use in the neighborhood.

COST/FUNDING SOURCE

CDBG/General Fund/HURF

ATTACHMENTS:

Name:	Description:	Type:
 Bid Results, 7-19-13.pdf	Bid Results	Cover Memo
 Alliance Streetworks Bid, 7-19-13.pdf	Alliance Streetworks Bid	Cover Memo

City of Cottonwood

SOLICITATION TABULATION

Project Name: 10th Street Improvements (CDBG)

Solicitation Number: 2013-PW-18

Solicitation Opening Date: July 19, 2013 at 2:00 p.m.

Firm Name	Bid Amount?	Addenda (3) Acknowledged?	(3 copies) Contract?	Bid Bond?	Required Forms?
Combs Construction Co	\$ 472,472.00				
Fann Contracting	\$ 503,274.00				
RF Sanders	\$ 565,124.00				
Asphalt Paving & Supply	\$ 446,886.40				
DD Haught Inc	\$ 510,352.15				
Alliance Street Works Inc	\$ 327,637.00				
McDonald Bros Construction	\$ 406,690.25				
Eagle Mountain Construction	\$ 416,230.00				
CJ Excavating and Eagle River Investments	\$ 435,535.54				

REVISED - Unit Price Bid Schedule

NO.	ITEM/DESCRIPTION	QUAN.	UNIT	UNIT COST	EXTENDED AMOUNT
General & Miscellaneous					
1	MOBILIZATION	1	L.S.	2381.00	2381.00
2	TRAFFIC CONTROL	1	L.S.	8739.60	8739.60
3	4' x 8' PROJECT INFORMATION SIGNAGE	2	EA.	116.50	233.00
4	QUALITY CONTROL AND TESTING	1	L.S.	6059.50	6059.50
5	RELOCATE MAILBOXES	1	L.S.	1109.20	1109.20
6	AS-BUILT DRAWINGS	1	L.S.		
				SUB-TOTAL	20,270.30
Grading					
7	SWPPP ITEMS (Per SWPPP Plan)	1	L.S.	3455.30	3455.30
8	CUT	1	L.S.	10,115.30	10,115.30
9	FILL	1	L.S.	230.90	230.90
10	SUBGRADE PREPARATION	5,700	S.Y.	0.50	2850.00
				SUB-TOTAL	16,651.50
Roadway Construction					
11	SAWCUT ASPHALT	300	L.F.	1.10	330.00
12	DEMO CURB & GUTTER	240	L.F.	4.00	960.00
13	DEMO SIDEWALK	877	S.F.	1.10	964.70
14	DEMO ASPHALT	5,100	S.Y.	1.50	7650.00
15	DEMO HEADWALL	1	EA.	173.00	173.00
16	3" AC	5,700	S.Y.	15.00	86070.00
17	6" AB	5,700	S.Y.	5.60	31920.00
18	MAG TYPE A CURB AND GUTTER	2,830	L.F.	12.70	35,941.00
19	CROSSWALK RAMPS	7	EA.	975.00	6825.00
20	5' SIDEWALK W/4" AB	9,300	S.F.	4.10	38130.00
21	DRIVEWAY PANS	6,900	S.F.	5.90	40710.00
22	SIDEWALK TERMINATION RAMP	4	EA.	491.00	1964.00
23	REMOVE AND REPLACE DRIVEWAY AB	20	EA.	252.90	5058.00
24	REMOVE AND REPLACE DRIVEWAY ASPHALT	3	EA.	1330.00	3990.00
25	REMOVE AND REPLACE DRIVEWAY CONCRETE	1	EA.	1354.00	1354.00
				SUB-TOTAL	262,047.60
Drainage					
26	12" CMP	10	L.F.	51.00	510.00
27	12" CMP BAND	1	EA.	29.00	29.00
28	24" CMP	110	L.F.	47.00	5180.00
29	24" CMP BAND	4	EA.	35.00	140.00
30	24" CMP 45 BEND	3	EA.	217.00	651.00
31	CATCHBASINS	2	EA.	2358.00	4716.00
32	HEADWALL	1	EA.	1983.00	1983.00
33	D50=6" RIPRAP	15	C.Y.	38.90	583.50
34	CONCRETE SCUPPER/RAILING/SPILLWAY	1	EA.	3163.00	3163.00
				SUB-TOTAL	16,958.00
Signage and Markings					
35	TURN ARROWS	2	EA.	139.50	279.00
36	12" CROSSWALK STRIPING	340	L.F.	2.00	680.00
37	12" LANE DIVIDER STRIPING	70	L.F.	0.30	21.00
38	4" DOUBLE YELLOW	1,500	L.F.	0.30	450.00
39	18" STOP BAR	70	L.F.	2.30	161.00
40	6" BICYCLE LANE STRIPING	3,000	L.F.	0.20	600.00
41	REMOVE AND RELOCATE SIGNS	5	EA.	291.30	1456.50
42	BICYCLE LANE SIGN	2	EA.	454.50	909.00
				SUB-TOTAL	4557.00
Water					
43	ADJUST VALVE FRAME AND LID	12	EA.	292.00	3504.00
44	PRV ACCESS LID RISER	1	EA.	871.40	871.40

OC

				SUB-TOTAL	
	Sewer				
45	ADJUST MANHOLE FRAME AND LID	7	EA.	395.90	2771.30
				SUB-TOTAL	7152.00

***Unit Cost Note:** Unit cost for each item shall be for final cost of complete and in-place construction including all parts, taxes, labor and equipment.

TOTAL

327,637.90

I. INSTRUCTIONS TO BIDDERS

- A. Project Name. 10th Street Improvements
- B. Project Scope. The Contractor shall furnish all labor, materials, and equipment for the construction of all proposed improvements as shown in the attached approved construction plans and in strict compliance with the project and technical specifications. This project is funded by a federal Community Development Block Grant from the Arizona Department of Housing. Davis Bacon/Federal Labor Standards apply to this project. Please note that a pre-bid meeting will be held at the place, date and time specified in the Invitation to Bid Project. If bidding this project, it is strongly recommended that you attend the pre-bid meeting.
- C. Points of Contact. The following persons may be contacted regarding the technical and administrative questions about this specific project during bidding and construction:

PRIMARY

David Hausaman
City of Cottonwood
1490 W. Mingus Ave
Cottonwood, Arizona 86326
dhausaman@cottonwoodaz.gov
(e-mail only please)

SECONDARY

Morgan Scott
msscott@cottonwoodaz.gov

Primary and Secondary contact shall be carbon copied (CC) on all transactions.

Questions and/or concerns regarding this Invitation to Bid may be filed in writing by e-mail with the City representatives listed above. All requests for information shall be submitted no later than two (2) days prior to the bid due date. Only an interpretation or correction given by the City representative in writing by formal addendum shall be binding, and prospective bidders are advised that no other source is authorized to give information concerning this Project Bid Form herein after (PBF), or to explain or interpret this PBF. No oral interpretation will be given on any part of the PBF documents. All interpretations and supplemental instructions will be in the form of written addenda to this PBF.

D. Pre-Bid

1. Site Visits. Bidders and subcontractors may have access to the project work site immediately adjacent to and within the existing 10th Street right of way. Care should be taken to park well off of the roadway in an area which parking is allowed.
2. Bidders shall study all plans, specifications, work location and conditions, and all bid requirements carefully before bidding this project. Bidder shall be familiar with all contract documents, the proposed work in its entirety, the work site and its locality, all local conditions, laws, ordinances, and regulations, which may in any manner, affect the project costs, project performance and progress and completion of the work. In this procurement and any ensuing contract, City will assume and rely on the assumption that Bidders have informed themselves as set forth above.
3. Communication regarding the completion and submittal of this bid shall be addressed to:

PRIMARY

David Hausaman
City of Cottonwood
1490 W. Mingus Ave
Cottonwood, Arizona 86326

SECONDARY

Morgan Scott
msscott@cottonwoodaz.gov

dhausaman@cottonwoodaz.gov
(e-mail only please)

Primary and Secondary contact shall be carbon copied (CC) on all transactions.

E. Bidding

1. The undersigned Bidder hereby proposes and agrees that if this bid is accepted, to enter into a Formal Agreement with the City of Cottonwood hereinafter known as (City) for the proposed amount or Contract Price and within the Contract Time indicated by these bid documents, and in accordance with all other terms and conditions of the attached Bid and Contract Documents.
2. The Bidder accepts all terms and conditions of the advertisement or Invitation to Bid and of the Instructions to Bid, including those terms and conditions relating to the requirement and disposition of Bid Security. This Bid shall remain subject to acceptance by the City of Cottonwood for a period of no less than 45 days after the scheduled bid opening.
3. A bid bond (or certified check or cashier's check) in the amount of 10% of the Total Bid amount shall be submitted at the time of bid.
4. In submitting this Bid, Bidder represents and certifies that:
 - a. Bidder has fully examined copies of all Bidding Documents, Approved Construction Plans and Specifications, and any issued Addenda.
 - b. Bidder has familiarized itself with the proposed work, worksite conditions, project construction plans and specifications, City of Cottonwood Specifications, local laws, ordinances, and regulations that may affect or change their bid amount with regards to the projects costs, project progress, and their ability to perform or furnish the work.
 - c. Bidder has carefully studied the conditions of the worksite and has determined what equipment will be adequate or necessary for the proposed work such that they may perform and furnish the work at the Contract Price within the Contract Time and in accordance to the terms and conditions of the Contract Documents.
 - d. Bidder has reviewed and checked that no existing underground facilities or utilities or other worksite conditions will interfere with Bidder's ability to perform and furnish the work at the Contract Price within the Contract Time and in accordance to the terms and conditions of the Contract Documents.
 - e. Bidder has given the City of Cottonwood **written** notice of any and all conflicts, errors, or discrepancies that Bidder has discovered within the Contract Documents or Project Construction Plans and Specifications. The City of Cottonwood shall issue a written resolution or numbered Addenda for any changes resulting from this notice. Any questions received less than 2 business days (48 hours) before the Bid opening shall not be answered.
5. The following items and documents are to be attached to this Bid Form for submittal:
 - a. The Formal Agreement completed, signed by the Bidder, and attached.
 - b. The attached Bid Schedule together with Unit Price Bid Schedule completed, signed by the Bidder, and attached.

- c. The Contractor Qualification Sheet and the Subcontractor List completed, signed by the Bidder, and attached.
- d. The LS-2 Form and Certifications signature form completed, signed by the Bidder, and attached.
- e. The Statutory Bid Bond in the amount of 10% of Total Bid price has been secured and is attached. This may be substituted with a Bid Security in the form of a Certified Check or Cashier's Check for the same amount.
- f. The Project Reference sheet is completed, signed, and attached.
- g. The Disclosure of Responsibility Statement and the Non-Collusion Affidavit are completed, signed, notarized and attached.
- h. This Bid Form is completed, signed, and notarized and included with submittal.
- i. The person signing the above documents shall be authorized to sign for and bind the Bidder.

Failure to submit all of these listed items may result in rejection of that BID.

- 6. Any bidder may withdraw their proposal by written request, delivered in person or by e-mail which is actually received by the City prior to the scheduled closing time for receipt of bids. No bid may be withdrawn in any other manner, and the bidder so agrees in submitting their proposal. However, if the City does not enter into a contract with the bidder within 60 days of the scheduled closing time for receipt of proposals, any bidder may thereafter withdraw the portion of their proposal not evidenced by a written contract with the City. This withdrawal must be in writing to be valid.
- 7. If a bidder wishes to use items of equipment and/or materials other than those in the drawings or specifications identified by trade or manufacturer's name, model number, or catalog number, a request for approval shall be submitted to the City of Cottonwood Utilities Engineer herein after (Engineer). The Engineer shall receive such requests at least **seven (7)** working days prior to the date set for opening of bids. Any requests submitted after this time period will not be accepted. Each request shall include all basic data and characteristics and must be clearly legible. The specified item as well as the proposed item shall be presented in such a manner that a direct comparison of the alternative and specified equipment or material can be readily made. It shall be Bidder's burden to fully justify a substitution of equipment or materials. The Engineer shall not be required to perform substantial research or analysis to accomplish the comparison; it shall remain Bidder's burden to provide all of the research, information or other materials necessary for consideration and approval of any requested alternative. It is the bidder's responsibility to submit complete, descriptive and technical information for the Engineer to readily perform a complete and proper appraisal. All requests shall be in writing and addressed to the Engineer. The City shall have the sole discretion whether or not to approve any requested alternative. Any approvals will be issued in writing and transmitted to all bidding plan holders.
- 8. No person, firm, or corporation shall be allowed to make, file, participate in or have an interest in more than one bid for the same work. However, a person, firm, or corporation who has submitted a sub-proposal to a bidder, or who has quoted prices on materials to a bidder, is not disqualified from submitting a sub-proposal or quoting prices to other bidders.
- 9. The award of the contract, if acceptable to the City will be presented to the responsible and qualified bidder submitting the lowest base bid. The City shall determine, at their discretion,

whether a bidder is responsible and qualified to perform the contract, what bid is the lowest, and whether it is in the interest of the City to accept the bid. The contractor shall provide proof of the proper Arizona Contractor's License and will be required to obtain a City of Cottonwood business license.

F. Post-Bid

1. After bid opening, the lowest responsible Bidder herein after (Contractor) shall be required to provide proof of insurance which may be required by all Federal and State Laws, County or City Ordinances, Regulations and Codes, including the following minimum insurance: General Liability coverage in the amount of \$2,000,000 naming the City of Cottonwood as the 2nd beneficiaries, and shall be required to keep said insurance coverage in force for the life of this contract. The City shall have the right to approve the insurance being provided. The Contractor shall provide proof of not only this General Liability, but also Automobile Liability and Workmen's Compensation Insurance equaling that required within the Contract Documents. The City shall have no liability or responsibility in the provision of this required insurance. Insurance shall be secured by the Contractor that meets or exceeds the requirements of the Contract Documents for the life of the contract.
2. The Contractor shall attend a Pre-Construction meeting with City of Cottonwood staff at the Public Works Building at 1490 W Mingus Ave in Cottonwood, Arizona at a time and date approved by the City. At this time the appropriate project schedule required in the Contract Documents shall be presented by the Contractor to the City of Cottonwood Staff.

Submitted on: JULY 19, 2013.

By: [Signature] Title: CHIEF ESTIMATOR
Signature

Printed Name: ROBERT L. ELLS

Company Name: ALLIANCE STREETWORKS INC

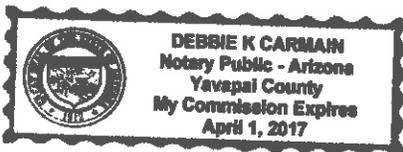
Address: 3905 OLD HIGHWAY 279
CAMP VERDE, AZ 86322

Phone: 928-567-8696 928-567-8692

On this 19th day of JULY, 2013, before me the undersigned notary public did personally appear CAMP VERDE, AZ for CERTIFICATION-ROBERT L. ELLS and executed this forgoing instrument for the purposes herein contained. In witness whereof, I hereby set my hand and official seal.

April 1, 2017
My Commission Expires:

[Signature]
Notary Public



II. BID SUBMISSION AGREEMENT

CITY OF COTTONWOOD,
10TH STREET IMPROVEMENTS
BID AND CONTRACT DOCUMENTS

Date: 7/19/13

Proposal of: ALLIANCE STREETWORKS INC

A corporation duly organized and existing under laws of the State of ARIZONA

A partnership consisting of _____

An individual doing business under the name and style of _____

To:

1. The Undersigned hereby proposes to furnish the materials, labor, construction, equipment, services and transportation required for performing all the work for construction of the **10TH STREET IMPROVEMENTS** above, and to construct the same and install the material within for the City of Cottonwood herein after (City), in a good and workmanlike manner and to the satisfaction of the City strictly in conformity with the Specifications, Plans, Permits, Schedules and pertinent Contract Documents, for a Contract Price of:

THREE HUNDRED TWENTY SEVEN THOUSAND SIX HUNDRED THIRTY SEVEN & NO CENTS dollars (\$ 327,637⁰⁰)

2. The Undersigned agrees to deliver to the City within ten (10) days of issuance of the Notice of Intent to Award, a Performance Bond and a Payment Bond, each equal to one hundred percent (100%) of the Contract amount pursuant to and in compliance with A.R.S. § 34-222, and execute the Contract at that time.

3. Enclosed is Bid Security, equal to ten percent (10%) of the Total Bid Amount, as required by the Instructions to Bid payable to the City in the amount of THIRTY TWO THOUSAND SEVEN HUNDRED SIXTY THREE SEVENTY CENTS dollars (\$ 32763.70) which shall become the property of the City in the event the Contract and Bonds are not executed within the time set forth, as liquidated damages for the delay and additional work caused thereby.

4. The Undersigned agrees, if awarded the Contract that work shall commence on the date designated in the Notice to Proceed and shall be Substantially Complete no later than 90 calendar days together with 30 additional days for final completion items after receipt of Notice to Proceed.

5. The Undersigned agrees that the Base Bid as stated herein includes the cost of insurance bonds, taxes and all other applicable costs required as listed in the General Conditions, or as otherwise required by the Specifications or other Contract Documents.

6. The Undersigned hereby declares that they have visited the site and carefully examined the Contract Documents relating to the work covered by this bid, and has checked carefully all the costs and calculations in this Proposal and understands that the City will not be responsible for any errors or omissions on the part of the Undersigned in making this bid.

7. The Undersigned understands that the City reserves the right to reject any and all bids or any part thereof, or to accept any bid or any part thereof, or to waive any commissions or omissions of an insubstantial

nature in any bid, or to withhold the award for any reason.

8. Non-Collusion Affidavit: The Undersigned certifies that this bid is genuine, and is not in any way collusive or a sham; that the bid is not made with the intent to restrict or prohibit competition; that the firm submitting the bid has not revealed the contents of the bid to, or in any way colluded with, any other firm which may compete for the contract; and that no other firm which may compete for the contract has revealed the contents of a bid to, or in any way colluded with, the firm submitting the bid.

Contractor: ALLIANCE STREETWORKS INC
By: Robert Rell
Title: CHIEF ESTIMATOR
Business Address: 3905 OLD HIGHWAY 279
CAMP VERDE, AZ 86322
Telephone: 928-567-8696 F. 928-567-8692

Bidder shall signify the receipt of all Addenda (if any):

Addenda No. <u>1</u>	Bidder's Initials: <u>RE</u>
Addenda No. <u>2</u>	Bidder's Initials: <u>RE</u>
Addenda No. <u>3</u>	Bidder's Initials: <u>RE</u>
Addenda No. _____	Bidder's Initials: _____

III. Bid Schedule

Proposal of ALLIANCE STREETWORKS INC (herein after called "Bidder"), organized and existing under the laws of the State of Arizona doing business as ALLIANCE STREETWORKS INC¹, to the City of Cottonwood, Arizona (herein after called "City"):

In compliance with your Advertisement for Bids, Bidder hereby proposes to perform all work for the construction of the 10TH STREET IMPROVEMENTS, in strict accordance with the Contract Documents, within the time set forth therein, and at the prices stated below.

By submission of this bid, each Bidder certifies that this bid has been arrived at independently, without consultation, or communication as to any matter relating to this bid with any other Bidder or with any competitor.

Bidder hereby agrees to commence work under this contract on or before a date to be specified in the Notice to Proceed and to fully complete the project within the time specified in the Agreement. If the Bidder neglects, fails or refuses to complete the work within the contract time, or an extension of time granted by the City, the Bidder shall pay the City the sum (Liquidated Damages) specified in the contract documents for a breach of contract for each and every working day that that the Bidder defaults after the time stipulated for completing the work, not as a penalty, but as the cost of additional field and office engineering, inspection, administration, interest, liquidated damages and the lost revenue due to the inoperable facility. Bidder agrees that the amount set forth in the Contract Documents as and for Liquidated Damages is reasonable and just under the circumstances.

The Total Bid shall be a lump sum based upon unit prices. Bid amounts shall include all costs for the required labor, equipment and materials and bid amounts will also include all applicable Federal, State, County, and local taxes, insurance and bond costs, cost for all general conditions, overhead and profit and all other costs related to the project. All bid prices must remain in effect for a period of not less than forty-five (45) days after the scheduled bid opening.

Quantities are not guaranteed. Bidder is responsible for reviewing plans and specifications and calculating their own quantities to be used for the Total Bid Amount. Final payment will be based upon Total Bid. However, if a Change Order is approved by the City pursuant to the Contract Documents, the adjustment unit prices set forth herein shall not be exceeded in determining such increased or decreased quantities unless the change is greater than twenty-five percent (25%) of the Total Bid at which point the unit prices may be renegotiated.

The undersigned Bidder certifies that this bid is made in good faith, without collusion or connection with any other person or persons bidding on the work.

Respectfully Submitted:

Seal (if Bid is by Corporation)

ALLIANCE STREETWORKS INC

Company Name

Robert L. Ellis C.E.

Signature

ROBERT L. ELLIS

Printed Name

3405 OLD HIGHWAY 279

Address

928-567-8696

Phone Number

CAMP VERDE, AZ 86322

City, State Zip

928-567-8692

Facsimile Number

CORPORATION

¹ Insert "a corporation", "a partnership", or "an individual" as applicable.

IV. Contractor's Qualification Sheet

Company Information:

Company Name: ALLIANCE STREETWORKS INC
Business Address: 3905 OLD HIGHWAY 279
CAMP VERDE, AZ
Phone Number: 928-967-8696

Arizona State Contractor's License Classification: A-GENERAL Number: 756751

If Bidder is:

An Individual: Name: _____
DBA: _____
Address: _____
Phone: _____
Signature: _____

A Partnership: Name: _____
DBA: _____
License Classification: _____ Number: _____
Address: _____
Phone: _____
Signature of General Partner: _____

A Corporation: Corporation Name: ALLIANCE STREETWORKS INC
State of Corporation: ARIZONA
License Classification: A-GENERAL Number: 256751
Address: 3905 OLD HWY 279 CAMP VERDE, AZ

CAMP VERDE, AZ 86322

Phone: 922-567-8696

Person Authorized to Sign: ROBERT L. ELLS C.E.

Title: CHIEF ESTIMATOR

Corporate Authorized Signature: [Signature]

A Joint Venture: Name: _____

License Classification: _____ Number: _____

Address: _____

Phone: _____

Signature: _____

Name: _____

License Classification: _____ Number: _____

Address: _____

Phone: _____

Signature: _____

V. Sub-Contractor's List

Sub-Contractor Company Information:

Company Name: SEC INC
Business Address: 825 COUS PARKWAY COTTONWOOD, AZ
Phone Number: 928-340-4216
Type of Work to be performed: STAKING, SURVEY IF NEEDED
Arizona State Contractor's License Classification: _____ Number: _____

Sub-Contractor Company Information:

Company Name: MTI
Business Address: 540 6th ST PRESCOTT, AZ
Phone Number: 928-499-8714
Type of Work to be performed: QUALITY CONTROL TESTING
Arizona State Contractor's License Classification: _____ Number: _____

Sub-Contractor Company Information:

Company Name: _____
Business Address: _____
Phone Number: _____
Type of Work to be performed: _____
Arizona State Contractor's License Classification: _____ Number: _____

GA

VII. Project Reference Sheet

Provide a minimum of **four (4)** past similar projects with complete information.

Project name and description: VERDE VALLEY SCHOOL RD

Project owner and location: YAVAPAI COUNTY PUBLIC WORKS

Dates of Project: 11/12 - 2/13

Total overall cost of Project portion you were responsible for: 800,000⁰⁰

Project owner (or representative) contact information: ARIC STEWART 928-848-0964

Project name and description: DEXTER SIDEWALK

Project owner and location: CITY OF PRESCOTT, AZ

Dates of Project: 3/13 - 5/13

Total overall cost of Project portion you were responsible for: 264,656⁶⁹

Project owner (or representative) contact information: BEN MOKHTARI 928-489-5142

Project name and description: MAREN AVE LOW WATER CROSSING

Project owner and location: YAVAPAI COUNTY PUBLIC WORKS

Dates of Project: 4/13 - 6/13

Total overall cost of Project portion you were responsible for: 274,000⁰⁰

Project owner (or representative) contact information: ARIC STEWART 928-848-0964

Project name and description: NBC GRAND CANYON ROAD

Project owner and location: NBC/UNIVERSAL MEDIA

Dates of Project: 6/13 - 7/13

Total overall cost of Project portion you were responsible for: 236,000⁰⁰

Project owner (or representative) contact information: STEVE FLISLER 646-784-6197

JOBS LIST 2013

Verde Valley School Road Yavapai County-Public Works Dept. 1100 Commerce Drive Prescott, Az 86305 Contract Amount.....\$ 834,048.00	Completed
Dexter SubDivision Sidewalks City of Prescott 433 N. Virginia Street Prescott, Az 86301 Contract Amount..... \$ 264,656.69	Completed
Maren Avenue Low Water Crossing Yavapai County-Public Works Dept. 1100 Commerce Drive Prescott, Az 86305 Contract Amount.....\$ 294,535.50	Completed
NBC-Grand Canyon Job NBC Universal Media 30 Rockefeller Center New York, New York Contract Amount.....\$ 236,000.00	Completed
Thumb Butte Road Pavement Improvements Yavapai County-Public Works Dept. 1100 Commerce Drive Prescott, Az 86305 Contract Amount.....\$ 343,796.50	Started 07/15/2013 Complete Date: 08/22/2013
Maintenance Projects\$ 175,465.00	Ongoing

PREVIOUS JOBS LIST

<u>LOCAL STREET REHAB. PHASE V.</u> <u>FAIRVIEW/MCCARTHUR</u> CITY OF SANTA ANA – PUBLIC WORKS DEPT. 20 Civic Center Plaza Ross Street Annex, M-22 Santa Ana, CA 92701	Job Cost: \$ 2,986,700 Job Cost: \$ 668,152 Contact: Orlando Garcia PH: (714) 647-5049
<u>MEDIAN ISLAND IMPROVEMENTS</u> CITY OF SANTA FE SPRINGS – PUBLIC WORKS DEPT. 11710 Telegraph Road Santa Fe Springs, CA 90670-3679	Job Cost: \$ 352,331 PH: (562) 409-7540
<u>KATELLA AVE</u> CITY OF LOS ALAMITOS – PUBLIC WORKS DEPT. 3191 Katella Avenue Los Alamitos, CA 90720-5600	Job Cost: \$ 183,100 PH: (562) 431-3538
<u>FLORENCE AVE STREETScape IMPROVEMENTS PH. 1</u> <u>TRUCK IMPACT IMPROVEMENTS</u> <u>SAN GABRIEL RIVER BIKE TRAIL</u> COUNTY OF LOS ANGELES Construction Division 900 S. Fremont Ave. Alhambra, CA 91803	Job Cost: \$ 3,061,955 Job Cost: \$ 5,674,435 Job Cost: \$ 407,357 Contact: Jose Pou PH: (626) 458-2191
<u>PO No. 2558 – STREET IMPROVEMENTS</u> CITY OF ORANGE – PUBLIC WORKS DEPT. 999 Town and Country Road Orange, CA 92868	Job Cost: \$ 492,884 PH: (714) 532-6480
<u>ALLEY IMPROVEMENTS</u> CITY OF BELL GARDENS – PUBLIC WORKS DEPT. 8327 South Garfield Avenue Bell Gardens, CA 90201	Job Cost: \$ 273,698 PH: (562) 806-7770
<u>EL TORO ROAD</u> CITY OF LAKE FOREST – PUBLIC WORKS DEPT. 25550 Commercecentre Drive, Ste 100 Lake Forest, CA 92630	Job Cost: \$ 364,438 (949) 461-3480
<u>BIRCH STREET AT ASSOCIATE</u> CITY OF BREA - PUBLIC WORKS DEPT 1 Civic Center Circle Brea, CA 92821-5732	Job Cost: \$ 489,123 Contact: Brian Ingallinera PH: (714) 671-4450

AVERAGE Annual per year \$ 7,000,000.00 - CONSTRUCTION WORK

VI. STATUTORY BID BOND

Bond No. ALLST-32

PURSUANT TO TITLE 34, CHAPTER 2, ARTICLE 1
OF THE ARIZONA REVISED STATUTES
(Penalty of this Bond must not be less than 10% of the Total Bid amount)

KNOW ALL MEN BY THESE PRESENTS:

That, Alliance Streetworks, Inc. (hereinafter "Principal"), and North American Specialty Insurance Company, (hereinafter "Surety"), a corporation organized and existing under the laws of the State of New Hampshire, with its principal offices in the City of Manchester, are held and firmly bound unto the City of Cottonwood (hereinafter "Obligee"), in the amount of Ten Percent of Amount Bid dollars (\$10% of Amount Bid), for the payment whereof, the said Principal and Surety bind themselves, and their heirs, administrators, executors, successors and assigns, jointly and severally, finally by these presents.

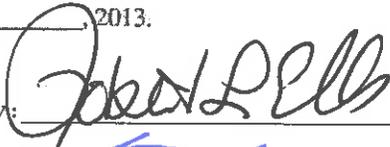
WHEREAS, the Principal has submitted a bid for:

10TH STREET IMPROVEMENTS

NOW THEREFORE, if the Obligee shall accept the proposal of the Principal and the Principal shall enter into a contract with the Obligee in accordance with the terms of the proposal and give bonds and certificates of insurance as specified in the standard specifications with good and sufficient surety for the faithful performance of the contract and for the prompt payment of labor and materials furnished in the prosecution of the contract, or in the event of the failure of the Principal to enter into the contract and give the bonds and certificates of insurance, if the Principal pays to the Obligee the difference not to exceed the penalty of the bond between the amount specified in the proposal and such larger amount for which the Obligee may in good faith contract with another party to perform the work covered by the proposal then this obligation is void. Otherwise, it remains in full force and effect provided, however, that this bond is executed pursuant to the provisions of Section 34-201 *et seq.* and specifically 34-222, Arizona Revised Statutes, and all liabilities on this bond shall be determined in accordance with the provisions of the section to the extent as if it were copied at length herein.

Witness our hands this 15th day of July, 2013.

Alliance Streetworks, Inc.
Principal Seal

By: 

North American Specialty Insurance Company
Surety Seal

By: 
Arturo Ayala, Attorney-in-Fact

Commercial Surety Bond Agency
Agency of Record

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

County of Orange

On 7/15/13 before me, Karen L. Ritto, Notary Public
Date Here Insert Name and Title of the Officer

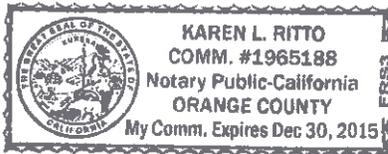
personally appeared Arturo Ayala
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Signature [Handwritten Signature]
Signature of Notary Public Karen L. Ritto



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Bid Bond

Document Date: 7/15/13 Number of Pages: One

Signer(s) Other Than Named Above: None

Capacity(ies) Claimed by Signer(s)

Signer's Name: Arturo Ayala

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

NAS SURETY GROUP

Bond No. ALLST-32

NORTH AMERICAN SPECIALTY INSURANCE COMPANY
WASHINGTON INTERNATIONAL INSURANCE COMPANY

GENERAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT North American Specialty Insurance Company, a corporation duly organized and existing under laws of the State of New Hampshire, and having its principal office in the City of Manchester, New Hampshire, and Washington International Insurance Company, a corporation organized and existing under the laws of the State of New Hampshire and having its principal office in the City of Schaumburg, Illinois, each does hereby make, constitute and appoint:

DANIEL HUCKABAY, ARTURO AYALA,
and DWIGHT REILLY

JOINTLY OR SEVERALLY

Its true and lawful Attorney(s)-in-Fact, to make, execute, seal and deliver, for and on its behalf and as its act and deed, bonds or other writings obligatory in the nature of a bond on behalf of each of said Companies, as surety, on contracts of suretyship as are or may be required or permitted by law, regulation, contract or otherwise, provided that no bond or undertaking or contract or suretyship executed under this authority shall exceed the amount of:

FIFTY MILLION (\$50,000,000.00) DOLLARS

This Power of Attorney is granted and is signed by facsimile under and by the authority of the following Resolutions adopted by the Boards of Directors of both North American Specialty Insurance Company and Washington International Insurance Company at meetings duly called and held on the 9th of May, 2012:

RESOLVED, that any two of the Presidents, any Managing Director, any Senior Vice President, any Vice President, any Assistant Vice President, the Secretary or any Assistant Secretary be, and each or any of them hereby is authorized to execute a Power of Attorney qualifying the attorney named in the given Power of Attorney to execute on behalf of the Company bonds, undertakings and all contracts of surety, and that each or any of them hereby is authorized to attest to the execution of any such Power of Attorney and to attach therein the seal of the Company; and it is

FURTHER RESOLVED, that the signature of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be binding upon the Company when so affixed and in the future with regard to any bond, undertaking or contract of surety to which it is attached.



By [Signature]
Steven P. Anderson, Senior Vice President of Washington International Insurance Company
& Senior Vice President of North American Specialty Insurance Company



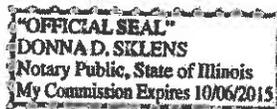
By [Signature]
David M. Layman, Vice President of Washington International Insurance Company
& Vice President of North American Specialty Insurance Company

IN WITNESS WHEREOF, North American Specialty Insurance Company and Washington International Insurance Company have caused their official seals to be hereunto affixed, and these presents to be signed by their authorized officers this 20th day of June, 2012.

North American Specialty Insurance Company
Washington International Insurance Company

State of Illinois
County of Cook ss:

On this 20th day of June, 2012, before me, a Notary Public personally appeared Steven P. Anderson, Senior Vice President of Washington International Insurance Company and Senior Vice President of North American Specialty Insurance Company and David M. Layman, Vice President of Washington International Insurance Company and Vice President of North American Specialty Insurance Company, personally known to me, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as officers of and acknowledged said instrument to be the voluntary act and deed of their respective companies.



[Signature]
Donna D. Sklens, Notary Public

I, Jeffrey Goldberg, the duly elected Assistant Secretary of North American Specialty Insurance Company and Washington International Insurance Company, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney given by said North American Specialty Insurance Company and Washington International Insurance Company, which is still in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the seals of the Companies this 15th day of July, 2013.

[Signature]
Jeffrey Goldberg, Vice President & Assistant Secretary of
Washington International Insurance Company & North American Specialty Insurance Company

VIII. NON COLLUSION AFFIDAVIT

STATE OF: ARIZONA)
) ss
CITY OF: CAMP VERDE)

ALLIANCE STREETWORKS INC | ROBERT L. ELLS
(Name of Company, Representative)

being first duly sworn, deposes and says:

That she/he is CHIEF ESTIMATOR of ALLIANCE STREETWORKS INC
(Title) (Name of Company)
and

That pursuant to Section 112 (C) of Title 23 USC or other applicable laws, he/she certifies as follows:

That neither he/she nor anyone associated with the said

ALLIANCE STREETWORKS INC
(Name of Company)

has, directly or indirectly entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding for the bid for the:

10TH STREET IMPROVEMENTS

This bid is genuine and not made in the interest of or on behalf of any undisclosed firm or corporations and is not submitted to conform to any agreement or rules of any group, association, organization or corporation. Bidder has not submitted a false bid or solicited whether directly or indirectly with any other Bidder to submit a false bid which would give one particular bid any advantage over others or the owner.

By: Robert L. Ells C.E.
(Signature of Individual/Representative)

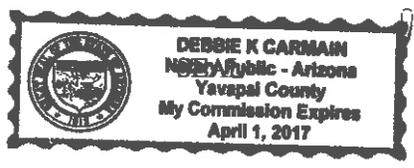
STATE OF: ARIZONA)
) ss.
COUNTY OF: YAVAPAI)

On this the 19th day of JULY, 20 13, before me, the undersigned NOTARY PUBLIC, personally appeared ROBERT L. ELLS, who acknowledged to me that they executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Debbie K. Carman
NOTARY PUBLIC

My Commission Expires: April 1, 2017



IX. DISCLOSURE OF RESPONSIBILITY STATEMENT

- A. List any convictions of any person, subsidiary, or affiliate of the company, arising out of obtaining, or attempting to obtain a public or private contract or subcontract, or in the performance of such contract or subcontract. 0-
- B. List any convictions of any person, subsidiary, or affiliate of this company for offenses such as embezzlement, theft, fraudulent schemes, etc. or any other offenses indicating a lack of business integrity or business honesty, which affects the responsibility of the contractor. -0-
- C. List any convictions or civil judgments under state or federal antitrust statutes. -0-
- D. List any violations of contract provisions such as failing to perform (without good cause), or unsatisfactory performance, in accordance with the specifications of a contract. -0-
- E. List any prior suspensions or debarments by any governmental agency. -0-
- F. List any contracts not completed on time. -0-
- G. List any penalties imposed for time delays and/or quality of materials and workmanship. -0-
- H. List any documented violations of federal or state labor laws, regulations, or standards, occupational safety and health rules. 0-

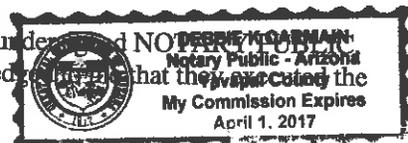
I, ROBERT L. ELLS, as CHIEF ESTIMATOR
 Name of individual Title & Authority
 of ALLIANCE STREETWORKS INC., declare under oath that the above statements,
 Company Name

including any supplemental responses attached hereto, are true.

By: [Signature]
 (Signature of Individual/Representative)

STATE OF: ARIZONA)
) ss.
 COUNTY OF: YAVAPAI)

On this the 19th day of JULY, 2013, before me, the undersigned NOTARY PUBLIC,
 personally appeared ROBERT L. ELLS, who acknowledged that they executed the
 foregoing instrument for the purposes therein contained.



IN WITNESS WHEREOF I hereunto set my hand and official seal.

Notary Public: [Signature]

SEAL
 My Commission Expires: April 1, 2017

Grantee: City of Cottonwood CDBG Contract No: 115-12
Activity No: 2 Activity Name: 10th Street improvements

**LS-2 CDBG CONTRACTOR'S CERTIFICATION
CONCERNING LABOR STANDARDS AND PREVAILING WAGE REQUIREMENTS**

1. I, the undersigned, am submitting a bid to (name of grantee): CITY OF COTTONWOOD
for the construction of the (name of project): 10th ST IMPROVEMENTS
and hereby acknowledge that the following items are included in the bid and will also be incorporated by reference into the contract, should I be selected as the contractor for the project.
- a. Labor Standards Provisions (HUD 4010)
b. Wage Decision # A213008 Modification # A220/20013 Bid Open Date 7/19/13 and that
c. the correction of any infractions of the aforesaid conditions, including infractions by any of my subcontractors and any lower tier subcontractors, is my responsibility.
2. I hereby certify that:
- a. To the best of my knowledge, neither I nor any firm, partnership or association in which I have a substantial interest is designated as an ineligible contractor by the Comptroller General of the United States pursuant to Section 5.6(b) of the Regulations of the Secretary of Labor, Part 5 (29 CFR, Part 5) or pursuant to Section 3(a) of the Davis-Bacon Act, as amended [40 U.S.C. 276a-2(a)].
- b. No part of the aforementioned contract is or will be subcontracted to any subcontractor, if such subcontractor or firm, corporation, partnership or association in which such sub-contractor has a substantial interest is, to the best of my knowledge, designated as an ineligible contractor pursuant to any of the aforementioned regulatory or statutory provisions.
3. I agree to obtain and forward to the aforementioned grantee, a Subcontractor's Certification Concerning Labor Standards and Prevailing Wage Requirements executed by each and every subcontractor, preferably prior to or where circumstances do not allow within ten days after the execution of any subcontract, including those executed by his/her subcontractors and any lower tier subcontractors.
4. I hereby acknowledge that I am aware that should I sign a subcontract with a subcontractor or should that subcontractor sign a contract with a lower tiered subcontractor who is found to be ineligible to receive federal funds, I shall subtract such costs from the amount I will bill the grantee.

5. Further, I certify that:

a. The demographic and business information of the undersigned are:

Contractor Information										
Amount of Contract	Type of Trade Code*	Racial Code*	Hispanic Y/N	Women Owned	IRS Tax ID # (AND) DUNS # (Required)	Section 3 (Y/N)	Construction Firm Name, Address, City, State, Zip	Legal	Firm	Legal AZ License No.
\$ 327,637 ⁰⁰	1	11	N	N	124741161	N	ALLIANCE STREET- -WORKS INC 3905 OLD HWY 299 CAMP VERDE, AZ			256'51

*See Demographic and Trade Code table below for information

86322

Demographic and Trade Codes	
Race	Type of Trade Code
11 - White	1- New Construction
12 - African American	2 - Substantial Rehab
13 - Asian	3 - Repair
14 - American Indian or Alaskan Native	4 - Service
15 - Native Hawaiian or other Pacific Islander	5- Project Management
16- American Indian or Alaskan Native and White	6 - Professional
17- Asian and White	7 - Tenant Services
18- African American and White	8 - Education Training
19 - American Indian or Alaskan Native and White	9 - Architecture/Engr.
20 - Other Multi-racial	10 - Other

b. The undersigned is:

- a sole proprietorship;
 a partnership;
 a corporation organized in the State of ARIZONA; or
 another organization (describe) _____

c. The name, title and address of the owners, partners or officers of the undersigned are (please list any other legal names/doing business as (dba):

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
RONALD P. Gardner	PRESIDENT	56 Clay Park Way MUNDS PARK, AZ 86017

AGREEMENT

10th STREET IMPROVEMENTS PROJECT MINGUS AVENUE TO MAIN STREET CONSTRUCTION CONTRACT

THIS AGREEMENT, made and entered into this 19 day of JULY, 2013, by and between the City of Cottonwood, Arizona, hereinafter designated as the Owner, and the General Contractor, ALLIANCE STREETWORKS LLC, hereinafter designated as the Contractor, referred to collectively as the Parties.

WITNESSETH: That Contractor, for and in consideration of the sum to be paid him by Owner, in the manner and at the time hereinafter provided, other covenants and agreements herein contained, and under the penalties expressed in the bonds provided, hereby agrees, for itself, heirs, executors, administrators, successors, and assigns as follows:

ARTICLE I - SCOPE OF WORK: Contractor shall furnish any and all labor, materials, equipment, transportation, utilities, services, and facilities required to perform all Work for the construction of the **10th STREET IMPROVEMENTS PROJECT MINGUS AVENUE TO MAIN STREET** (hereinafter Work), and to timely completely and totally accomplish the same, in a good, workmanlike and substantial manner and to the satisfaction of the Owner, through its Engineer, and strictly pursuant to and in compliance with the Contract Documents, all specifications and with such modifications as established pursuant to the Contract Documents.

ARTICLE II - CONTRACT DOCUMENTS: The Contract Documents consist of 1) all Modifications issued after execution of this Agreement; 2) this Agreement; 3) the Conditions of the Contract (General, Supplementary, Miscellaneous Provisions, and other conditions); 4) Plans, Specifications, Proposal ; 5) all Addenda, if any, issued prior to; 6) the Invitation for Bids; 7) the Bid Submission Agreement; 8) the Contractor's Bid Schedule; and 9) other bid documents. These form the Contract, and all are as fully a part of the Contract as if attached hereto or repeated herein and shall control in the order listed.

ARTICLE III - PERMITS AND LICENSES: Owner will, with Contractor's assistance, obtain all required permits, except for ADOT Right-of-way permits @ ADEQ Storm Water Pollution Prevent Plans (SWPPP) Permits and corresponding Notice of Intent (NOI) which are the responsibility of Contractor.

ARTICLE IV - CONTRACT AMOUNT AND PROGRESS PAYMENTS: For and in consideration of the faithful performance of the Work herein embraced, as set forth in the Contract Documents, which are a part hereof, Owner agrees to pay Contractor 327,637.00 computed from actual quantities of Work performed and accepted or materials furnished at the bid price on the Proposal made a part hereof and pursuant to this Agreement and attached General Conditions.

Progress payments, retention and all other payment considerations shall be as set forth in the General Conditions attached hereto and made a part hereof.

ARTICLE V - FINAL PAYMENT: Final payment, constituting the entire unpaid balance of the Contract Sum, less such amounts as the Engineer shall determine for all incomplete work and unsettled claims as provided in the Contract Documents shall be paid by Owner to Contractor as set forth in and pursuant to the General Conditions.

ARTICLE VI - TERMINATION OF CONTRACT: Termination of this Agreement shall only occur as set forth in the General Conditions.

ARTICLE VII - MISCELLANEOUS PROVISIONS:

- A. **Non-discrimination:** Contractor agrees that he will not discriminate in any manner because of race, color, handicap, religion, sex, or national origin, and to abide by all Federal and State laws regarding non-discrimination.

- B. Contractor's Forces:** Contractor shall at all times enforce strict discipline and good order among his employees and shall not employ on the Work any unfit person or anyone not skilled in the task assigned to him. When requested in writing by Owner, Contractor shall remove from the Project any person who commits trespass or is, in the opinion of Owner, disorderly, dangerous, insubordinate, incompetent, or otherwise objectionable. If the Engineer requests such a removal, he shall notify Owner in writing of his action. Contractor shall hold Owner and Engineer harmless from damages or claim for compensation that may occur in the enforcement of this requirements.
- C. Indemnification:** Contractor shall indemnify, defend, and hold harmless Owner, its officers, agents, and employees, from any and all claims, demands, suits, actions, proceedings, loss, cost, and damages of every kind and description, including any reasonable attorney's fees and/or litigation expenses, which may be brought or made against or incurred by Owner on account of loss of or damage to any property, or for injuries to or death of any person caused by, arising out of, or contributed to, in part, by reasons of any act, omission, professional error, fault, mistake, or negligence of Contractor, its employees, agents, representatives, or subcontractors, their employees, agents or representatives in connection with or incidental to the performance of this agreement, or arising out of Worker's Compensation claims, unemployment compensation claims, or unemployment disability compensation claims of employees of Contractor and/or its subcontractors, or claims under similar such laws or obligations and as set forth in the General Conditions.
- D.** This Agreement shall be performed by the parties in strict compliance with the General Conditions which are attached hereto and made a part hereof.
- E. TIME OF COMPLETION AND LIQUIDATED DAMAGES:** The bidder must agree to commence work on or before the date specified in a written "Notice to Proceed" from the Owner, and to substantially complete the work within one hundred twenty (90) calendar days of the date of the Notice to Proceed, and thirty (30) additional days for the final completion following the date established as Substantial Completion, or as may be otherwise agreed by the Parties in writing.

Contractor further agrees to pay as liquidated damages the sum of one thousand dollars (\$1,000.00) for each consecutive calendar day thereafter, for either Substantial Completion or Final Completion, plus any additional costs incurred by the Owner due to the delay. The Contractor agrees that actual damages would be difficult or impossible to calculate and the above liquidated damage amount is entirely reasonable under the circumstances.

- F.** In accordance with A.R.S. § 35-397, Contractor hereby certifies that Contractor does not have scrutinized business operations in Iran or Sudan.
- G.** By entering the contract, Contractor warrants compliance with ARS subsection 41-4401, ARS subsection 23-214, the Federal Immigration and Nationality Act (FINA), and all other federal immigration laws and regulations. The Contractor shall obtain statements from its Subcontractors certifying compliance with the foregoing requirements and shall furnish the statements to Owner upon request. These warranties shall remain in effect through the term of the contract.

Contractor and its Subcontractors shall also maintain employment eligibility verification forms (I-9) as required by the U.S. Department of Labor's Immigration and Control Act, for all employees performing work under this contract. I-9 Forms are available for download at USCIS.GOV.

Contractor also warrants and certifies by execution of this contract that Contractor and all Subcontractors have or shall, prior to construction, comply and maintain compliance with FINA and A.R.S. § 41-4401 and 23-214 which require compliance with federal immigration laws by State employers, State contractors and State subcontractors in accordance with the E-Verify Employee Eligibility Verification Program.

The Contractor acknowledges that a breach of this warranty by Contractor or by any subcontractor or sub-subcontractor under this Contract shall be deemed a material breach of this Contract, and is grounds for penalties, including termination of this Contract, by the City. The City retains the legal right to inspect the papers of any Contractor, subcontractor and sub-subcontractor employee who performs work under this Contract, and to

conduct random verification of the employment records of the Contractor and each subcontractor and sub-subcontractor who works on this Contract, to ensure that the Contractor and each subcontractor and sub-subcontractor is complying with the warranties set forth above.

Any breach or violation of this warranty shall vest the Owner with the right to annul this Contract without liability.

IN WITNESS THEREOF, three (3) identical counterparts of this Contract, each of which shall for all purposes be deemed an original thereof, have been duly executed by the parties herein above named on the date and year first above written.

Contractor agrees that this Contract, as awarded, is for the stated work and understands that payment of the work will be made on the basis of the indicated amount(s), as bid in the Proposal.

ALLIANCE STREETWORKS INC
Contractor
BY: Robert Ellis C.E.
Name and Title
DATE: 7/19/13

ATTEST:

Steph K. Carma

CORPORATE SEAL

WITNESS: If Contractor is an Individual

THIS CONTRACT AWARDED BY CITY OF COTTONWOOD THIS _____ DAY OF _____, 2013.

Diane Joens, Mayor

Attest: Marianne Jimenez, City Clerk

APPROVED AS TO FORM:

Steve Horton, City Attorney

City of Cottonwood, Arizona City Council Agenda Communication



 Print

Meeting Date:	August 6, 2013
Subject:	Public Hearing on the City of Cottonwood's Notice of Intent to Increase Water & Wastewater Rates
Department:	Administrative Services
From:	Jesus R. Rodriguez, C.G.F.M. Administrative Service General Manager

REQUESTED ACTION

Staff requests that the City Council open the floor to public comments on the Notice of Intent to Increase Water & Wastewater Rates after a brief overview presentation by the Administrative Services General Manager, Jesus R. Rodriguez.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

None required. Public hearing only.

BACKGROUND

There have been numerous meetings involving staff, General Managers, the City Manager, Cottonwood citizens, Council members, the City's financial & bond adviser, and at times county representatives. The rate committee was formed to look at data including capital projects, operational costs and revenue sources, as well as demographic information and assist in making a determination on where to set rates and any changes that need to be made to the rate structures.

One of the most difficult decisions made was the determination that there should be variable rates between inside and outside the City limits. The factors involved in this determination are listed below:

- The distances are far greater when servicing lines as well as pumps and other equipment outside the corporate limits.
- The terrain in much of the Verde Villages is very different than that inside the City limits which makes repairs more costly.
- The Cottonwood Municipal Water Utility is a public utility owned by the citizens of Cottonwood. When the Utility borrows money for infrastructure, whether inside or outside the City limits, the citizens of Cottonwood bear the risk of the new debt and

infrastructure.

- Inside the City, about 70% of the distribution system is fed by gravity versus booster pump. This means that the electrical cost to provide water within the City limits is significantly less per account because the only electrical cost is for the well pumpage into the gravity system. The Verde Village system and Verde Santa Fe (VSF) are 100% pressure distribution systems thus requiring a substantial amount of electricity to operate.
- Approximately 60% of the leaks that the City repairs are in the County (mainly the Villages since VSF is a relatively new system) and Staff has to deal with three 7200 volt direct bury APS electrical lines that are joint trenched with the water lines whenever they dig there.
- The meters in the Villages are primarily in small overgrown backyard easements which makes meter reading significantly more labor intensive.
- There are more small wells (14) outside the City limits as opposed to larger wells inside the City limits (7); all require daily monitoring and regular maintenance regardless of size.
- There are thirteen arsenic systems outside the limits as opposed to seven arsenic systems inside the corporate boundaries. Each of these systems require regular maintenance regardless of the size of the well.
- The leak repair figures outside the City limits used to be higher until the City invested in new pumps and variable speed controllers in the Villages. This has reduced the pressure variations, associated water hammer, and reducing the amount of leaks.
- The City purchased the Quail Canyon Water system exclusively to service Verde Village #6 & #7 at a cost of \$889,107.00.
- The Quail Canyon system will cost the City over \$200,000.00 to run the lines, including pumps and other equipment to VV #6 & #7.

The Council also had a 3 hour long workshop on June 7, 2013 to discuss the findings of the Water and Wastewater Rate Study. No public opposition to the proposed new rates was expressed at that time.

The consensus at that meeting was that there was a valid and significant need to increase rates, fees and charges for both the Water and Wastewater utilities. There was also a consensus that the differential rate structure was appropriate. Council directed staff to draft and publish the required Notice of Intent to Increase Water and Wastewater Rates, which the Council adopted on June 18, 2013.

The City has made every effort to be as transparent as possible on this matter, including sending notices to each water customer throughout the entire utility as well as advertising it in the local newspaper and posting on the City's Website and Facebook page.

State law provides that following the public hearing, the Council may adopt, by ordinance or resolution, the increased rates, fees and charges proposed in the Notice of Intent or any lesser increases. Accordingly, Staff is requesting that Council provide any recommended modifications to the ordinances (598 and 599) that are scheduled for a first reading immediately following the public hearing, and second reading/final adoption on August 20, 2013.

JUSTIFICATION/BENEFITS/ISSUES

There is a compelling need to increase the City's water and wastewater utility rates to a level that allows the City to continue provide safe drinking water throughout the system; to comply with the requirements of the City's outstanding water system revenue bonds; and to operate and maintain the City's wastewater treatment system.

COST/FUNDING SOURCE

ATTACHMENTS:

Name:	Description:	Type:
 Notice of Intent to Increase 2014 - _FINAL.pdf	Notice of Intent to Increase	Exhibit

Notice of Intent to Increase Water and Wastewater Rates

Pursuant to A.R.S. 9-511.01, notice is hereby given that the Cottonwood City Council will consider increasing water and wastewater rates, fees and charges as set forth below beginning October 1, 2013. The terms “inside” and “outside” are used in reference to the corporate limits of the City.

The City Council will hold a public hearing on the proposed increases at its regular meeting on Tuesday, August 6, 2013, at 5:00 p.m. in the Cottonwood Recreation Center, 150 South 6th Street, Cottonwood, Arizona. The Council will also accept public comment on the proposed increases at its meeting on August 20, 2013 at 6:00 p.m. in the City Council Chambers, 826 North Main Street, Cottonwood, Arizona.

A written report supporting the increased rates, fees, and charges will be filed with the City Clerk at least 30 days prior to the public hearing.

Citizens are also welcome to provide written comments regarding the proposed increases. These comments may be sent to:

Lisa Elliott
 816 North Main Street
 Cottonwood, Arizona 86326
 Email – lelliott@cottonwoodaz.gov

PROPOSED WATER RATES:

Base Charge	CURRENT RATES	Base Charge	PROPOSED NEW RATES	
			INSIDE	OUTSIDE
5/8"	\$18.36	5/8"	\$23.36	\$30.37
1"	\$30.24	1"	\$37.80	\$49.14
1 1/2"	\$61.56	1 1/2"	\$76.95	\$100.04
2"	\$97.20	2"	\$121.50	\$157.95
3"	\$194.40	3"	\$243.00	\$315.90
4"	\$302.40	4"	\$378.00	\$491.40
6"	\$615.60	6"	\$769.50	\$1,000.35
<u>Volume Charge (per 1,000 gal)</u>				
0 – 1,000	\$0.00	0 – 1,000	\$0.00	\$0.00
1,001 – 4,000	\$2.90	1,001 – 5,000	\$2.90	\$3.77
4,001 - 10, 000	\$3.19	5,001 - 10, 000	\$3.99	\$5.19
10,001 – 20,000	\$4.55	10,001 – 15,000	\$5.69	\$7.40
20,000 +	\$6.48	15,000 +	\$8.10	\$10.53
<u>Water Resource Development Fee</u>				
Water Resource Development	\$4.32	Water Resource Development	\$4.32	\$4.32
Water Source Assurance	\$0.35	Water Source Assurance	\$0.35	\$0.35
Gila River Adjudication	\$0.44	Gila River Adjudication	\$0.44	\$0.44
Water Conservation	\$0.27	Water Conservation	\$0.27	\$0.27
Total Development Fee	\$5.38	Total Development Fee	\$5.38	\$5.38

PROPOSED - OTHER WATER FEE CHARGES:

Water Meter Charge:

Water Meter Size (inches)	Current Charge	Proposed New Charge
5/8"	\$275	\$400
1"	\$400	\$475
1 1/2"	\$850	\$970
2"	\$1,150	\$1,250
3"	\$1,700	\$2,000
4"	\$2,500	\$3,000
6"	\$4,850	\$6,000
8"	\$9,400	\$12,000

Account Fees:

Deposits:

	Deposit Amount ¹		
	Current Fee	Proposed New Fee - Owner	Proposed New Fee - Tenant
5/8"	\$100	\$100	\$125
1"	\$125	\$125	\$150
1 1/2"	\$150	\$150	\$200
2"	\$200	\$200	\$300
3"	\$300	\$300	\$500
4"	\$350	\$350	\$650
6"	\$400	\$400	\$800
8"	\$600	\$600	\$1,000

1 - If an account is turned off for non-pay, there will be an additional \$25.00 deposit charge per occurrence.

Water Service Establishment Fees

Current Fee	Proposed New Fee - Inside	Proposed New Fee - Outside
\$25	\$35	\$45

Emergency and Construction Turn-On/Turn Off

	Current Charge	Proposed New Charge - Inside	Proposed New Charge - Outside
Regular Business Hours	\$25	\$35	\$45
Non-Business Hours	\$75	\$95	\$105

Non-metered Fire Sprinkler Line Monthly Standby Fee

Line Size	Current Fee	Proposed New Fee
4" line	\$20	\$25
6" line	\$35	\$40
8" line	\$50	\$60

Reconnections (Per Disconnection For Non-Payment)

Current Charge	Proposed New Charge - Inside	Proposed New Charge - Outside
\$25	\$35	\$45

Meter Re-Reading/Test

Determined by cost of test and shipping

Account Delinquencies

	Current Charge	Proposed New Charge
On 11th day past-due	\$5	\$10
Subsequent past-due (per month)	0.833% mo.	

PROPOSED WASTEWATER RATES:

Current Rates	Proposed New Rates
Administrative Rate	\$3.75 \$6.60
Depreciation Rate (per 1,000)	0.35 5.95
O&M Rate (per 1,000)	12.65 13.70
DS Rate	0.00 0.00
 Total Monthly Residential Rate	 \$16.75 <u>\$26.25</u>

**City of Cottonwood, Arizona
City Council Agenda Communication**



 Print

Meeting Date:	August 6, 2013
Subject:	Ordinance Number 598 - Amending Water Rates, Charges, and Fees
Department:	Administrative Services
From:	Jesus R. Rodriguez, C.G.F.M. Administrative Service General Manager

REQUESTED ACTION

First Reading of Ordinance Number 598 - Amending Water Rates, Charges, and Fees as presented.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

N/A--First reading only.

BACKGROUND

A rate committee consisting of a couple of local residents, utility personnel, management staff, our financial adviser, Council Member Pratt, Mayor Joens, and an occasional county representative has been meeting over the past several months. The committee was formed to review the operational, capital and financial needs of both the water and wastewater utilities. This group has been instrumental in moving the rate setting process forward to this point.

The last time the City adjusted its water rates was October 2010 after going six years without an adjustment. It is important to note that the original rate study at the time of acquisition of the first three water companies back in 2004 contemplated annual increases.

The City acquired the fourth and largest of the systems, Cottonwood Water Works, in 2007. It was recognized at that time that the City would need to raise the rates in order to cover the debt service on the acquisition (which was funded through the issuance of revenue bonds); improve, maintain and operate the system; increase fire flows in areas of the system where they were unacceptably low; and comply with the new arsenic standards promulgated by the Environmental Protection Agency under the Clean Water Act. The City, however, did not increase those rates until 2010, which created a financial strain on the system that continues to this day.

The delays in adjusting the rates were due to the difficult economy, and the Council's concern for increasing rates on our citizens during hard times. Consequently, the City has found itself in violation of its bond covenants which provide that the City would maintain rates at a level which would provide a minimum of 1.35 times annual debt service after operational and maintenance expenses. This violation has prompted all three major bond rating agencies to downgrade the City's bonds.

Moreover, on June 7, 2013, Syncora Guarantee, the insurer of our bonds issued a Letter of Non-compliance to the City and the Bond Trustee, The Bank of New York Trust Company. That prompted the BYN Trust Co. to issue a separate Letter of Non-compliance on June 25, 2013.

The City has responded to each and every request by these entities and we have been as transparent as possible with them, however, the only real solution to this problem (and the only way to avoid potential litigation against the City to compel an increase in rates, which the bond trustee is entitled to initiate) is to raise the rates.

A second reading and proposed final adoption of this Ordinance is scheduled for August 20, 2013, at 6:00 p.m. Though not a formal public hearing, public comments will be accepted at that time as well prior to the Council's vote on adopting the Ordinance.

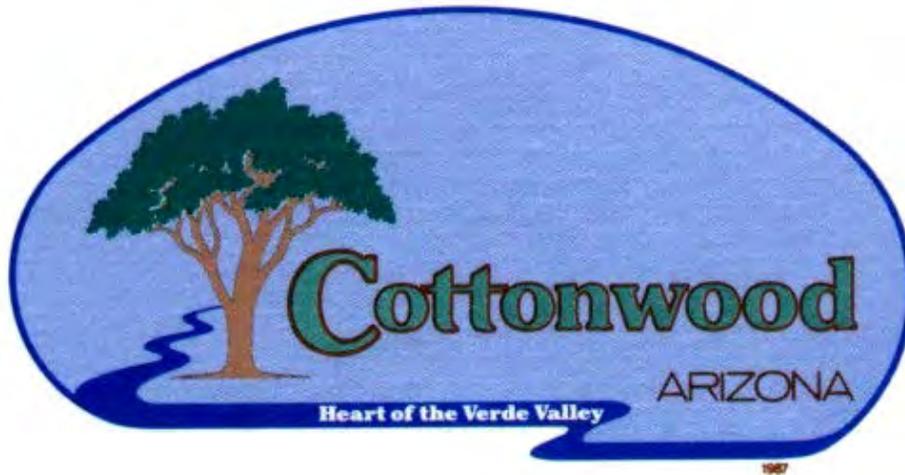
JUSTIFICATION/BENEFITS/ISSUES

Staff recommends that the Council adopt the proposed Ordinance increasing the City's water rates, fees and charges as presented, so that the City can continue to provide a reliable supply of safe drinking water to its customers; to comply with the City's bond covenants; and to prevent further downgrades in the City's credit rating - which affects both the availability and the cost of issuing bonds to fund essential City projects in the future.

COST/FUNDING SOURCE

ATTACHMENTS:

Name:	Description:	Type:
 COC Rate Study 2014 - Rev 07-02-2013.pdf	Water & Wastewater Rate Study	Exhibit
 ord598.doc	Ordinance Number 598	Cover Memo



CITY OF COTTONWOOD, ARIZONA
WATER AND WASTEWATER RATE STUDY AND
LONG-TERM FINANCIAL FORECAST
2013 UPDATE

July 2, 2013

Prepared by:
City of Cottonwood Administrative Services
816 North Main Street
Cottonwood, Arizona 86326
(928) 340-2710

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ACKNOWLEDGEMENTS

The compilation of this rate study required hours of time and effort by a Rate Review Committee consisting of City employees, citizens from the community, and county representatives. These committee members included:



City Employees

- Diane Joens, Mayor,
- Terrance Pratt, City Council member,
- Douglas Bartosh, City Manager,
- Dan Lueder, Developmental Services General Manager,
- Kirsten Lennon, Accounting & Budget Manager,
- Carol Brown, Budget Analyst,
- Helen Bartels, Utilities Accountant,
- Tom Whitmer, Water Resources Director
- Tawni Fanning, Utility Billing Supervisor,
- Sharon Caldwell, Utility Administrative Coordinator,
- Roger Biggs, Utilities Administrative Manager,
- Morgan Scott, Public Work Operations Manager
- Scott Mangarpan, Projects Manager
- Deborah Breitreutz, Wastewater Utility Operations Manager
- Administrative Services Staff, and
- Utilities Staff.
-



City Representatives

- Ed Kiyler, Citizen Advisor,
- Jake Gonzales, Citizen Advisor.
-



County Representative

- Chris Moran, Yavapai County Representative.

The City also included the City's financing consultant, Grant Hamill, Managing Director, Stifel, Nicolaus & Company. The Administrative Services staff is very appreciative of all of the assistance from everyone involved in this report. Without their input this report would not have been possible.

Respectfully submitted,

Jesus R. Rodriguez, C.G.F.M.
Administrative Services General Manager
City of Cottonwood, Arizona

CITY OF COTTONWOOD MISSION AND VISION STATEMENTS

Mission Statement

The City of Cottonwood, through ethical, accountable, professional leadership and collaboration, enhances quality of life for our diverse community while preserving our unique environment and character.

Vision Statement

The City of Cottonwood strives to maintain a uniquely desirable and sustainable community.

We are unique because of our people, our grand natural resources, public amenities, leadership, diversity and home town atmosphere.

We will continue to conserve, preserve and manage our precious resources, including the Verde River and its unique riparian habitat.

We will enhance our position as the economic center for the Verde Valley, providing retail, medical, education, transportation, recreation and tourism.

The City of Cottonwood provides leadership and solutions to ensure a prosperous community where a diversity of people and nature thrive.

CITY OF COTTONWOOD PROFILE¹

Regional Setting

The Verde Valley includes about 714 square miles located in the geographic center of Arizona, about 100 miles north of the Phoenix metropolitan area. The Verde River runs through the valley from northwest to southeast and is augmented by flows from Sycamore Canyon, Oak Creek, Beaver Creek and West Clear Creek. The area is unsurpassed in its variety of physical beauty with the red rocks and Mogollon Rim to the north and east and the Black Hills and Mingus Mountain dominating the western and southern portions of the valley.



The City of Cottonwood is located adjacent to the Verde River at elevations ranging from 3,300 feet to 3,900 feet above sea level and experiences a mild climate which, together with its proximity to an abundance of natural amenities such as the Grand Canyon, Sedona, Dead Horse Ranch State Park, Tuzigoot National Monument and the historic mining communities of Clarkdale and Jerome, continues to attract steady growth and tourism.

Early History

As with other communities in the Verde Valley, the City shares a rich and lengthy history. The region has long been home to Native Americans, particularly the Sinagua and later the Yavapai and Apache. The first Anglo settlers in the area farmed and provided goods for the soldiers at Camp Verde and for the miners in Jerome beginning in the late 1870's. William Clark and Jimmy Douglas developed major smelters and the mining communities of Clarkdale (1912) and Clemenceau (1917), respectively. Clemenceau located near the intersection of Willard Street and Mingus Avenue was a complete company town with thousands of residents, a school and other community facilities. Today, few people recognize the size and complexity of the original "Smelter City".

During this period, mining companies that closely regulated commerce, industry, employment and even housing opportunities administered Jerome, Clarkdale and Clemenceau.

Old Town Cottonwood became a haven for those seeking to be free from the prejudice and regulation of nearby company towns. Main Street was created in 1908 when Charles Stemmer and Alonzo Mason used a mule team to pull and drag through brush. The Mason Addition, Willard Addition, Hopkins Ranch No. 2 and other tracts were platted during the

¹ Information for this profile was taken from the City of Cottonwood website - www.cottonwoodaz.gov

next decade coinciding with the development of Clemenceau on higher ground about one mile to the south.

The Clemenceau smelter closed on December 31, 1936 with a great loss of jobs and disruption to the area's economy. The Cottonwood Women's Club organized to feed those in need and raised money to build the Cottonwood Civic Center (1939) with labor provided through the Works Progress Administration. The copper industry continued its decline culminating with the closure of the Phelps Dodge operation in the 1950's. Population plummeted in the region as the mining industry declined. Jerome's population declined from about 8,000 to nearly 0, while Clarkdale went from nearly 4,000 to several hundred.

Recent History

The City of Cottonwood incorporated in 1960. During this period area roads were improved, particularly the Highway 89A "Bypass" and SR 260 to serve the needs of the Phoenix Cement Plant located in Clarkdale. This facility supplied the cement for the Glen Canyon Dam project near Page. During the early 1970's about 4,500 lots were platted outside the Cottonwood City Limits by Ned Warren - the Queen Creek Land & Cattle Company. These lots, known as Verde Village, have limited infrastructure but have been built upon over time and few vacant parcels remain today. With road development and an increasingly large residential base, commercial development moved south from Old Town to SR89A intersections at Main Street and at SR260 during the 1970's and 1980's.

In 1990, the City constructed a wastewater treatment plant and collection system, the first in the Verde Valley. This plant was expanded in 2000 to treat 1.5 million gallons per day and allow discharge of reclaimed water into Del Monte Wash. The availability of a modern sanitary sewer system has assisted the City to attract and accommodate growth.

Since 2001 the City has pursued the acquisition of the private water companies serving the area. Between 2004 and 2006 those acquisitions came to fruition and the City of Cottonwood became a full service municipality.

Cottonwood has experienced a major expansion of the Verde Valley Medical Center,



development of new residential projects such as Cottonwood Ranch and many commercial and office projects. More recent improvements include the expansion of the Public Library nearly doubling its size as well as the opening of the 56,000 sq. ft. Cottonwood Recreation Center providing state of the art fitness equipment and additional indoor recreation opportunities.

City Government

The City of Cottonwood operates under a Council–Manager form of government. The Council consists of a Mayor, Vice Mayor, and five Council members. The City Manager reports to the Mayor, Council and the citizens of Cottonwood. There are three General Managers that assist the City Manager with the responsibility for the day-to-day operation of the City. Any and all changes to the City’s Water and Wastewater rates and its structure must be approved by a vote of the City Council.

City of Cottonwood Officials	
<u>Mayor & Council</u>	<u>Senior City Staff</u>
Diane Joens, Mayor	Douglas Bartosh, City Manager
Karen Pfeifer, Vice-Mayor	Rudy Rodriguez, Administrative Services General Manager
Tim Elinski, Council Member	Dan Lueder, Developmental Services General Manager
Jesse Dowling, Council Member	Richard Faust, Community Services General Manager
Randy Garrison, Council Member	
Ruben Jauregui, Council Member	
Terence Pratt, Council Member	

The City utilizes Generally Accepted Accounting Principles (GAAP) for its governmental as well as its proprietary funds. Cottonwood also has a July 1st through June 30th fiscal year.

Weather²

Moderate weather makes Cottonwood an excellent place to visit year round.

<u>Month</u>	<u>Average Daily Temperature (F)</u>		<u>Average Total Precipitation (inches)</u>
	<u>Maximum</u>	<u>Minimum</u>	
January	58.1	28.1	0.8
February	63.3	31.7	0.8
March	68.3	35.6	0.9
April	76.6	41.9	0.5
May	84.8	49.2	0.4
June	94.8	57.8	0.5
July	98.5	65.9	1.9
August	95.5	63.8	2.2
September	91.3	57.4	1.1
October	81.2	46.4	1.0
November	68.1	35.6	0.7
December	58.6	28.7	1.1
Annual Average	78.2	45.2	1.0

² Source: Arizona Department of Commerce – Community Profile for Cottonwood, AZ and Western Regional Climate Center

PURPOSE OF THIS RATE STUDY

The primary purpose of this Water and Wastewater Rate Study is to develop multi-year financial projections for the City of Cottonwood Water and Wastewater Utilities, and to establish the maintenance and operational rates at a level related to the total cost of providing those services.

On August 16, 2011, the City of Cottonwood City Council met with City Staff to begin preliminary discussions about possible rate adjustments to the two City utilities, water & wastewater. That presentation, provided by the City staff, centered on the various economic issues specifically facing the Water Utility owned by the City of Cottonwood. However, since many of the same issues affect the both utilities, this report will include the Water and Wastewater Utilities.

The economic problems facing the area, unemployment, foreclosures, and lack of growth have affected the two system's ability to continue to thrive by reducing its ability to fund reserves, and borrow money for future projects. These same economic factors have adversely impacted the debt service coverage ratio imposed by covenant in the Cottonwood Municipal Property Corporation Senior Lien Water System Revenue Bonds, Series 2004 and Series 2006 – MPC Bonds. Current requirements are that the City should maintain a 1.35:1x debt service coverage ratio. This debt service coverage deterioration has prompted Moody's Rating Service to downgrade the City's MPC Bonds.³

With the gradual decline of the debt service coverage ratio and the subsequent lowering of the City's water bond rating; the City has initiated measures to correct the deficiencies and provide a long term roadmap to fiscal viability of both the Water and Wastewater Utilities.

Part of the corrective measures to counter the negative effects of the downgrade and the economic decline is to conduct and complete a rate study and subsequent report comprehensively updating the City's rate analysis conducted by Economists.com in 2009. Some of the following issues will be considered when establishing the various rate options:

-  Cost of service,
-  Conservation of water resources using a tier rate structure, and
-  Fiscal performance measurements to ensure all bond covenants are adequately met and sufficient cash reserves are available for major repairs and replacement.

Any proposed increases to service and treatment rates must consider the following principles:

-  Adequacy – any rate increase should be adequate to recover the full cost of operations and administration;
-  Efficient – rates should be designed for easy, low-cost administration and compliance with all customers paying the said rates; and
-  Straightforwardness – rates should be easily understood by all customers limiting the opportunity of subjective interpretations.

³ Appendix A - News Release - Moody's Ratings Update

SCOPE OF STUDY

The City Staff and Council have identified several objectives that shall be included in this study, including but not limited to the following:

-  Analysis of the historic and current cost of service and revenue requirements for both the Water and Wastewater Utilities
-  Forecast operating expenses over the next five years, taking into consideration such factors as the local economy, inflation, system growth, and increased staffing levels requirements.
-  Project future accounts, volumes and billing units for the five year forecast.
-  Review future Water and Wastewater capital infrastructure requirements, as well as narrowing down the financing options available.
-  Develop a rate structure that encourages conservation and discourages waste.
-  Review available options and narrow down to a recommendation:
 - Using the current tiered rate structure
 - Using an expanded tiered rate structure
 - Rate differentials between commercial, residential and multi-residential
 - Rate differentials for customers located inside and outside of the corporate City limits
 - A gradual adjustment over several years to eventually meet our covenants
 - An across the board increase to all classes to meet the debt services covenants
-  Evaluate various rate structure options to comply with the debt service coverage covenants imposed by the City's 2004 & 2006 MPC Bonds, and bring a recommendation to the Council.

BACKGROUND

Water

Another historic period for the City of Cottonwood was entering into the water business on October 1, 2004 with the purchase of three area water companies; Verde Santa Fe, Clemenceau, and the Cordes Lakes Water Systems for a price tag of \$13,580,000. Less than two short years later the City acquired one of the largest systems in the area, the Cottonwood Water Works System for \$23,965,000.



Part of the original 2004 projections for the system was

Current Rate Structure	
<u>Percent Adjustment</u>	
<u>Base Charge</u>	
5/8"	\$18.36
1"	\$30.24
1 1/2"	\$61.56
2"	\$97.20
3"	\$194.40
4"	\$302.40
6"	\$615.60
<u>Volume Charge (per 1,000 gal)</u>	
0 – 1,000	
1,001 – 4,000	\$2.90
4,001 - 10, 000	\$3.19
10001 – 20,000	\$4.55
20,000 +	\$6.48
<u>Water Resource Development Fee</u>	
Water Resource Development	\$4.32
Water Assurance	\$0.35
Gila River Adjudication	\$0.44
Water Conservation	\$0.27
<u>Total Development Fee</u>	<u>\$5.38</u>

to increase rates in November 2005 and November 2007. Both were postponed with the acquisition of the Cottonwood Water Works System. Additional increases were also planned for November 2010 through and November 2015. Unfortunately, the only increase since Cottonwood entered the water business was in September 2010. The increase was 8% increase and a change in the tiered volume structure to accommodate small water users.

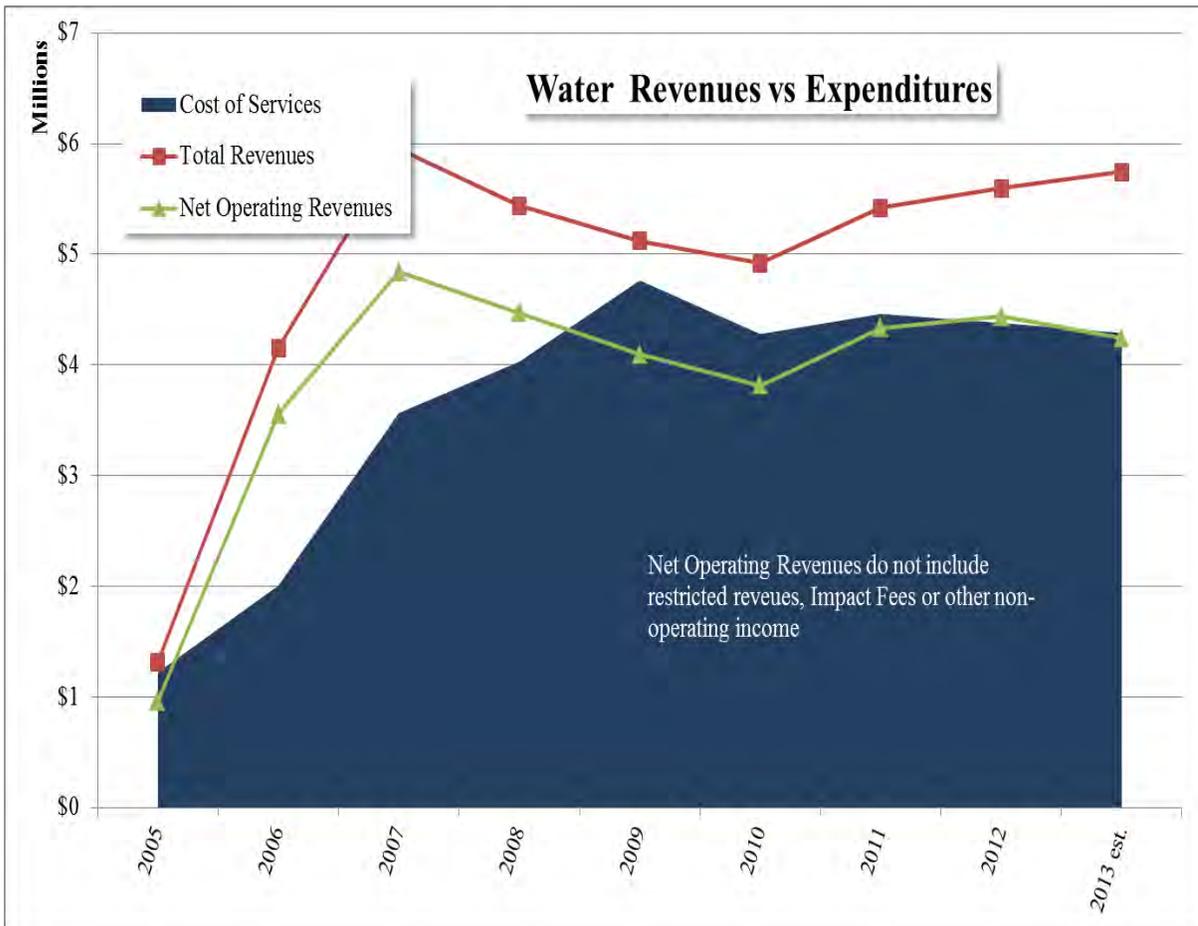
Concerns continue to mount as more issues become apparent that affect the System directly as well as indirectly. Item such as rising costs, as well as meeting stringent water standards continue to place extreme pressures on the current rate structure.

The table on the left presents the City's current water rate structure in place since October 2010:

Monthly service charges are based on 1,000 gallons of usage. Volume charges are based on the schedule included on the previously page and prorated to actual usage. Resource Development Fees are a fixed amount on all billings.

Below is an illustration of the user fees, cost of services and total revenues by the Water Utility since it was placed into service as it exists today. The system is an enterprise fund and should be run as a business. As such it has its own revenue sources and should be self-sufficient.

Unlike the Wastewater Utility, this Utility has two bonds which have specific covenants that require the City of Cottonwood to generate enough revenues to not only cover its operations and maintenance cost, but also provide a minimum of a 1.35X debt service coverage.



This Water Utility has various sources of revenue besides user fees to draw from, such as interest income. Unfortunately, returns on City investment have been less than stellar as there has been a heavy deterioration in interest rates along with the decline in reserves. Fiscal year 2007 had one of the highest return rates we have seen in nearly a decade topping out a nearly 5.3%. This high interest rate along with the purchase of the Cottonwood Water Company and its bonding for system improvements caused a spike in revenues in fiscal year 2007. Rate of returns have slowly waned over the years.

Wastewater

The decision to build a sanitary sewer system (Wastewater System) for the City of Cottonwood began after some planning and a meeting on March 24, 1987 calling for an election seeking three things:

1. The construction of a sanitary sewer system to be owned by the City of Cottonwood,
2. Provisions for the issuance and sale of bonds to construct, improve, operate and maintain a sanitary sewer system, and
3. Increase the City's transaction privilege tax (sales tax) by 1% to provide funds for the construction, improvement, operation and maintenance of a City owned sanitary sewer system.



An election was held on April 28, 1987 on the aforementioned three topics with the results all being in favor of the City constructing a sanitary sewer system. On May 5, 1987 there was a canvassing of election results making it official, Cottonwood was getting into the sewer business.

In the 24 years since those historic dates, the City of Cottonwood has increased sanitary sewer, now known as wastewater, rates 5 times:

Initial 1987	\$6.75	10/01/1995	\$13.20
10/01/1991	\$10.07	10/01/2000	\$14.25
10/01/1992	\$11.40	10/01/2001	\$16.75

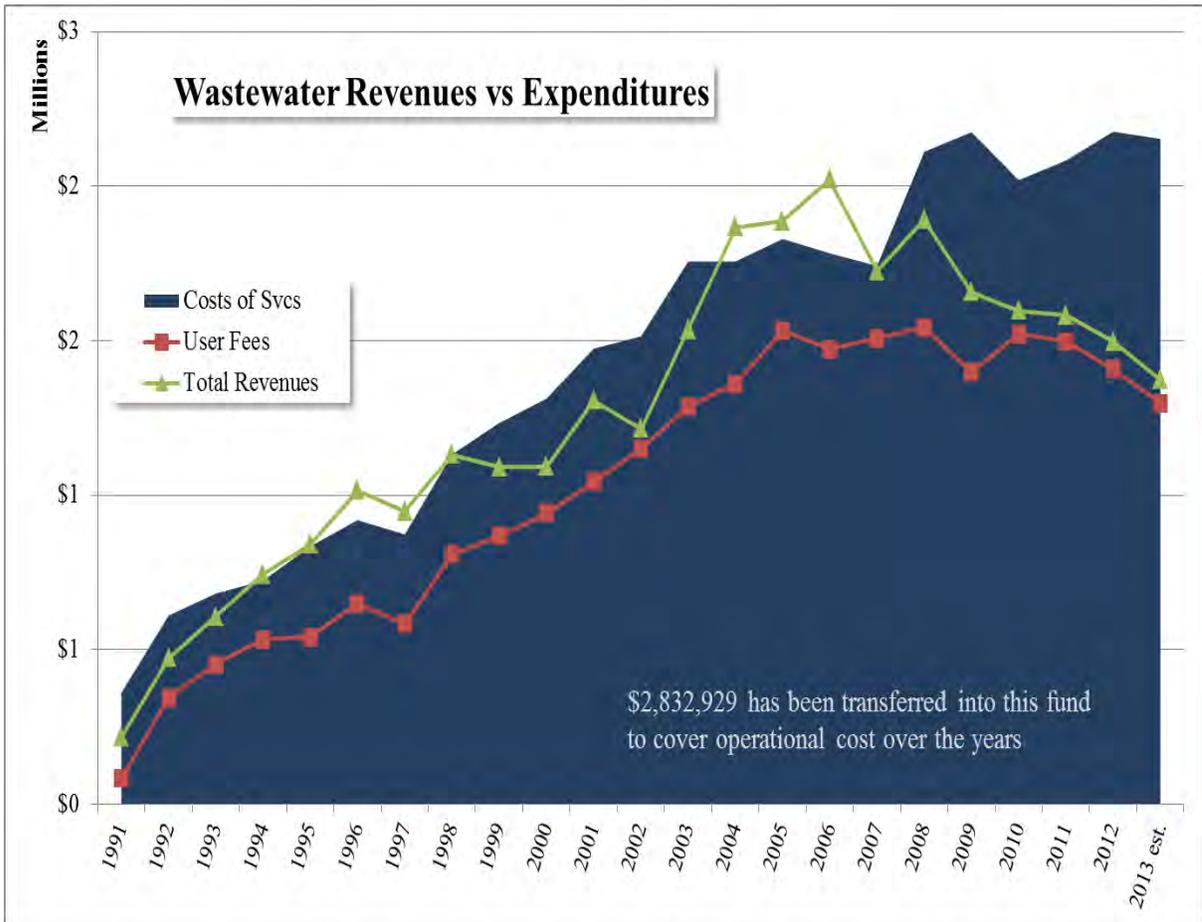
Throughout the two plus decades, the Wastewater system had support from a 1% sales tax which sunset on July 1, 2007. After that date, sales tax was no longer available for operations and maintenance of the Wastewater System and has since been using accumulated reserves to continue operations. Though the usage of reserves is minor, it is something that needs to be rectified sooner rather than later.

Current Wastewater Rates

Residential	Monthly Service Charge	\$16.75
Multi Residential	Monthly Service Charge (per unit)	\$16.75
Commercial	Monthly Service Charge	\$16.75
Commercial Usage Charge	Per 1,000 Gallons	\$2.60

All charges for residential and multi-residential accounts are a flat monthly wastewater rate and don't carry any additional usage charge. Commercial accounts pay the \$16.75 flat monthly rate plus an additional \$2.60 per 1,000 gallons of water usage.

Below is an illustration of the user fees, cost of services and total revenues by the Wastewater Utility since it was placed into service. The System is an enterprise fund and should be run as a business. It has its own revenue sources and should be self-sufficient; however, since the loss of the sales tax to support the fund, it has been running at a deficit and has used accumulated reserves to continue its operations to date.



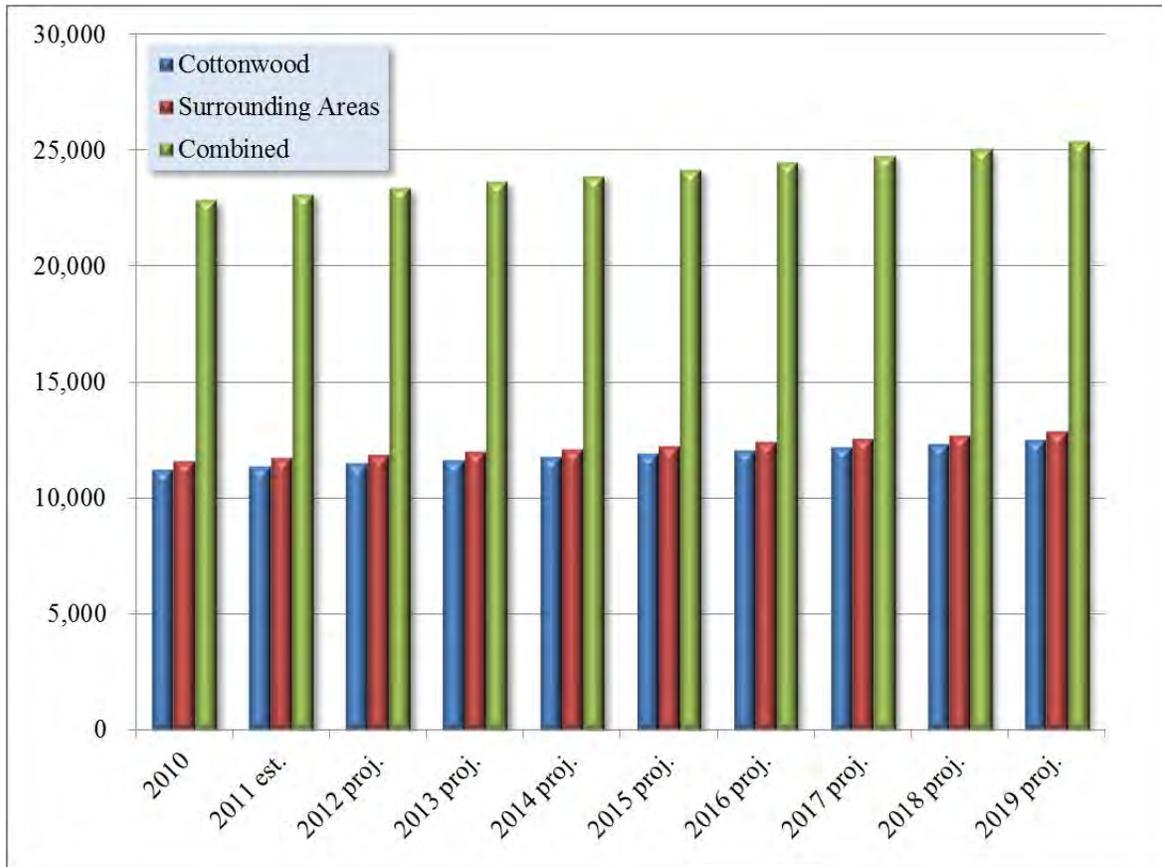
Currently, this System does not have any debt service. The Utility, however is showing its age and is in need of some major repairs which are contemplated in this study.

ASSUMPTIONS

Population Data

Despite the growth rates of the past, this study takes a very conservative approach to the community’s growth with an average of slightly more than a 1% growth per year using the 2010 census year as a base year. Please note that this illustration depicts both the populations within the corporate limits of the City of Cottonwood as well as the population outside the City corporate limits. The Water Utility services areas outside its boundaries such as Bridgeport, the Verde Villages, and Verde Santa Fe.

Calendar Year	Population		
	Cottonwood	Surrounding Areas	Combined
2010	11,265	11,605	22,870
2011 est.	11,392	11,736	23,128
2012 proj.	11,521	11,869	23,390
2013 proj.	11,651	12,003	23,654
2014 proj.	11,783	12,139	23,922
2015 proj.	11,916	12,276	24,192
2016 proj.	12,059	12,423	24,482
2017 proj.	12,204	12,572	24,776
2018 proj.	12,350	12,723	25,073
2019 proj.	12,523	12,901	25,424



Projected Water Usage

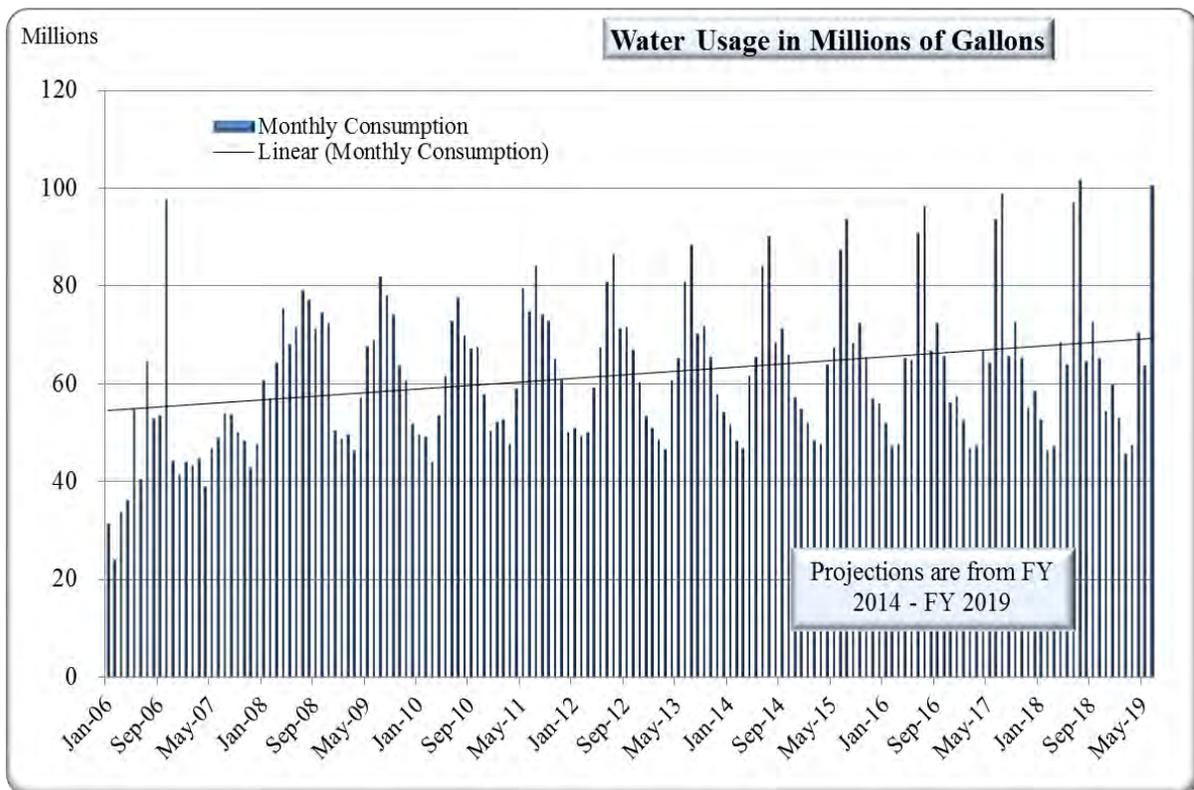
The City of Cottonwood Municipal Water Utility now tracks monthly water usage by the various cycles and by month. This is helpful in understanding the community's usage patterns, in order to improve system and utility's service capabilities. The first couple of

Fiscal Year	Annual Consumption	inc. / (dec.)
2007	621,788,315	
2008	693,762,525	11.58%
2009	764,102,212	10.14%
2010	741,502,903	-2.96%
2011	756,472,785	2.02%
2012	764,884,941	1.11%
2013 est.	763,489,440	-0.18%
2014 proj.	766,384,544	0.38%
2015 proj.	774,937,097	1.12%
2016 proj.	781,205,949	0.81%
2017 proj.	786,106,678	0.63%
2018 proj.	792,543,193	0.82%
2019 proj.	799,873,811	0.92%

years the Water Utility struggled to get a handle on all of the meters that needed to be replaced due to faulty low readings. Since that time most, if not all, of the faulty meters have been replaced and are periodically checked for accuracy.

With more accurate meters it has become apparent that usage levels have been on the rise slightly. The trend is very slight and for the purpose of this study we are projecting minimal growth through fiscal year 2019.

One big factor to water usage is the weather. This is not taken into account for this report.



PROJECTIONS FOR FY 2013 – 2019

Water

The projections depicted in the chart below take into consideration the projected rates being proposed. Note that it is critical that the Water Utility increase its rates to meet the minimum bond covenant requirements. Afterwards it may take two to three years before the City of Cottonwood is able to get their bonds upgraded; giving the City the ability to approach the bond market for capital improvement funding.

	ESTIMATED	PROJECTED					
	2013	2014	2015	2016	2017	2018	2019
Sources of Revenue							
Operating Revenues							
User Fees	\$5,150,500	\$6,546,282	\$6,709,940	\$7,565,459	\$7,754,600	\$7,948,470	\$8,147,180
Reimbursements From Clarkdale	312,120	312,120	319,920	327,920	336,120	344,520	353,130
Meter Installation Charge	6,600	6,770	6,940	7,110	7,290	7,470	7,660
Service Turn Ons	58,300	59,760	61,250	62,780	64,350	65,960	67,610
Collections / Late Fees	76,075	77,980	79,930	81,930	83,980	86,080	88,230
Other Income	142,000	10,000	10,250	10,510	10,770	11,040	11,320
Operating Revenues	\$5,745,595	\$7,012,912	\$7,188,230	\$8,055,709	\$8,257,110	\$8,463,540	\$8,675,130
Non-operating Revenues							
Interest Income	8,817	9,047	9,278	9,520	9,763	10,017	10,272
Sale of Property	3,000	5,000	5,000	5,000	5,000	5,000	5,001
Building Rental	7,615	7,810	8,010	8,210	8,420	8,630	8,850
Non-operating Revenues	\$19,432	\$21,857	\$22,288	\$22,730	\$23,183	\$23,647	\$24,123
Revenues Available	\$5,765,027	\$7,034,769	\$7,210,518	\$8,078,439	\$8,280,293	\$8,487,187	\$8,699,253
Expenses							
Personnel	\$1,090,470	\$1,207,238	\$1,270,600	\$1,333,820	\$1,400,410	\$1,470,090	\$1,543,270
Operating Supplies	379,575	397,330	417,470	438,560	460,700	483,910	508,260
Contractual Services	133,535	138,720	147,780	154,670	161,910	169,510	177,490
Other Services and Charges	1,700,680	1,758,135	1,843,540	1,933,400	2,028,240	2,127,290	2,231,310
Equipment Purchases	10,000	169,570	78,500	98,500	43,000	65,000	0
Total Operating Expenses	3,314,260	3,670,993	3,757,890	3,958,950	4,094,260	4,315,800	4,460,330
Income or (Loss)	2,450,767	3,363,776	3,452,628	4,119,489	4,186,033	4,171,387	4,238,923
Debt Service							
Debt Service P&I	2,500,550	2,484,315	2,521,180	2,987,910	3,054,115	3,050,400	3,050,400
DS Coverage - 35%	875,193	869,510	882,414	1,045,768	1,068,940	1,067,640	1,067,640
Total Debt Service Needed	\$3,375,743	\$3,353,825	\$3,403,594	\$4,033,678	\$4,123,055	\$4,118,040	\$4,118,040
	98.0%	135.4%	136.9%	137.9%	137.1%	136.7%	139.0%
Other Financing Sources							
Bonds	\$0	\$0	\$5,000,000	\$0	\$0	\$0	\$0
Transfers In-CIP Fund	0	0	0	0	0	0	0
Total Other Financing Sources	\$0	\$0	\$5,000,000	\$0	\$0	\$0	\$0
Capital Improvements							
Capital Improvement	\$2,060,660	\$3,084,000	\$795,200	\$1,226,460	\$797,783	\$899,172	\$800,631
Total Capital Improvements	(\$2,060,660)	(\$3,084,000)	\$4,204,800	(\$1,226,460)	(\$797,783)	(\$899,172)	(\$800,631)

Water capital improvements are focused on maintaining and improving the City’s current infrastructure as well as extending lines throughout the City’s SR 260 corridor. The SR 260 corridor project has been in the works for several years and would open up some great opportunities for the City of Cottonwood by having more commercial properties available for businesses.

The Water Utility also continues to improve fire suppression throughout the entire system by strategically locating fire hydrants as well as improving water quality through arsenic mitigation and improved pumping capabilities.

CAPITAL PROJECTS	ESTIMATED	PROJECTED					
	2013	2014	2015	2016	2017	2018	2019
Legal Advertising	-	-	-	-	-	-	-
Investment Expense	-	24,000	25,200	26,460	27,783	29,172	30,631
Arsenic Mitigation	500,000	500,000	250,000	250,000	250,000	250,000	250,000
Aid in Lieu of Construction	-	-	-	-	-	-	-
Well Booster Station	500,660	250,000	-	100,000	-	100,000	-
Line Extensions	-	-	-	-	-	-	-
Water System Upgrades	170,000	170,000	170,000	500,000	170,000	170,000	170,000
Well Improvements	100,000	150,000	100,000	100,000	100,000	100,000	100,000
Fire Hydrant Improvements	500,000	500,000	250,000	250,000	250,000	250,000	250,000
SR 260 System Upgrades	-	1,250,000	-	-	-	-	-
W. Mingus Constructions	130,000	-	-	-	-	-	-
12th Street 89A to Fir Waterline Improvements	160,000	240,000	-	-	-	-	-
Annual Capital Improvements Needs	2,060,660	3,084,000	795,200	1,226,460	797,783	899,172	800,631

The debt service detailed below takes into account the possibility of a \$5,000,000 bond issue late in FY 2015 to continue improvements to the system in and out of the corporate City limits. With the additional debt service, the City will need to maintain additional funds to cover any debt service bond covenants as is the current situation.

DEBT SERVICE	ESTIMATED	PROJECTED					
	2013	2014	2015	2016	2017	2018	2019
Debt Service							
2004 MPC Bond thru 2029	954,480	953,995	963,210	963,215	967,140	964,860	964,860
2006 MPC Bond thru 2035	1,546,070	1,530,320	1,557,970	1,544,695	1,606,975	1,605,540	1,605,540
2015 Issue thru 2030	-	-	-	480,000	480,000	480,000	480,000
Total Debt Service	2,500,550	2,484,315	2,521,180	2,987,910	3,054,115	3,050,400	3,050,400
Coverage							
2004 MPC Bond thru 2029	334,068	333,898	337,124	337,125	338,499	337,701	337,701
2006 MPC Bond thru 2035	541,125	535,612	545,290	540,643	562,441	561,939	561,939
2015 Issue thru 2030	0	0	0	168,000	168,000	168,000	168,000
Total Coverage Requirement	875,193	869,510	882,414	1,045,768	1,068,940	1,067,640	1,067,640
Total DS & Coverage Requirement	3,375,743	3,353,825	3,403,594	4,033,678	4,123,055	4,118,040	4,118,040

Wastewater

The projections depicted in the chart below take into consideration the projected rates being proposed. It is not as critical that the Wastewater Utility rate increase dramatically as it is with the Water Utility. This is due to not having any debt load at this time, thus no minimum bond covenant requirements. The rates being proposed have been smoothed out over the five year period beginning FY 2014. This was done to prevent a large spike in the rates this coming year.

Also included in the projections are the costs for the Riverfront Water Reclamation Facility projected to be operational mid to late FY 2014. A full year's costs are calculated into FY 2015. This plant, once fully operational, may provide some efficiency that may curb future costs. This will be reviewed in the future once the plant has been operating for a couple of years.

	ESTIMATED	PROJECTED					
	FY 2013	FY 2014 ₁	FY 2015 ₂	FY 2016	FY 2017	FY 2018	FY 2019
User Fees	\$1,257,638	\$1,970,971	\$2,050,598	\$2,112,116	\$2,167,031	\$2,230,958	\$2,330,905
Other Income	39,640	40,840	42,070	43,340	44,640	45,990	47,370
Operating Revenues	\$1,297,278	\$2,011,811	\$2,092,668	\$2,155,456	\$2,211,671	\$2,276,948	\$2,378,275
Non-operating Revenues							
Interest Income	15,260	15,640	16,030	16,430	16,840	17,260	17,690
Capacity Fees	60,000	61,800	63,650	65,560	67,530	69,560	71,650
Sale of Property	0	0	0	0	0	0	0
Building Rental	0	0	0	0	0	0	0
Non-operating Revenues	75,260	77,440	79,680	81,990	84,370	86,820	89,340
Revenues Available	\$1,372,538	\$2,089,251	\$2,172,348	\$2,237,446	\$2,296,041	\$2,363,768	\$2,467,615
Expenses							
Personnel	\$641,650	\$707,875	\$768,160	\$808,550	\$851,120	\$895,980	\$943,270
Operating Supplies	222,145	233,400	256,060	268,890	282,330	296,450	311,280
Contractual Services	114,925	127,865	140,020	147,030	154,390	162,130	170,240
Other Services and Charges	672,310	698,045	756,620	794,470	834,220	875,940	919,760
Equipment Purchases	34,500	9,000	84,000	15,000	37,500	54,000	0
Total Operating Expenses	1,685,530	1,776,185	2,004,860	2,033,940	2,159,560	2,284,500	2,344,550
Income or (Loss)	(312,992)	313,066	167,488	203,506	136,481	79,268	123,065
Debt Service							
Debt Service P&I	0	0	240,000	240,000	624,000	624,000	624,000
DS Coverage - 35%	0	0	84,000	84,000	218,400	218,400	218,400
Total Debt Service	0	0	324,000	324,000	842,400	842,400	842,400
Other Financing Sources							
Bonds	0	2,500,000	0	4,000,000	0	0	0
Transfers In-CIP Fund	0	4,500,000	4,000,000	0	0	0	0
Total Other Financing Sources	0	7,000,000	4,000,000	4,000,000	0	0	0
Capital Improvements							
Capital Improvement	467,900	5,553,450	6,207,960	695,090	327,330	714,680	350,140
Total Capital Improvements	(467,900)	1,446,550	(2,207,960)	3,304,910	(327,330)	(714,680)	(350,140)

Wastewater capital improvements are also focused on maintaining and improving the City's current infrastructure as well as extending lines throughout the City's SR 260 corridor. There is also a need to install reclaimed water lines to provide reclaimed water to parks, schools, and possibly the public in the future.

CAPITAL PROJECTS	ESTIMATED	PROJECTED					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
LEGAL ADVERTISING	\$500	\$520	\$540	\$560	\$580	\$600	\$620
INVESTMENT EXPENSE	400	410	420	430	440	450	460
260-DESIGN	40,000	0	0	0	0	0	0
260-CONSTRUCTION	0	0	1,900,000	0	0	0	0
LINE EXTENSIONS	130,000	136,500	0	150,000	0	165,000	0
CONSTRUCTION WWTP	0	4,500,000	4,000,000	0	0	0	0
LIFT STATION	150,000	0	165,000	0	180,000	0	198,000
RECL H2O PUMP SYSTEM UPGRADE	0	40,000	42,000	44,100	46,310	48,630	51,060
CONSTRUCTION - GENERAL	90,000	500,000	0	500,000	0	500,000	0
WWTP UPGRADES	0	0	100,000	0	100,000	0	100,000
12th Street: Fir-89A Reclamation Lines	0	376,020	0	0	0	0	0
PARKING LOT RECONSTRUCTION	57,000	0	0	0	0	0	0
Annual Capital Improvement Needs	\$467,900	\$5,553,450	\$6,207,960	\$695,090	\$327,330	\$714,680	\$350,140

The debt service detailed below takes into account the possibility of a \$2,500,000 bond issue late in FY 2014 and a \$4,000,000 issue in FY 2016 to continue improvements to the System in and out of the corporate City limits. As with the Water Utility, with any future debt service there will be the need to maintain additional funds to cover any debt service bond covenants.

Debt Service	ESTIMATED	PROJECTED					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
2014 Issue thru 2030			\$240,000	\$240,000	\$240,000	\$240,000	\$240,000
2016 Issue thru 2032					\$384,000	\$384,000	\$384,000
Total Debt Service	\$0	\$0	\$240,000	\$240,000	\$624,000	\$624,000	\$624,000
Coverage							
2014 Issue thru 2030			\$84,000	\$84,000	\$84,000	\$84,000	\$84,000
2016 Issue thru 2032			\$0	\$0	\$134,400	\$134,400	\$134,400
Total Coverage Requirement	\$0	\$0	\$84,000	\$84,000	\$218,400	\$218,400	\$218,400
Total DS & Coverage Requirement	\$0	\$0	\$324,000	\$324,000	\$842,400	\$842,400	\$842,400

WATER AND WASTEWATER RATE PROJECTIONS

Water

The Water Utility rates proposed provide for a different rate for those inside and outside the City corporate boundaries. The rate committee struggled with this decision and ultimately came to the conclusion that it was the best option for the City of Cottonwood based on several factors:

-  The distances are far greater when servicing lines as well as pumps and other equipment outside the corporate limits.
-  The terrain in much of the Verde Villages is very different than that inside the City limits which makes repairs more costly.
-  The Cottonwood Municipal Water Utility is a public utility owned by the citizens of Cottonwood. When the Utility borrows money for infrastructure, whether inside or outside the City limits, the citizens of Cottonwood bear the risk of the new debt and infrastructure.
-  Inside the City, about 70% of the distribution system is fed by gravity versus booster pump. This means that the electrical cost to provide water within the City limits is significantly less per account because the only electrical cost is for the well pumpage into the gravity system. The Verde Village system and Verde Santa Fe (VSF) are 100% pressure distribution systems thus requiring a substantial amount of electricity to operate..
-  Approximately 60% of the leaks that the City repairs are in the County (mainly the Villages since VSF is a relatively new system) and Staff has to deal with three 7200 volt direct bury APS electrical lines that are joint trenched with the water lines whenever they dig there.
-  The meters in the Villages are primarily in small overgrown backyard easements which makes meter reading significantly more labor intensive.
-  There are more small wells (14) outside the City limits as opposed to larger wells inside the City limits (7); all require daily monitoring and regular maintenance regardless of size.
-  There are thirteen arsenic systems outside the limits as opposed to seven arsenic systems inside the corporate boundaries. Each of these systems require regular maintenance regardless of the size of the well.
-  The leak repair figures outside the City limits used to be higher until the City invested in new pumps and variable speed controllers in the Villages. This has reduced the pressure variations, associated water hammer, and reducing the amount of leaks.
-  The City purchased the Quail Canyon Water system exclusively to service Verde Village #6 & #7 at a cost of \$889,107
-  The Quail Canyon system will cost the City over \$200k to run the lines, including pumps and other equipment to VV #6 & #7

There was a minor change in the tiers to accommodate low usage and low income customers and shift cost to higher users:

<u>Volume Charge (per 1,000 gal)</u>	<u>Volume Charge (per 1,000 gal)</u>
0 – 1,000	0 – 1,000
1,001 – 4,000	1,001 – 5,000
4,001 - 10, 000	5,001 - 10, 000
10,001 – 20,000	10,001 – 15,000
20,000 +	15,000 +

The following tables reflect current, proposed and projected rates through FY 2019.

INSIDE CORPORATE CITY LIMIT RATE PROJECTIONS

Base Charge	CURRENT	PROPOSED	PROJECTED				
	2013	2014	2015	2016	2017	2018	2019
5/8"	\$18.36	\$23.36	\$23.83	\$24.31	\$24.80	\$25.30	\$25.81
1"	\$30.24	\$37.80	\$38.56	\$39.33	\$40.12	\$40.92	\$41.74
1 1/2"	\$61.56	\$76.95	\$78.49	\$80.06	\$81.66	\$83.29	\$84.96
2"	\$97.20	\$121.50	\$123.93	\$126.41	\$128.94	\$131.52	\$134.15
3"	\$194.40	\$243.00	\$247.86	\$252.82	\$257.88	\$263.04	\$268.30
4"	\$302.40	\$378.00	\$385.56	\$393.27	\$401.14	\$409.16	\$417.34
6"	\$615.60	\$769.50	\$784.89	\$800.59	\$816.60	\$832.93	\$849.59
<u>Volume Charge (per 1,000 gal)</u>							
0 – 1,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1,001 – 5,000	\$2.90	\$2.90	\$2.96	\$3.02	\$3.08	\$3.14	\$3.20
5,001 - 10, 000	\$3.19	\$3.99	\$4.07	\$4.15	\$4.23	\$4.31	\$4.40
10,001 – 15,000	\$4.55	\$5.69	\$5.80	\$5.92	\$6.04	\$6.16	\$6.28
15,000 +	\$6.48	\$8.10	\$8.26	\$8.43	\$8.60	\$8.77	\$8.95
<u>Water Resource Development Fee</u>							
Water Resource Development	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32
Water Source Assurance	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
Gila River Adjudication	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44
Water Conservation	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
Total Development Fee	\$5.38						
Connection Fees	\$25.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00

5,000 Gallons	CURRENT	PROPOSED	PROJECTED				
	2013	2014	2015	2016	2017	2018	2019
Base Fee	\$18.36	\$23.36	\$23.83	\$24.31	\$24.80	\$25.30	\$25.81
1,000 - 5,000 Rate	8.70	\$11.60	\$11.84	\$12.08	\$12.32	\$12.56	\$12.80
5,001 - 10,000 Rate	3.19	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10,000 - 15,000 Rate	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15,001- Rate	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WRDF	5.38	\$5.38	\$5.38	\$5.38	\$5.38	\$5.38	\$5.38
	\$35.63	\$40.34	\$41.05	\$41.77	\$42.50	\$43.24	\$43.99

OUTSIDE CORPORATE CITY LIMIT RATE PROJECTIONS

Base Charge	CURRENT	PROPOSED	PROJECTED				
	2013	2014	2015	2016	2017	2018	2019
5/8"	\$18.36	\$30.37	\$30.98	\$31.60	\$32.24	\$32.89	\$33.55
1"	\$30.24	\$49.14	\$50.13	\$51.13	\$52.16	\$53.20	\$54.26
1 1/2"	\$61.56	\$100.04	\$102.04	\$104.08	\$106.16	\$108.28	\$110.45
2"	\$97.20	\$157.95	\$161.11	\$164.33	\$167.62	\$170.98	\$174.40
3"	\$194.40	\$315.90	\$322.22	\$328.67	\$335.24	\$341.95	\$348.79
4"	\$302.40	\$491.40	\$501.23	\$511.25	\$521.48	\$531.91	\$542.54
6"	\$615.60	\$1,000.35	\$1,020.36	\$1,040.77	\$1,061.58	\$1,082.81	\$1,104.47
<u>Volume Charge (per 1,000 gal)</u>							
0 – 1,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1,001 – 5,000	\$2.90	\$3.77	\$3.85	\$3.93	\$4.00	\$4.08	\$4.16
5,001 - 10, 000	\$3.19	\$5.19	\$5.29	\$5.40	\$5.50	\$5.60	\$5.72
10,001 – 15,000	\$4.55	\$7.40	\$7.54	\$7.70	\$7.85	\$8.01	\$8.16
15,000 +	\$6.48	\$10.53	\$10.74	\$10.96	\$11.18	\$11.40	\$11.64
<u>Water Resource Development Fee</u>							
Water Resource Development	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32
Water Source Assurance	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
Gila River Adjudication	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44
Water Conservation	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
Total Development Fee	\$5.38						
Connection Fees	\$25.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00
<u>5,000 Gallons</u>							
	CURRENT	PROPOSED	PROJECTED				
	2013	2014	2015	2016	2017	2018	2019
Base Fee	\$18.36	\$30.37	\$30.98	\$31.60	\$32.24	\$32.89	\$33.55
1,000 - 5,000 Rate	8.70	\$15.08	\$15.40	\$15.72	\$16.00	\$16.32	\$16.64
5,001 - 10,000 Rate	3.19	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10,000 - 15,000 Rate	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
15,001- Rate	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WRDF	5.38	\$5.38	\$5.38	\$5.38	\$5.38	\$5.38	\$5.38
	\$35.63	\$50.83	\$51.76	\$52.70	\$53.62	\$54.59	\$55.57

Note: These projections based on the best information at the time of compilation and are subject to change.

The rate committee also considered the concept of keeping the rates the same for both inside and outside the corporate City limits. Below are the results of those calculations:

<u>Base Charge</u>	Non- Differential Rates		
	Current	Non-differential	Differential
5/8"	\$18.36	\$26.86	\$23.36
1"	\$30.24	\$45.00	\$37.80
1 1/2"	\$61.56	\$90.00	\$76.95
2"	\$97.20	\$140.00	\$121.50
3"	\$194.40	\$280.00	\$243.00
4"	\$302.40	\$435.00	\$378.00
6"	\$615.60	\$885.00	\$769.50
<u>Volume Charge (per 1,000 gal)</u>			
0 – 1,000	\$0.00	\$0.00	\$0.00
1,001 – 5,000	\$2.90	\$3.46	\$2.90
5,001 - 10, 000	\$3.19	\$4.77	\$3.99
10,001 – 15,000	\$4.55	\$6.81	\$5.69
15,000 +	\$6.48	\$9.70	\$8.10
<u>Water Resource Development Fee</u>			
Water Resource Development	\$4.32	\$4.32	\$4.32
Water Source Assurance	\$0.35	\$0.35	\$0.35
Gila River Adjudication	\$0.44	\$0.44	\$0.44
Water Conservation	\$0.27	\$0.27	\$0.27
<u>Total Development Fee</u>	<u>\$5.38</u>	<u>\$5.38</u>	<u>\$5.38</u>
Connection Fees	\$25.00	\$40.00	\$35.00
<u>R A T E S</u>			
5,000 Gallons	Current	Non-differential	Differential
Base Fee	\$18.36	\$26.86	\$23.36
1,000 - 5,000 Rate	11.60	13.84	11.60
5,001 - 10,000 Rate	0.00	0.00	0.00
10,000 - 15,000 Rate	0.00	0.00	0.00
15,001- Rate	0.00	0.00	0.00
WRDF	5.38	5.38	5.38
Monthly 5,000 Gallon Bill	<u>\$35.34</u>	<u>\$46.08</u>	<u>\$40.34</u>

After reviewing the additional burden and the factors behind differential rates, the committee consensus was to implement a differential rate program.

Wastewater

The Wastewater Utility has a simple formula for calculating proposed rates. Below is the calculation for the FY 2014 proposed rate. Council members with some tenure have probably seen this in previous Wastewater rate increase requests.

CHARGE CALCULATIONS			
			Recommendation
			\$26.25
			\$26.25
<u>Administrative Charge</u>			
Formula: Administrative operating budget / # of users = cost per user / 12 months = monthly charge			
\$423,125	/	5,343	= \$79.19 / 12 = \$6.60 (cost per month)
			Recommendation
			\$6.60
			\$6.60
<u>Depreciation of Equipment</u>			
Formula: Net annual depreciation / annualized usage of gallons (in thousands) = cost per thousand			
\$543,985	/	458,943	= \$1.19 /1000 (cost per thousand)
			Recommendation
			\$5.95
			\$5.95
<u>Maintenance & Operations (M & O)</u>			
Formula: Net M & O operating budget / annualized usage of gallons sold (in thousands) = cost per thousand			
\$1,225,780	/	447,000	= 2.74 /1000 (cost per thousand)
<u>Net Maintenance & Operations Budget Calculations</u>			
FY 2014			\$1,344,060
Less:	Miscellaneous Revenue Items (non-operational revenues)		
	Interest Income		(15,640)
	Tap Fees		(210)
	Effluent Revenue		(13,600)
	Interest Charges & Collection Fees		(27,030)
	Impact Fees		(61,800)
	Building Rental		0
	Net M & O Fee Recovery		<u>\$1,225,780</u>
			Recommendation
			\$13.70
			\$13.70

The result of the calculations is shown below along with rounding to the nearest quarter. Annual increases varied depending on the needs of the Utility. Consequently, some years have spikes rather than a gradual increase in rates as recommended by the City Council in past meetings.

Calculated Rates	ESTIMATED	PROJECTED					
	FY 2013	FY 2014 ₁	FY 2015 ₂	FY 2016	FY 2017	FY 2018	FY 2019
Administrative Rate	\$3.75	\$6.60	\$6.86	\$7.13	\$7.41	\$7.71	\$8.09
Depreciation Rate (per 1,000)	0.35	5.95	5.90	5.85	5.75	5.70	5.75
O&M Rate (per 1,000)	12.65	13.70	14.55	15.15	15.70	16.30	17.20
DS Rate	0.00	0.00	4.95	4.90	12.62	12.50	12.37
Total Monthly Residential Rate	\$16.75	\$26.25	\$32.26	\$33.03	\$41.48	\$42.21	\$43.41
Calculated Monthly Rate	\$16.75	\$26.25	\$32.26	\$33.03	\$41.48	\$42.21	\$43.41
Proposed Monthly Rate	\$16.75	\$26.25	\$32.25	\$33.00	\$41.50	\$42.25	\$43.50

The result of smoothing out the rate increases from year to year is represented below. Also depicted below is a breakdown of charges. Below is an explanation of the rates:

1. The administrative and operation and maintenance charges are a direct allocation to expenses by the Utility.
2. The debt service charges go into effect only when there is long term debt outstanding. Lease purchases, traditionally are paid by administrative & operations and maintenance funding.
3. The depreciation rate is a fluctuating variable in the rate calculation because depreciation can easily be varied and compensated for in future years.

Calculated Rates	ESTIMATED	PROJECTED					
	FY 2013	FY 2014 ¹	FY 2015 ²	FY 2016	FY 2017	FY 2018	FY 2019
BASED ON SMOOTHING RATE							
Adjusted Monthly Rate	\$16.75	\$26.25	\$29.58	\$33.34	\$37.57	\$42.34	\$47.72
Proposed Monthly Rate	\$16.75	\$26.25	\$29.50	\$33.50	\$37.50	\$42.50	\$47.75
Dollar increase		\$9.50	\$3.25	\$4.00	\$4.00	\$5.00	\$5.25

Proposed Smoothing Rates	ESTIMATED	PROJECTED					
	FY 2013	FY 2014 ¹	FY 2015 ²	FY 2016	FY 2017	FY 2018	FY 2019
Administrative Rate	\$3.75	\$6.60	\$6.85	\$7.15	\$7.15	\$7.70	\$8.10
Depreciation Rate (per 1,000)	0.35	5.95	\$3.15	\$6.30	\$2.58	\$6.00	\$7.91
O&M Rate (per 1,000)	12.65	13.70	\$14.55	\$15.15	\$15.15	\$16.30	\$19.37
DS Rate	0.00	0.00	\$4.95	\$4.90	\$12.62	\$12.50	\$12.37
Total Monthly Residential Rate	\$16.75	\$26.25	\$29.50	\$33.50	\$37.50	\$42.50	\$47.75

As a reminder, the operational portion of the overall rate is a base charge using 5,000 as a minimum. Commercial and industrial customers are additionally charged \$2.74 per 1,000 gallons above that amount of water usage.

RATE COMPARISONS

The following table compares Cottonwood’s monthly proposed water and wastewater rates to thirteen other cities, towns and unincorporated areas throughout central and northern Arizona. For consistency with other rate studies, 5,000 gallons of water and 5,000 gallons of wastewater was used to make the comparison table.

Different from previous reports, more current information was used by pulling current rate sheets and contacting the various communities in the rate survey. It should be noted that this is a snapshot of the rates as of May 22, 2013 and several communities are already considering raising rates in the near future.

As with earlier studies, the numbers presented do not include sales tax, other charges beyond based minimums fees, volume charges, or any resulting resource fees similar to those collected by the City of Cottonwood. Also important to note is that some of the rates are for privately owned water and wastewater companies and districts.

Community	Notes	2010 Census Population	5,000 gallons of water		5,000 gallons wastewater		Combined Charges	
			Inside	Outside	Inside	Outside	Inside	Outside
Cottonwood		11,265	\$40.34	\$50.83	\$26.00	\$26.00	\$66.34	\$76.83
Camp Verde	1	10,873	\$40.50	40.50	35.00	35.00	75.50	75.50
Chino Valley		10,817	\$25.29	25.29	53.37	53.37	78.66	78.66
Clarkdale		4,097	\$49.08	49.08	38.00	38.00	87.08	87.08
Flagstaff		65,870	\$29.60	32.56	18.45	20.30	48.05	52.86
Payson	4	15,301	\$37.88	37.88	20.00	20.00	57.88	57.88
Prescott		39,843	\$31.98	44.43	39.72	39.72	71.70	84.15
Prescott Valley	5	38,822	\$24.10	24.10	27.77	27.77	51.87	51.87
Sedona	2	10,031	\$34.32	34.32	47.34	47.34	81.66	81.66
Show Low		10,660	\$27.39	34.05	27.58	27.58	54.97	61.63
Verde Santa Fe	3		\$40.34	50.83	40.14	40.14	80.48	90.97
Wickenburg		6,363	\$11.04	22.08	20.99	20.99	32.03	43.07
Williams		3,023	\$32.25	32.25	34.00	34.00	66.25	66.25
Winslow		9,655	\$22.99	45.06	29.51	59.02	52.50	104.08
Average			\$31.29	36.34	33.22	35.63	64.51	71.97

Source: Communities websites & personal contacts

1 - Water is privately owned - Camp Verde Water System, Inc. & Verde Lakes Water System & Wastewater
Camp Verde Sanitation District collects property taxes

2 - Water is operated by Arizona Water Company

3 - Wastewater is provided by Verde Santa Fe Wastewater Co.

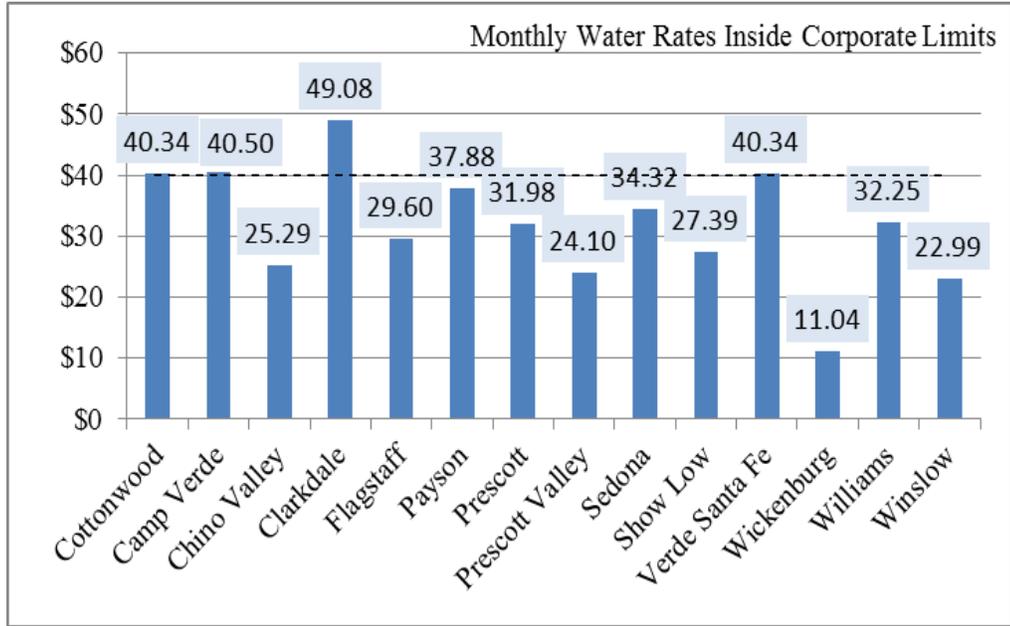
4 - Wastewater is provided by the No. Gila County Sanitary District-collects \$0.60 per \$100 of secondary assessed value

5 - Prescott Valley Sewer not a fixed monthly cost, but based on usage at \$4.54 per 1,000 gallons

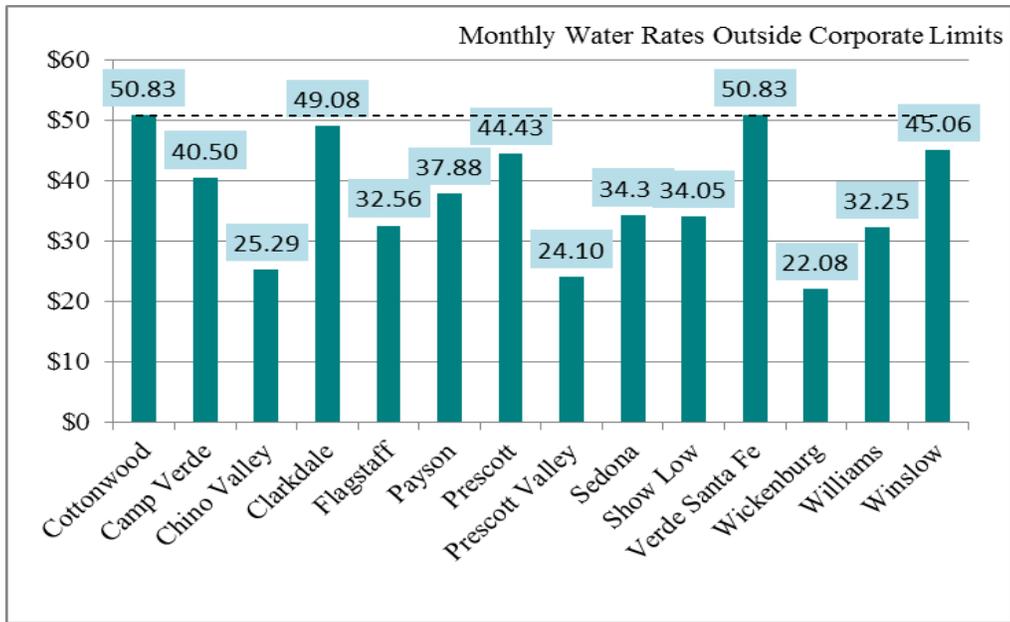
The table clearly depicts this disparity of water rates between inside community corporate limits and outside community corporate limits. In some cases, the rates are doubled. It should be noted that some communities use General Obligation (GO) bonds which are paid through excise taxes, while others, like the City of Cottonwood, use Revenue Bonds which directly impact the rate structure. Traditionally, communities using GO Bonds have lower rates but higher property or other tax rates.

Water Rates Comparison:

The proposed rates take into consideration that the cost of services vary between in and out of the corporate City limits for the reasons previously detailed. The following graphs visually depict where Cottonwood in-limit rates will compare to other northern Arizona communities.

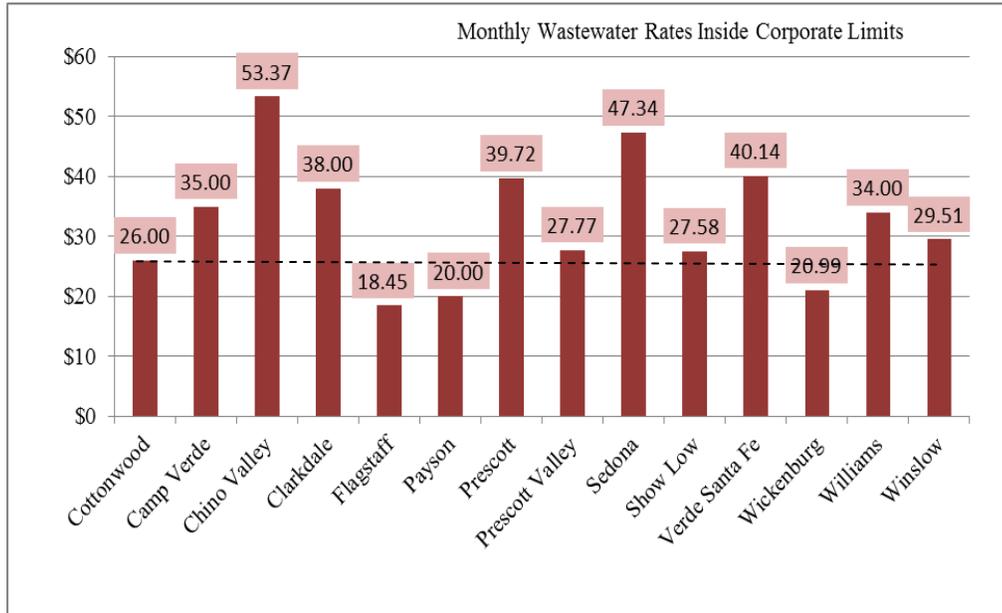


In reality, over 46% of the communities surveyed use higher rates for those water users outside their corporate limits. Some of the communities currently do not provide services outside their boundaries or their coverage is very limited.

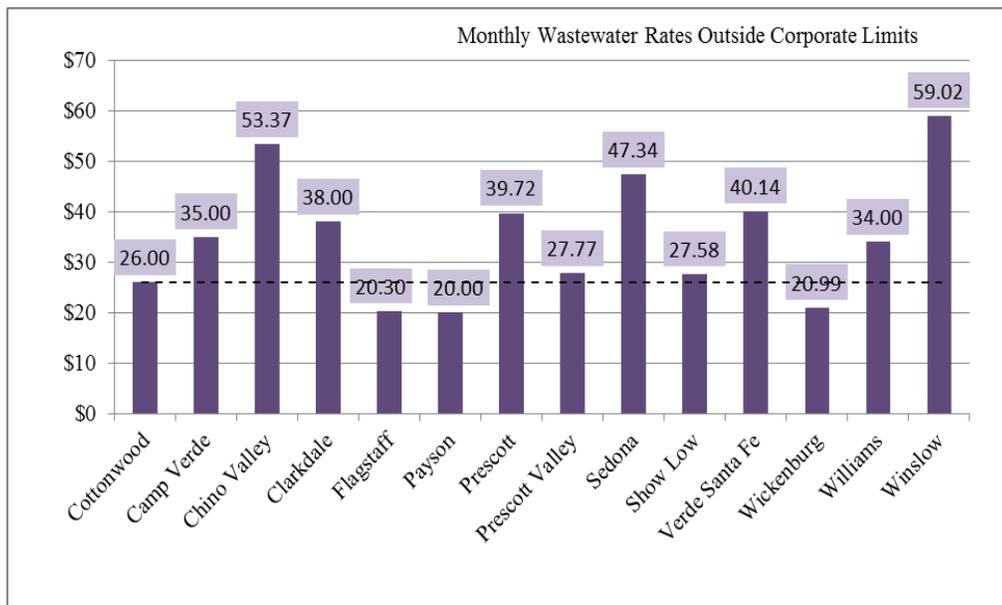


Wastewater Rates Comparison:

Comparing proposed wastewater rates, the variance among all surveyed is more dramatic. The City of Cottonwood ranks as the fourth lowest out of the field of fourteen. At \$26.00, only Flagstaff, Payson, and Wickenburg are lower at \$18.45, \$20.00 and \$20.99, respectively. Chino Valley is more than double the proposed Cottonwood in-limit rates.

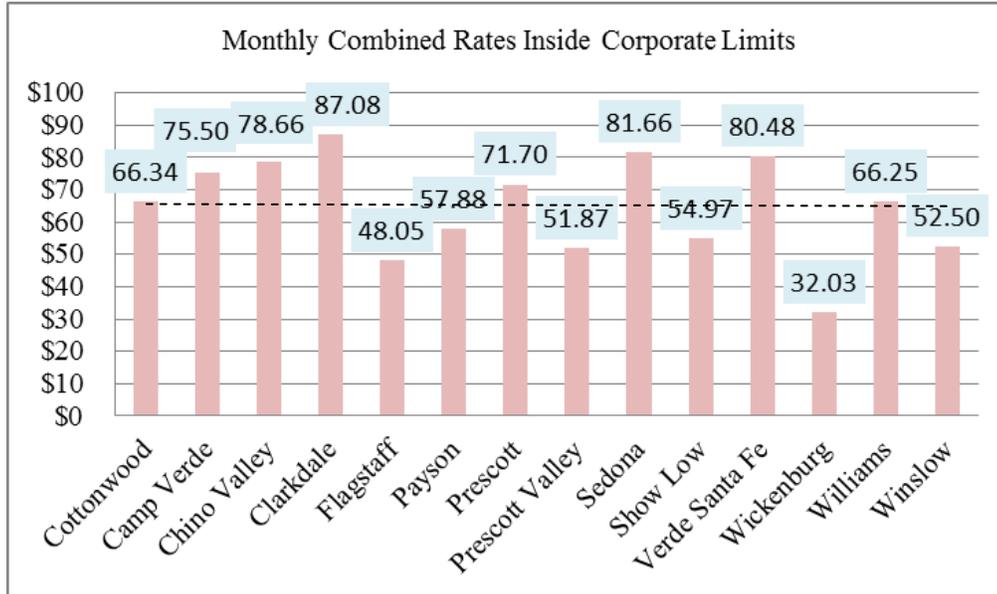


Differential rates in the sample communities are not as prevalent as they are in water rates. Some of these communities do not provide services outside their corporate boundaries.

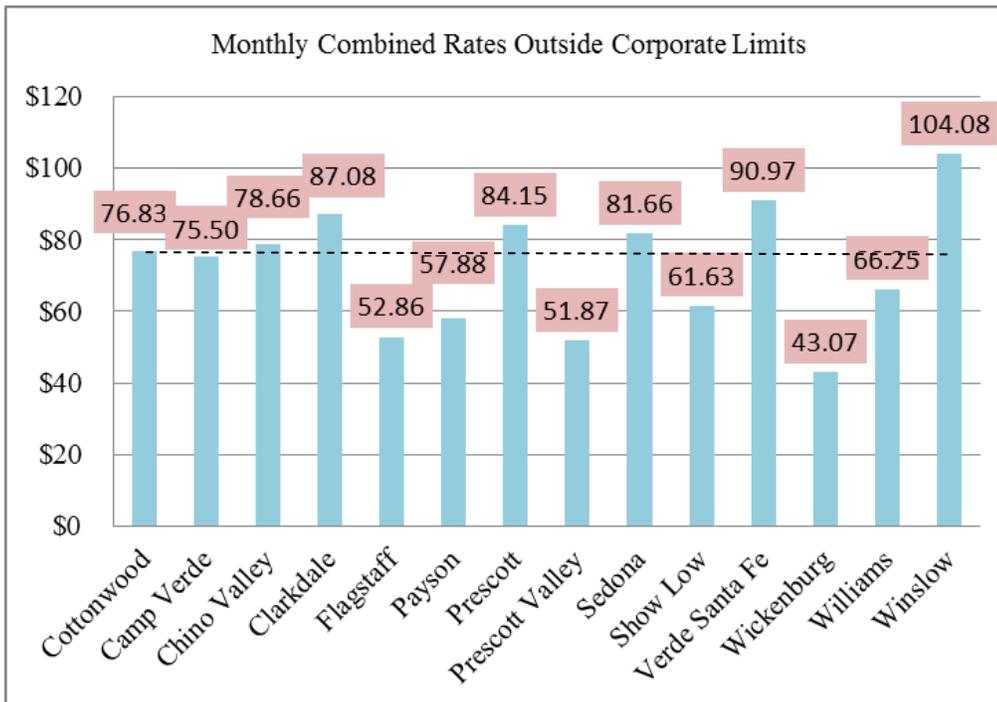


Combined rates:

The following table compares combined rates using 5,000 gallons of water and 5,000 gallons of wastewater at residential rates. Inside City limit rates places the City of Cottonwood in the middle of all those surveyed.



A review of the overall combined out of City limit rates, the City of Cottonwood is again in the middle of all those surveyed.



OTHER RECOMMENDED CHANGES

Staff is proposing a modest increase in water deposits and fees to assist in cost recovery. These fee and deposit amounts have not been altered since the acquisition of the utilities back in November 2004. It is important to also review the utility deposit and fees as part of a comprehensive rate study.

Water Meter Charge:

Water Meter Size (inches)	Current Charge	Proposed New Charge
5/8"	\$275	\$400
1"	\$400	\$475
1 1/2"	\$850	\$970
2"	\$1,150	\$1,250
3"	\$1,700	\$2,000
4"	\$2,500	\$3,000
6"	\$4,850	\$6,000
8"	\$9,400	\$12,000

Account Fees:

Deposits:

	Deposit Amount 1		
	Current Fee	Proposed New Fee - Owner	Proposed New Fee - Tenant
5/8"	\$100	\$100	\$125
1"	\$125	\$125	\$150
1 1/2"	\$150	\$150	\$200
2"	\$200	\$200	\$300
3"	\$300	\$300	\$500
4"	\$350	\$350	\$650
6"	\$400	\$400	\$800
8"	\$600	\$600	\$1,000

1 - If an account is turned off for non-pay, there will be an additional \$25.00 deposit charge per occurrence.

Water Service Establishment Fees

Current Fee	Proposed New Fee - Inside	Proposed New Fee - Outside
\$25	\$35	\$45

OTHER RECOMMENDED CHANGES - CONTINUED

Emergency and Construction Turn-On/Turn Off

	Current Charge	Proposed New Charge - Inside	Proposed New Charge - Outside
Regular Business Hours	\$25	\$35	\$45
Non-Business Hours	\$75	\$95	\$105

Non-metered Fire Sprinkler Line Monthly Standby Fee

Line Size	Current Fee	Proposed New Fee
4" line	\$20	\$25
6" line	\$35	\$40
8" line	\$50	\$60

Reconnections (Per Disconnection For Non-Payment)

	Current Charge	Proposed New Charge - Inside	Proposed New Charge - Outside
	\$25	\$35	\$45

Meter Re-Reading/Test

Determined by cost of test and shipping

Account Delinquencies

	Current Charge	Proposed New Charge
On 11th day past-due	\$5	\$10
Subsequent past-due (per month)	0.833% mo.	

APPENDIX

Rating Update: MOODY'S DOWNGRADES COTTONWOOD MUNICIPAL PROPERTY CORPORATION WATER ENTERPRISE (AZ) RATING TO Baa1 FROM A3

Global Credit Research - 20 May 2011

NEGATIVE OUTLOOK REMOVED; Baa1 RATING AFFECTS \$34.6 MILLION OF RATED DEBT OUTSTANDING

Cottonwood Munic. Prop. Corp., AZ Wtr. Ent.
Water/Sewer
AZ

Opinion

NEW YORK, May 20, 2011 – Moody's Investors Service has downgraded Cottonwood Municipal Property Corporation Water Enterprise (AZ) senior lien debt obligations to Baa1 from A3 affecting \$34.6 million in outstanding debt. The bonds are secured by the lease purchase payments made by the City from net water utility system revenues.

SUMMARY RATING RATIONALE

The Baa1 rating and downgrade reflects the city's weakened financial position, which has contributed to violation of the rate covenant for two consecutive years and a decline in the City's cash margins. The Baa1 rating also reflects the essentiality of the service, stable customer base, weak debt ratio and reluctance to raise rates to generate adequate net revenues for the payment of debt service. The removal of the negative outlook reflects management's commitment to increase coverage levels to comply with the rate covenant through expenditure cuts and rate increases over the next couple years.

STRENGTHS

- Ample liquidity position
- Adequate system capacity to meet future demand

CHALLENGES

- Multiple year rate increases to restore coverage levels to 1.35x rate covenant
- Above average debt ratio

DETAILED CREDIT DISCUSSION

SYSTEM EXHIBITS TREND OF DECLINING COVERAGE AND LIQUIDITY LEVELS

The System's debt service coverage levels have declined in recent years as a result of declining operating revenue and expenditure pressures stemming from increased repair and replacement costs. In fiscal 2009 and fiscal 2010 debt service coverage fell to 1.10x and 1.11x respectively, which fell below the rate covenant of 1.35x coverage on a net revenue basis. Despite an 8% rate increase, which was approved by City Council in fiscal 2010, management projects fiscal 2011 coverage to be 1.08x. Management acknowledges the need to increase coverage levels to satisfy the rate covenant and plans to do so through a collection of expenditure cuts and rate increases.

AMPLE LIQUIDITY DESPITE RECENT DRAWDOWNS

The System's liquidity position has declined in recent years as a result of increased capital expenditures related to needed repairs to existing water lines and costs related to water quality. Management has indicated that arsenic levels have been reduced and is compliance with water regulation standards. Days Cash on Hand declined from 927 days in fiscal 2009 to 504 days in fiscal 2010. Management has indicated that there is no expectation to utilize cash reserves outside of standard repair and maintenance charges. Moody's believes the on-going maintenance of the system's ample liquidity position remains a significant credit factor. In addition, the City has indicated that the system maintains a fully cash funded debt service reserve account.

DIVERSIFIED, MATURE SERVICE AREA WITH ADEQUATE CAPACITY TO MEET FUTURE DEMAND

The City of Cottonwood (UTGO, rated A1) is located 50 miles south of Flagstaff (UTGO rated Aa2) and about 20 miles southwest of the City of Sedona. Recreational tourism and services for retirees are important economic drivers for the region. The system's service area includes the city limits and surrounding areas adjacent to the city limits. The system's capacity includes all above ground storage facilities including 21 reservoirs with a capacity of 3.4 million gallons, which remains sufficient to meet future demand. The system remains diversified with the top ten customers making up 4.19% of the systems total revenues.

WHAT COULD MAKE THE RATING GO UP

- * Demonstrated trend of increasing net revenues and debt service coverage above the rate covenant.

WHAT COULD MAKE THE RATING GO DOWN

- * Further deterioration of the system's coverage levels and cash position.

KEY STATISTICS:

Security: Secured by the lease purchase payments made by the City from net water utility system revenues

Legal Provisions: Slightly stronger than standard with a rate covenant and additional bonds test of 1.35x of annual debt service coverage.

Total Accounts (2009): 9,127

Fiscal 2010 operating ratio: 67%

Fiscal 2010 Debt Service Coverage: 1.11 times

Fiscal 2010 Days Cash on Hand: 504

Debt Ratio: 116.6%

Projected Payout (10 years): 32%

The principal methodology used in this rating was *Analytical Framework For Water And Sewer System Ratings* published in August 1999.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings and public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of maintaining a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Please see the Credit Policy page on Moody's.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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RatingsDirect®

Summary:

Cottonwood Municipal Property Corp. Cottonwood, Arizona; Water/Sewer

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Related Criteria And Research

Summary:

Cottonwood Municipal Property Corp. Cottonwood, Arizona; Water/Sewer

Credit Profile

Cottonwood Mun Prop Corp, Arizona

Cottonwood, Arizona

Cottonwood Mun Prop Corp sr lien wtr sys

Unenhanced Rating

BBB+(SPUR)/Negative

Downgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has lowered its long-term rating on Cottonwood Municipal Property Corp., Ariz.'s water revenue bonds, series 2004 and 2006, to 'BBB+' from 'A', reflecting the city's recent trend of insufficient annual debt service coverage from net revenues while relying on cash reserves to make sufficient coverage. The outlook is negative.

The rating and outlook reflect our opinion of the water system's:

- Inability to meet debt service requirements using net available revenues, which has led to the system using cash reserves to sufficiently cover debt service payments;
- Infrequent rate increases to sufficiently support annual debt service payments and future rate increases, which, while projected, have not been approved;
- Extremely high debt to plant ratios, with the city potentially adding additional debt to support its moderate capital plan; and
- Affordable rates in comparison to the city's underlying economic characteristics.

We view the bond provisions as adequate. The bonds are secured by the net revenues of the water system. Covenants include a 1.35x rate covenant and a 1.35x maximum annual debt service additional bonds test. Impact fees are considered part of the revenues for satisfying the rate covenant, but the system has been insufficient even in recent years to meet the coverage requirements.

In our view, the system's financial performance has been weakened due to rates being insufficient to cover operating expenditures and consequently not satisfying the system's rate covenant on the bonds. Based on audited results, we calculate debt service coverage (DSC) for fiscal 2012 at 0.96x, which we consider insufficient based on the system's rate covenant of 1.35x; this follows weak DSC at 0.87x and 1.16x for fiscal years 2010 and 2011, respectively. Based on the city's fiscal 2013 budget, we estimate that fiscal 2013 DSC will be about 0.98x. The city believes it will be more than 1x annual debt service when including impact fees. Additionally, when the city was below its rate covenant, it had to use reserves to cover some of the debt service as well as to address its capital needs. According to management, pending approval of the city's proposed rates, it is expecting to reach 1.35x coverage in fiscal 2014 and stay between

1.35x and 1.40x for the next five years. To reach this goal, according to management, the city will have to make one substantial increase in fiscal 2014 and then make smaller annual increases to maintain coverage. However, given that rates have been raised infrequently, with the last one in 2010, we believe this creates additional pressure to maintain even sufficiency coverage. Although the city has been in violation of the system's 2004 and 2006 revenue bond covenants, no action has been taken to make the city meet its coverage requirements.

Liquidity has ranged between good and strong during the past four fiscal years and we anticipate that it will remain good. Cash on hand at the end of fiscal 2012 totaled \$7 million. Of this total, the city considers only \$2 million to be unrestricted, which translates to 201 days' unrestricted cash and investments, which we consider good. The remainder is earmarked for water resource development. Based on the city's audited financial statements, liquidity during the past four fiscal years was no lower than 113 days. As of May 30, 2013, unrestricted cash and investments totaled \$5.1 million out of which \$1.56 million is available. Management's goal is to maintain at least 60 days of operating expenditures. Cash has fluctuated in recent years, with levels at more than \$2.3 million in fiscal 2011 (273 days) but just over \$1 million (113 days) in fiscal 2010.

Cottonwood Municipal Property Corp. is part of Yavapai County in central Arizona, 50 miles south of Flagstaff, and borders the Verde River to its north. Cottonwood City's population increased during the past five years from 2008 to 2012 by 7.6% to 11,827. Management reports that it expects moderate growth in the area over the next five years. Yavapai County's unemployment rates were moderately high during the past three years, ranging from 7.9%-11.4% and most recently stood at 8.1% in April 2013. We consider Cottonwood and Yavapai County's income levels to be adequate based on the median household effective buying income (EBI) at 76% and 86% of the national level in 2012, respectively.

The city serves a stable, primarily residential, and very diverse customer base. During the past five fiscal years, water accounts decreased by 0.4% to 9,000 accounts in fiscal year 2012 from 9,040 accounts in fiscal year 2008. We consider the customer base to be primarily residential, with residential customers accounting for about 93% of water meters. The district's customer base is also very diverse, in our opinion, as the 10 leading customers pay about 0.78% of water service charges and the leading customer, Verde Valley Medical Center, pays 0.33% of water service charges annually.

The system provides water treatment, storage, and delivery services to some households and businesses within and adjacent to the city and includes some limited outlying areas of Yavapai County. In 2004, the city entered into the water utility business after acquiring three private water companies. Its only source of supply is groundwater, which is pumped through wells. In fiscal 2012, the average daily demand was 2.1 million gallons per day (mgd) with a peak day demand of 2.7 mgd. According to city management, Cottonwood has ample water supply.

Water rates are moderate but are anticipated to increase in the future, assuming city council approval. Customers pay their water service charges along with their sewer charges monthly. The water charge is \$39.53 per 8,000 gallons for fiscal year 2013. The city last raised rates by 8% in 2010, but continues to review them annually. Total water and sewer bills total \$53.26, which translates to an affordable 2.2% of underlying median household EBI. As of fiscal 2014, monthly water rates are proposed to increase by 16% to \$50.32. Water rates are projected to increase by 2% from fiscal years 2015 through 2019. According to management, the city is still discussing future water rates and will be proposing these plans to council in June and implementing them Oct. 1, 2013 at the earliest. Management is also

planning on scheduling its rate committee to meet regularly on rate issues as well as report to council over the year. The city currently has 3,250 closed accounts that total \$358,610 in delinquencies, which management doesn't believe it will collect. Once a bill is past due, the water is turned off unless the total past due bill is paid.

Cottonwood's capital improvement plan for the next five years is, in our view, moderate but could add to an already highly leveraged debt position at 175% debt to plant with \$33 million of bonds outstanding in fiscal 2012. The city could also seek additional funding for continued improvements to the water system and has plans to refinance through the state's Water Infrastructure Finance Authority. These two actions are dependent on future water rate increases and the city maintaining its rate covenant. In aggregate, over the next five years management anticipates capital project spending about \$8 million, of which \$5 million would be new debt issuance.

Outlook

The negative outlook reflects our view of the city's historical inability to meet debt service requirements from net available revenues and our opinion that this trend could continue if the city does not make timely budget adjustments to meet at least sufficient coverage. If the city still fails to take the necessary budgetary action, whether through the more likely appropriate revenue enhancements or expenditure reductions, to meet its coverage requirements, we could lower the rating during the current two-year outlook. Meeting at least sufficient coverage from net available revenues could lead us to revise the outlook to stable at the current rating level. Upward rating movement is limited during the current outlook period.

Related Criteria And Research

- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008
- USPF Criteria: Key Water And Sewer Utility Credit Ratio Ranges, Sept. 15, 2008

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Syncora Guarantee Inc.
135 West 60th Street
7th Floor
New York, NY 10020
+1 212 478 3400 Phone
+1 212 478 8587 Fax
www.syncora.com



June 7, 2013

The Bank of New York Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, CA 90017-4104
Attention: Corporate Trust Services

cc: Jesus "Rudy" Rodriguez
Administrative Services General Manager
City of Cottonwood
816 North Main Street
Cottonwood, Arizona 86326

Re: Notice of Noncompliance with Series 2004 and Series 2006 City Purchase Agreements between City of Cottonwood, Arizona and City of Cottonwood Municipal Property Corporation

Ladies and Gentlemen:

Reference is made to the Bond Indenture dated as of October 1, 2004 (the "2004 Indenture"), between City of Cottonwood Municipal Property Corporation (the "Corporation") and BNY Western Trust Company ("BNY Western"), as trustee, securing the City of Cottonwood Municipal Property Corporation Senior Lien Water System Revenue Bonds, Series 2004 (the "2004 Bonds") and the Obligation Indenture dated as of January 1, 2006 (the "2006 Indenture" and together with the 2004 Indenture, the "Indentures"), among the City of Cottonwood, Arizona (the "City"), the Corporation and The Bank of New York Trust Company, N.A. ("BONY" and together with BNY Western, "BNY"), as obligation trustee, securing the Senior Lien Water System Revenue Obligations, Series 2006 (the "2006 Obligations" and together with the 2004 Bonds, the "Bonds"). Syncora Guarantee Inc. f/k/a XL Capital Assurance Inc. ("Syncora") is the bond insurer on the Bonds. Further reference is made to the City Purchase Agreement dated as of October 1, 2004 (the "Series 2004 Purchase Agreement"), between the City, as purchaser, and the Corporation, as seller, and the Series 2006 City Purchase Agreement dated as of January 1, 2006 (the "Series 2006 Purchase Agreement" and together with the Series 2004 Purchase Agreement, the "Purchase Agreements"), between the City, as purchaser, and the Corporation, as seller. Defined terms used but not defined herein shall have the meanings ascribed to them in the related Indenture or the related Purchase Agreement, as appropriate.

Section 4.2(b) of the Series 2004 Purchase Agreement contains a rate covenant (the "Series 2004 Rate Covenant") which provides, in part, that the City shall fix fees "to produce Net Revenues in each Fiscal Year which will equal at least 135% of the interest and Principal Requirement for the then current Bond Year on all Senior Lien Obligations then outstanding". Section 4.2(b) of the Series 2006 Purchase Agreement contains a rate covenant (the "Series 2006 Rate Covenant" and together with the Series 2004 Rate Covenant, the "Rate Covenants") which provides, in part, that the City shall fix fees "to produce Net Revenues (excluding, however, from a calculation thereof for this purpose only the amounts received by the City pursuant to the Intergovernmental Utilities Purchase Agreement) in each Fiscal Year which will equal at least 135% of the interest and Principal Requirement (excluding, however, from the calculation thereof for this purpose only the portion of such interest and Principal Requirement allocable to each

Clarkdale Maturity Amount) for the then current Bond Year on all Senior Lien Obligations then outstanding.” The City is not currently and has not been compliant with the Rate Covenants for more than three years (as shown on the attached exhibit from the City’s 2012 financial statement). Section 7.1(c) of each Purchase Agreement provides that an Event of Default occurs when “the City shall fail to perform any other covenant herein for a period of thirty (30) days after written notice specifying such default shall have been given to the City by the Corporation or the Trustee...”.

Section 12.3 of each Indenture provides that “[Syncora] shall be recognized as the registered Holder of each Bond which it insures for the purposes of exercising all rights and privileges available to the Holders.”

Pursuant to Section 6.4 of each Indenture provides that BNY may enforce all rights of the Corporation and all obligations of the City under the Purchase Agreements.

By this letter, Syncora hereby requests that BNY promptly deliver a notice to the City of its noncompliance with Section 4.2(b) of each Purchase Agreement and a demand to correct such noncompliance as soon as practicable.

Please be advised that Syncora reserves all of its rights and remedies in connection with the City’s noncompliance under the Purchase Agreement (including, without limitation, the right to exercise such rights and remedies without further notice), and that no failure or delay by Syncora in exercising any such right or remedy shall operate as a waiver thereof.

Please do not hesitate to contact Mary Rose Kaddo at (212) 478-3620 if you have any questions with respect to this letter.

Very truly yours,

SYNCORA GUARANTEE INC

By:

Name:

Title:


Charles E. Reilly
Managing Director



BNY MELLON

June 25, 2013

City of Cottonwood, Arizona
Attn: Jesus Rudy Rodriguez, Administrative Services General Manager
816 North Main Street
Cottonwood, AZ 86326
(Via Email: rodriguez@cottonwoodaz.gov)

**Re: Notice of Noncompliance with Series 2004 and Series 2006 City Purchase Agreements
Between City of Cottonwood, Arizona and City of Cottonwood Municipal Property
Corporation**

Dear Sirs:

Reference is made to the Bond Indenture dated as of October 1, 2004 (the "2004 Indenture"), between City of Cottonwood Municipal Property Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company, as trustee (the "Bond Trustee"), securing the City of Cottonwood Municipal Property Corporation Senior Lien Water System Revenue Bonds, Series 2004 (the "2004 Bonds") and the Obligation Indenture dated as of January 1, 2006 (the "2006 Indenture" and together with the 2004 Indenture, the "Indentures"), among the City of Cottonwood, Arizona, (the "City"), the Corporation and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. as obligation trustee (the "Obligation Trustee" and together with the Bond Trustee, the "Trustee"), securing the Senior Lien Water System Revenue Obligations, Series 2006 (the "2006 Obligations" and together with the 2004 Bonds, the "Bonds"). Further reference is made to the City Purchase Agreement dated as of October 1, 2004 (the "Series 2004 Purchase Agreement"), between the City, as purchaser, and the Corporation, as seller, and the Series 2006 City Purchase Agreement dated as of January 1, 2006 (the "Series 2006 Purchase Agreement" and together with the Series 2004 Purchase Agreement, the "Purchase Agreements"), between the City, as purchaser, and the Corporation, as seller. Defined terms used but not defined herein shall have the meanings ascribed to them in the related Indenture or the related Purchase Agreement, as appropriate.

Section 4.2(b) of the Series 2004 Purchase Agreement contains a rate covenant (the "Series 2004 Rate Covenant") which provides, in part, that the City shall fix fees "to produce Net Revenues in each Fiscal Year which will equal at least 135% of the interest and Principal Requirement for the then current Bond Year on all Senior Lien Obligations then outstanding". Section 4.2(b) of the Series 2006 Purchase Agreement contains a rate covenant (the "Series 2006 Rate Covenant" and together with the Series 2004 Rate Covenant, the "Rate Covenants") which provides, in part, that the City shall fix fees "to produce Net Revenues (excluding, however, from a calculation thereof for this purpose only the amounts received by the City pursuant to the Intergovernmental Utilities Purchase Agreement) in each Fiscal Year which will equal to at least 135% of the interest and Principal Requirement (excluding, however, from the calculation thereof for this purpose only the portion of such interest and Principal Requirement allocable to each Clarkdale Maturity Amount) for the then current Bond Year on all Senior Obligations then outstanding". The City is not currently and has not been compliant with the Rate Covenants for more than three years (as shown in the City's 2012 financial statement).

The Bank of New York Mellon Trust Company, N.A., 601 Travis Houston, Texas 77002

Section 7.1(c) of each Purchase Agreement provides that an Event of Default occurs when “the City shall fail to perform any other covenant herein for a period of thirty (30) days after written notice specifying such default shall have been given to the City by the Corporation or the Trustee, provided that if such failure be such that it cannot be remedied within such 30 day period, it shall not be deemed an Event of Default so long as the City diligently tries to remedy the same”.

The Trustee hereby notifies the City of the noncompliance with Section 4.2(b) of each Purchase Agreement, and that such noncompliance could become an Event of Default under Section 7.1(c) of each Purchase Agreement and under Section 7.1(e) of each Indenture. The Trustee hereby demands the City to immediately remedy the potential Events of Default, pursuant to the requirements of the Purchase Agreements and the Indentures.

The Trustee also calls your attention to Section 4.2(d) of the Series 2004 Purchase Agreement which states “If the City fails to comply with the foregoing covenant in any Fiscal Year while the Policy is in effect and the Bond Insurer is not in default there under, the City shall cause a rate study in substantially the form of the ‘Water Rates Study and Long Term Financial Plan’ prepared in connection with the issuance of the Bonds to be prepared within 180 days of the end of such Fiscal Year and shall provide a copy of the same to the Bond Insurer”.

The failure to list other failures, defaults or Events of Defaults that may currently exist or may arise hereafter does not constitute, and shall not be deemed a waiver of any such failures, defaults or Events of Default by the Trustee. The Trustee hereby reserves all of its rights, including the right to take whatever remedial actions it deems necessary at any time after the occurrence and during the continuation of an of an Event of Default. The failure to take immediate action does not constitute and shall not be deemed a waiver of the Trustee’s rights or remedies.

Please advise the Trustee of remedial steps the City is considering. If you have questions concerning this Notice, please contact the Trustee, Attn: J. Chris Matthews, 601 Travis, 16th Floor, Houston, Texas 77002, via phone at (713) - 483-6267 or email to j.chris.matthews@bnymellon.com.

Sincerely,



J. Chris Matthews
Vice President

cc:

City of Cottonwood Municipal Property Corporation
Attn: President
c/o City of Cottonwood, Arizona
827 North Main Street
Cottonwood, Arizona 86326

Syncora Guarantee Inc.
Attn: Mary Rose Kaddo
135 West 50 Street
New York, N.Y. 10020

City of Cottonwood, Arizona.
Attn: City Manager
827 North Main Street
Cottonwood, Arizona 86326

ORDINANCE NUMBER 598

AN ORDINANCE OF THE MAYOR AND CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, AMENDING THE CITY'S MUNICIPAL WATER SYSTEM RATES, FEES AND CHARGES.

WHEREAS, the City has prepared, published, and made available for public inspection a *Water and Wastewater Rate Study and Long-Term Financial Forecast*, the purpose of which was to examine the current and projected revenues and expenses of the City's water and wastewater systems over the next five years, and to recommend rates, fees and charges to adequately support those systems over that period; and

WHEREAS, the City is currently out of compliance with the rate covenants contained within the water system revenue bonds issued by the City's Municipal Property Corporation in 2004 and 2006, which require the City to charge and collect fees equal to 135 percent of the water system's annual operating costs; and

WHEREAS, the City Council has determined that it is necessary to amend the municipal water system's rates, fees and charges in order to generate sufficient revenues to properly maintain and operate the system over the next five years, and to comply with the covenants and requirements of the City's water system revenue bonds; and

WHEREAS, the City Council adopted a Notice of Intent to Adjust Water and Wastewater Rates, Fees, and Charges for the City's water and wastewater utilities on June 18, 2013; and

WHEREAS, the proposed new rates, fees and charges were published in the *Verde Independent* on July 10, 2013; a public hearing was held on August 6, 2013; and other proper and sufficient notice of the proposed increase has been given to the public and to the customers of the City's municipal water system; and

WHEREAS, all of the requirements of Arizona Revised Statutes Section 9-511.01 have been met.

NOW THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF COTTONWOOD, YAVAPAI COUNTY, ARIZONA, AS FOLLOWS:

ORDINANCE NUMBER 598

Section 1: That, the City of Cottonwood Municipal Water System rates, fees, and charges are hereby amended as follows:

	PROPOSED NEW RATES	
	INSIDE	OUTSIDE
<u>Base Charge</u>		
5/8"	\$23.36	\$30.37
1"	\$37.80	\$49.14
1 1/2"	\$76.95	\$100.04
2"	\$121.50	\$157.95
3"	\$243.00	\$315.90
4"	\$378.00	\$491.40
6"	\$769.50	\$1,000.35
<u>Volume Charge (per 1,000 gal)</u>		
0 - 1,000	\$0.00	\$0.00
1,001 - 5,000	\$2.90	\$3.77
5,001 - 10, 000	\$3.99	\$5.19
10,001 - 15,000	\$5.69	\$7.40
15,000 +	\$8.10	\$10.53
<u>Water Resource Development Fee</u>		
Water Resource Development	\$4.32	\$4.32
Water Source Assurance	\$0.35	\$0.35
Gila River Adjudication	\$0.44	\$0.44
Water Conservation	\$0.27	\$0.27
Total Development Fee	\$5.38	\$5.38

ORDINANCE NUMBER 598

Water Meter Charge:

Water Meter Size (inches)	Proposed New Charge
5/8"	\$400
1"	\$475
1 1/2"	\$970
2"	\$1,250
3"	\$2,000
4"	\$3,000
6"	\$6,000
8"	\$12,000

Account Fees:

Deposits:

	Deposit Amount 1	
	Proposed New Fee - Owner	Proposed New Fee - Tenant
5/8"	\$100	\$125
1"	\$125	\$150
1 1/2"	\$150	\$200
2"	\$200	\$300
3"	\$300	\$500
4"	\$350	\$650
6"	\$400	\$800
8"	\$600	\$1,000

1 - If an account is turned off for non-pay, there will be an additional \$25.00 deposit per occurrence.

Water Service Establishment Fees

Proposed New Fee - Inside	Proposed New Fee - Outside
\$35	\$45

Emergency and Construction Turn-On/Turn Off

	Proposed New Charge - Inside	Proposed New Charge - Outside
Regular Business Hours	\$35	\$45
Non-Business Hours	\$95	\$105

Non-metered Fire Sprinkler Line Monthly Standby Fee

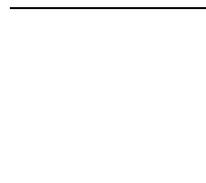
Line Size	Proposed New Fee
4" line	\$25
6" line	\$40
8" line	\$60

Reconnections (Per Disconnection For Non-Payment)

Proposed New Charge - Inside	Proposed New Charge - Outside
\$35	\$45

Meter Re-Reading/Test

Determined by cost of test and shipping



ORDINANCE NUMBER 598

Page 5

Account Delinquencies	Proposed New Charge
On 11th day past-due	\$10
Subsequent past-due (per month)	0.833% month

Section 2: The new water service rates, fees and charges shall be effective beginning on October 1, 2013.

PASSED AND ADOPTED BY THE CITY COUNCIL AND APPROVED BY THE MAYOR OF THE CITY OF COTTONWOOD, YAVAPAI COUNTY, ARIZONA, THIS 20TH DAY OF AUGUST, 2013.

Diane Joens, Mayor

APPROVED AS TO FORM:

ATTEST:

Steven B. Horton, Esq.
City Attorney

Marianne Jiménez, City Clerk

**City of Cottonwood, Arizona
City Council Agenda Communication**



 Print

Meeting Date:	August 6, 2013
Subject:	Ordinance Number 599 - Amending Wastewater Rates, Charges, and Fees
Department:	Administrative Services
From:	Jesus R. Rodriguez, C.G.F.M. Administrative Service General Manager

REQUESTED ACTION

First Reading of Ordinance Number 599 - Amending Wastewater Rates, Charges, and Fees as presented.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

N/A--First reading only.

BACKGROUND

The City of Cottonwood has been meeting with a rate committee consisting of a couple of local residents, utility personnel, management staff, Mayor Joens, Council Member Pratt, our financial adviser, and an occasional county representative. This committee was formed to review the operational, capital and financial needs of both the water and wastewater utilities. This group has been instrumental in moving the rate setting process forward to this point.

Wastewater rates were last adjusted in 2001. At that time the rate was established at \$16.75 and that rate has not been increased despite annual reports and calculations stating the need to increase the rates. The utility previously received a subsidy from a sales tax increment that covered a portion of the cost of providing services, but that tax expired on July 1, 2007, and since that time the utility has consumed about \$2,000,000.00 of its reserves and is in need of some additional financial support.

Fortunately, the wastewater system does not have any debt at this time. The system, however, is over two decades old and is in need of constant maintenance which requires substantial resources which are currently not available. Any potential debt service fee will be included in future billings, however, not without coming before the City Council for approval.

A second reading of this ordinance will be conducted on August 20, 2013, at 6:00 p.m. at City

Council Chambers. Though not a public hearing, public comments will be accepted prior to the Council's vote.

JUSTIFICATION/BENEFITS/ISSUES

Staff recommends that the Council approve the proposed ordinance increasing the City's wastewater rates, fees and charges, as presented, as the wastewater utility is in need of a rate adjustment to continue to provide the quality wastewater treatment services that our citizens are both entitled and accustomed to.

COST/FUNDING SOURCE

ATTACHMENTS:

Name:	Description:	Type:
📎 ord599.doc	Ordinance Number 599	Cover Memo

ORDINANCE NUMBER 599

AN ORDINANCE OF THE MAYOR AND CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, AMENDING THE CITY'S WASTEWATER SYSTEM RATES, FEES AND CHARGES.

WHEREAS, the City has prepared, published, and made available for public inspection a *Water and Wastewater Rate Study and Long-Term Financial Forecast*, the purpose of which was to examine the current and projected revenues and expenses of the City's water and wastewater systems over the next five years, and to recommend rates, fees and charges to adequately support those systems over that period; and

WHEREAS, the City Council has determined that it is necessary to amend the municipal wastewater system's rates, fees and charges in order to generate sufficient revenues to properly maintain and operate the system over the next five years; and

WHEREAS, the City Council adopted a Notice of Intent to Adjust Water and Wastewater Rates, Fees, and Charges for the City's water and wastewater utilities on June 18, 2013; and

WHEREAS, the proposed new rates, fees and charges were published in the Verde Independent on July 10, 2013; a public hearing was held on August 6, 2013; and other proper and sufficient notice of the proposed increase has been given to the public and to the customers of the City's municipal wastewater system; and

WHEREAS, all of the requirements of Arizona Revised Statutes Section 9-511.01 have been met.

NOW THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF COTTONWOOD, YAVAPAI COUNTY, ARIZONA, AS FOLLOWS:

Section 1: That, the City of Cottonwood Municipal Wastewater System's rates, fees, and charges are hereby amended as follows:

ORDINANCE NUMBER 599

New Wastewater Rates

Proposed New Rates	
Administrative Rate	\$6.60
Depreciation Rate (per 1,000)	5.95
O&M Rate (per 1,000)	13.70
DS Rate	<u>0.00</u>
 Total Monthly Residential Rate	 <u><u>\$26.25</u></u>

Section 2: The new wastewater service rates, fees and charges shall be effective beginning on October 1, 2013.

PASSED AND ADOPTED BY THE CITY COUNCIL AND APPROVED BY THE MAYOR OF THE CITY OF COTTONWOOD, YAVAPAI COUNTY, ARIZONA, THIS 20TH DAY OF AUGUST 2013.

Diane Joens, Mayor

ATTEST:

Marianne Jiménez, City Clerk

APPROVED AS TO FORM:

Steven B. Horton, Esq.
City Attorney

City of Cottonwood, Arizona City Council Agenda Communication



 Print

Meeting Date:	August 6, 2013
Subject:	Yavapai College Reclaimed Waterline
Department:	Development Services
From:	Dan Lueder, Development Services

REQUESTED ACTION

Consider approval of the job order contract bid submitted by Kinney Construction for installation of the Yavapai College reclaimed waterline.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

I move to approve the job order contract bid from Kinney Construction in the amount of \$219,535.34 for installation of the Yavapai College reclaimed waterline.

BACKGROUND

With the advent of their viticulture program, Yavapai College is in need of a reliable, plentiful source of water for irrigation of the current vineyard and more importantly, the planned expansion of this program. The College approached the City regarding the feasibility of providing reclaimed water from our Mingus Avenue plant to use for irrigation and this agreement is the result of several months of fact finding and negotiations. The agreement called for the City engineering staff to provide survey, design and construction administration services at no cost to the College, with the College reimbursing the City for all out-of-pocket costs incurred by the City for engineering and design work done as well as the cost of constructing the line.

Staff completed design of the reclaimed line and the project was submitted to the City's JOC contractors for bids. The bids ranged from a low of \$219,535.34 to a high of \$401,700. Because of the large difference between the low bid and the other two received, Kinney Construction was contacted to ensure that their bid was calculated properly. As evidenced by the attached letter from Tim Kinney, they feel their bid is correct and they wish to proceed with this project.

JUSTIFICATION/BENEFITS/ISSUES

Both the City and the College recognize the benefit to the environment of utilizing reclaimed water for outdoor irrigation purposes as an alternative to drawing on groundwater supplies for

this purpose. This project is a great example of how cooperation between two parties can foster an agreement that will benefit our citizens and groundwater supply for years to come. This productive use of reclaim water for agriculture represents a sustainable reuse of the city's water supply and such use represents the future for a sustainable water in the Verde Valley.

COST/FUNDING SOURCE

Yavapai College will deposit the funds to construct this project into the City's account prior to the issuance of a notice to proceed with the work.

ATTACHMENTS:

Name:	Description:	Type:
 Yavapai College Water Line Bid Letter 7-24-13.pdf	Letter from Kinney	Cover Memo
 YC reclaimed line bid tab.pdf	Bid tabulation	Cover Memo

July 25, 2013

David Hausaman
Public Works Project Manager
1490 W Mingus Ave
Cottonwood, AZ 86326

PH: 928-634-8033

Fax: 928-634-7285

Re: Yavapai College Reclaimed Water Line Project

Dear Mr. Hausaman:

Kinney Construction, LLC has reviewed our bid, quantities and pricing for the above referenced project. We are confident in our pricing and we guarantee our bid amount.

Should there be any questions please let us know. We look forward to another successful project with the City of Cottonwood.

Sincerely,



Tim Kinney
President

City of Cottonwood

SOLICITATION TABULATION

Project Name: Yavapai College Reclaimed Water Line Project

Solicitation Number: JOC Quotes

Solicitation Opening Date: July 22, 2013 @ 10:00 a.m.

Firm Name	Quote Amount			
Arizona Northern Equipment	\$401,700.00			
Kinney Construction	\$219,535.34			
Tiffany Construction	\$394,074.06			

Notes: _____

City of Cottonwood, Arizona City Council Agenda Communication



 Print

Meeting Date:	August 6, 2013
Subject:	Farmer's Market Jamboree Pet Policy
Department:	Community Services
From:	Richard Faust, Community Services Gen. Mgr. /Hezekiah Allen, Recreation Service Supervisor

REQUESTED ACTION

The Community Services Department is requesting Council's permission to ban pets from entering the Cottonwood Farmer's Market Jamboree except those specifically identified as assistive animals defined under the ADA. This decision would create a cleaner environment for F.M.J. participants and vendors selling consumed products such as produce, event food and beef products.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

"I move to approve the ban of pets at the Cottonwood Farmer's Market Jamboree."

BACKGROUND

The Cottonwood Farmer's Market Jamboree provides an avenue for locals to seek out fresh produce, homemade items, food vendors and a great community atmosphere. Staff has begun to see an issue regarding pets defiling the event grounds especially the straw bales that attendees sit on while listening to the great entertainment line-up the market offers. After multiple markets, the event grounds begins to have an odor and bugs accumulate and become a nuisance. To help remedy this situation staff is recommending attendees "Park their Pooch" outside the fence utilizing their leash until they are done at the market or leave their pets at home..

JUSTIFICATION/BENEFITS/ISSUES

The benefits of this action is that patrons and families will be able to enjoy the market without worrying as much about stepping in or sitting in areas that have been defiled by someone's pet. There is also a concern about young kids running and playing in the area and getting near dogs that may be aggressive. While no dog bites have been reported to date, dog fights have occurred and as the area becomes more crowded there will be greater potential for conflict and injury.

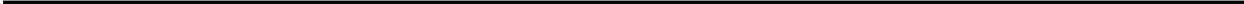
The city has been very accommodating to dogs and their owners by providing a very nice dog park where dogs can safely run without a leash.

COST/FUNDING SOURCE

N/A

ATTACHMENTS:

Name:	Description:	Type:
No Attachments Available		



**City of Cottonwood, Arizona
City Council Agenda Communication**



 Print

Meeting Date: August 6, 2013
Subject: Special Event Liquor License Applications for the Chamber of Commerce.
Department: City Clerk
From: Marianne Jiménez, City Clerk

REQUESTED ACTION

Recommendation of approval or denial by the City Council for two Special Event Liquor License Applications submitted by Lana Tolleson, applicant for the Cottonwood Chamber of Commerce, for a business mixer scheduled for August 15, 2013, and the Rhythm & Ribs event scheduled for October 12, 2013.

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

I move to recommend approval of the Special Event Liquor License Applications submitted by Lana Tolleson, applicant for the Cottonwood Chamber of Commerce, for a business mixer scheduled for August 15, 2013, at the Habitat for Humanity located at 737 South Main Street; and the Rhythm & Ribs event scheduled for October 12, 2013, at the Cottonwood Kids Park located at 350 South 12th Street.

BACKGROUND

Lana Tolleson, applicant for the Cottonwood Chamber of Commerce, is requesting approval of a Special Event Liquor License Application for a business mixer event to be held at the Habitat for Humanity located at 737 South Main Street, on August 15, 2013; and for the Rhythm & Ribs event scheduled for October 12, 2013, at the Cottonwood Kids Park located at 350 South 12th Street.

JUSTIFICATION/BENEFITS/ISSUES

All Special Event Liquor License applications that are submitted to the Arizona Department of Liquor Licenses & Control (ADLLC) for events held in the City of Cottonwood are presented to the Council for its recommendation of approval or denial of the application. The Council's recommendation is taken into consideration by the ADLLC prior to their final approval of the

application.

COST/FUNDING SOURCE

N/A

ATTACHMENTS:

Name:	Description:	Type:
📄 8-6-13 Chamber Mixer 8-15-13.pdf	Chamber Special Event--Habitat for Humanity Mixer	Cover Memo
📄 8-6-13 Chamber--Rhythm Ribs.pdf	Chamber Application--Rhythm and Ribs	Cover Memo

10. Has the applicant been convicted of a felony in the past five years, or had a liquor license revoked?
 YES NO (attach explanation if yes)

11. This organization has been issued a special event license for ⁸_____ days this year, including this event
(not to exceed 10 days per year).

12. Is the organization using the services of a promoter or other person to manage the event? YES NO
If yes, attach a copy of the agreement.

13. List all people and organizations who will receive the proceeds. Account for 100% of the proceeds.
THE ORGANIZATION APPLYING MUST RECEIVE 25% OF THE GROSS REVENUES OF THE SPECIAL EVENT LIQUOR SALES.

Name Cottonwood Chamber of Commerce 100%
Percentage

Address 1010 S. Main Street, Cottonwood, AZ 86326

Name _____ Percentage

Address _____
(Attach additional sheet if necessary)

14. Knowledge of Arizona State Liquor Laws Title 4 is important to prevent liquor law violations. If you have any questions regarding the law or this application, please contact the Arizona State Department of Liquor Licenses and Control for assistance.

NOTE: ALL ALCOHOLIC BEVERAGE SALES MUST BE FOR CONSUMPTION AT THE EVENT SITE ONLY.
"NO ALCOHOLIC BEVERAGES SHALL LEAVE SPECIAL EVENT PREMISES."

15. What security and control measures will you take to prevent violations of state liquor laws at this event?
(List type and number of security/police personnel and type of fencing or control barriers if applicable)

0 # Police Fencing
4 # Security personnel Barriers

Staff personal trained and aware of state liquor laws and will enforce. Security at front door and serving area. Event is being held at a place of business.

TIPS Concessions Trained: ID# 2689196 and ID# 2689200

16. Is there an existing liquor license at the location where the special event is being held? YES NO
If yes, does the existing business agree to suspend their liquor license during the time period, and in the area in which the special event license will be in use? YES NO

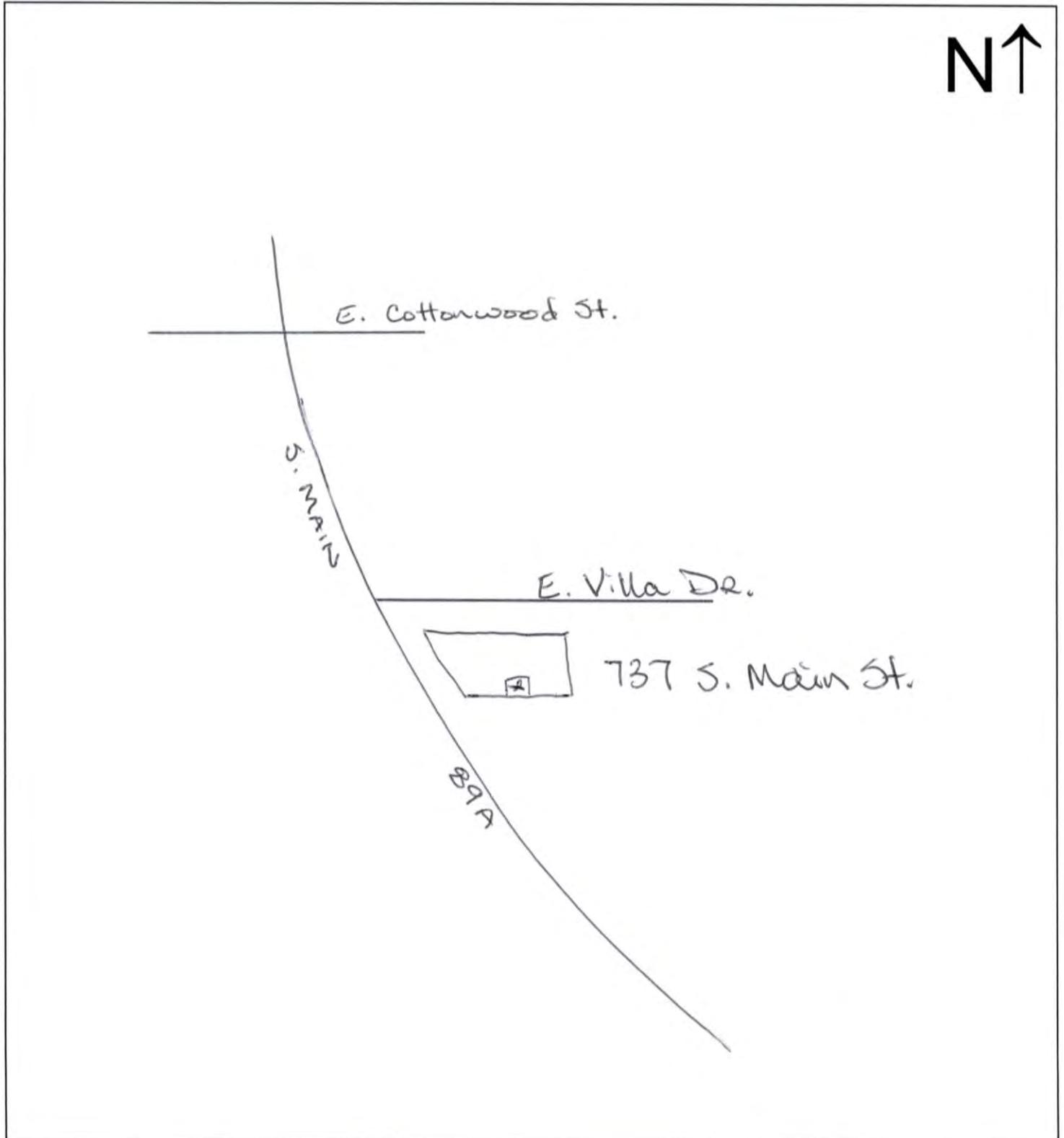
(ATTACH COPY OF AGREEMENT)

Name of Business () _____
Phone Number

17. Your licensed premises is that area in which you are authorized to sell, dispense, or serve spirituous liquors under the provisions of your license. The following page is to be used to prepare a diagram of your special event licensed premises. Please show dimensions, serving areas, fencing, barricades or other control measures and security positions.

SPECIAL EVENT LICENSED PREMISES DIAGRAM
(This diagram must be completed with this application)

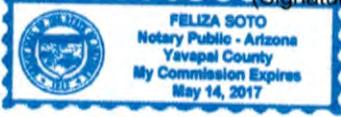
Special Event Diagram: (Show dimensions, serving areas, and label type of enclosure and security positions)
NOTE: Show nearest cross streets, highway, or road if location doesn't have an address.



THIS SECTION TO BE COMPLETED ONLY BY AN OFFICER, DIRECTOR OR CHAIRPERSON OF THE ORGANIZATION NAMED IN QUESTION #1

18. I, Lana Tolleson declare that I am an Officer/Director/Chairperson appointing the applicant listed in Question 6, to apply on behalf of the foregoing organization for a Special Event Liquor License.

X [Signature] President/CEO (928) 634-7593
(Signature) (Title/Position) (Date) (Phone #)



State of Arizona County of Yavapai

The foregoing instrument was acknowledged before me this 22 Day June Month 2013 Year

My Commission expires on: May 14, 2017 (Date) [Signature] (Signature of NOTARY PUBLIC)

THIS SECTION TO BE COMPLETED ONLY BY THE APPLICANT NAMED IN QUESTION #6

19. I, Lana Tolleson declare that I am the APPLICANT filing this application as listed in Question 6. I have read the application and the contents and all statements are true, correct and complete.

X [Signature]
(Signature)

State of Arizona County of Yavapai
The foregoing instrument was acknowledged before me this

22 Day June Month 2013 Year

My commission expires on: May 14, 2017 (Date) [Signature] (Signature of NOTARY PUBLIC)

You must obtain local government approval. City or County MUST recommend event and complete item #20. The local governing body may require additional applications to be completed and submitted 60 days in advance of the event. Additional licensing fees may also be required before approval may be granted.

LOCAL GOVERNING BODY APPROVAL SECTION

20. I, _____ hereby recommend this special event application
(Government Official) (Title)
on behalf of _____
(City, Town or County) (Signature of OFFICIAL) (Date)

FOR DLLC DEPARTMENT USE ONLY

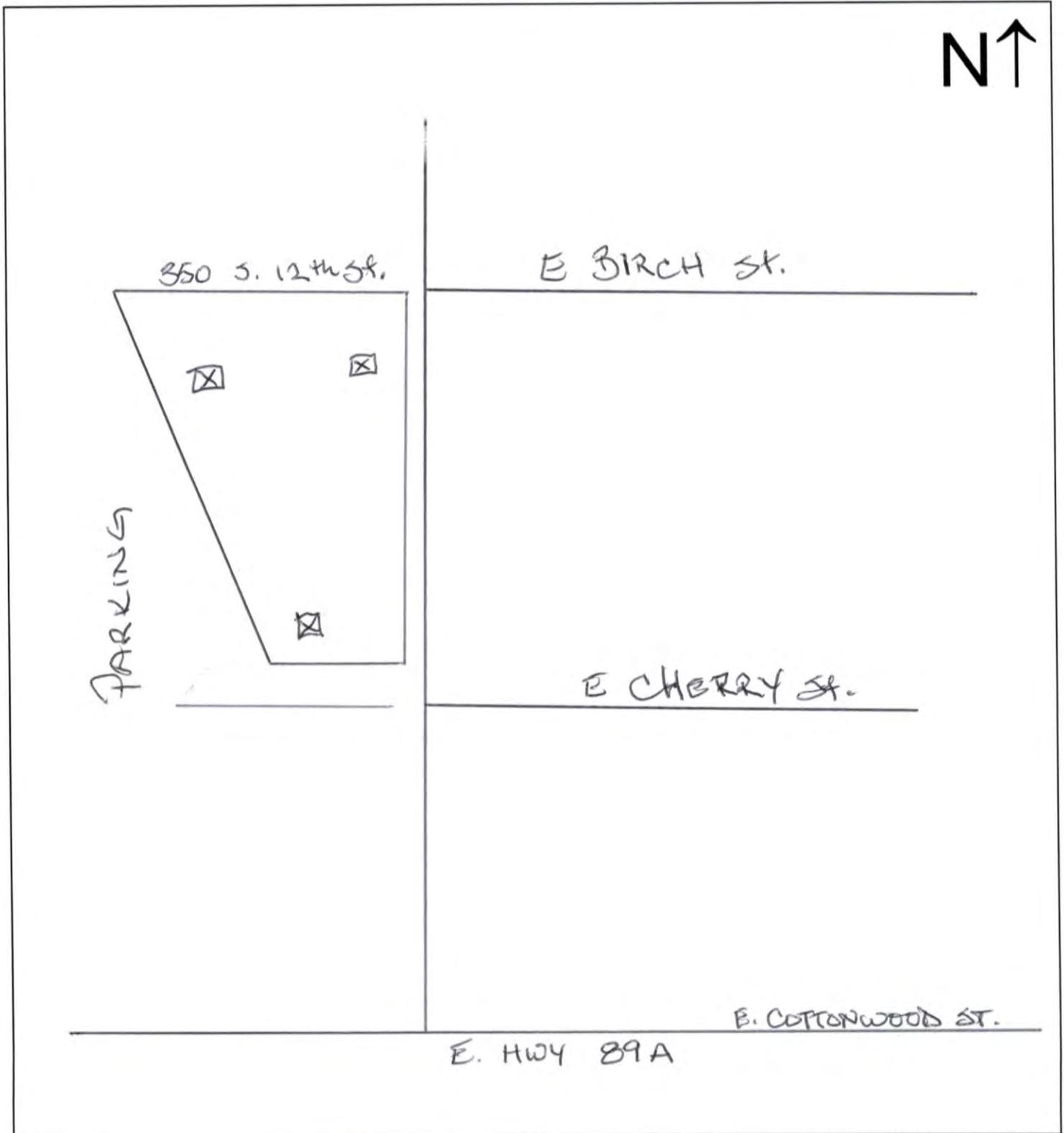
Department Comment Section:

(Employee) (Date)

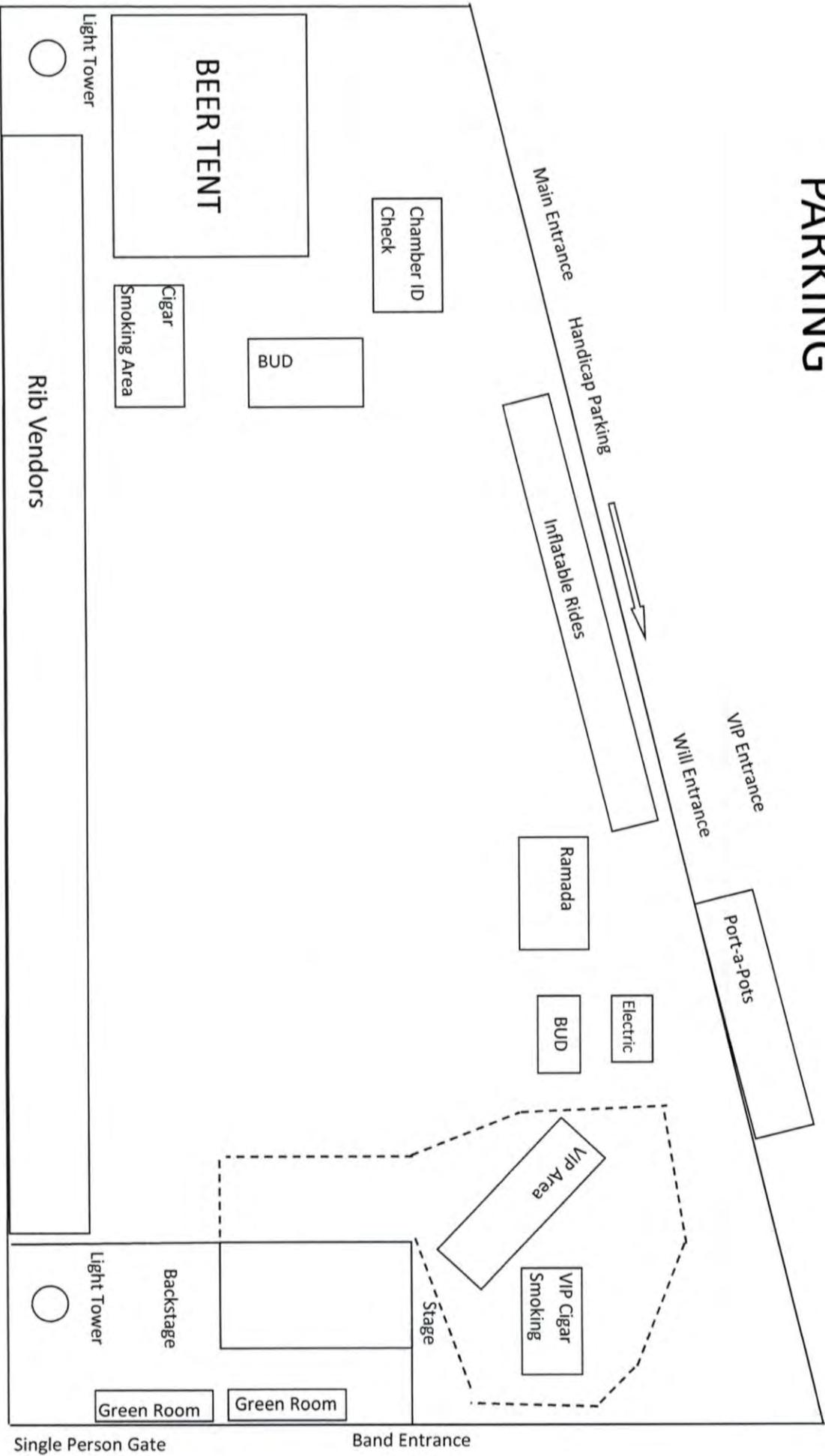
APPROVED DISAPPROVED BY: _____
(Title) (Date)

SPECIAL EVENT LICENSED PREMISES DIAGRAM
(This diagram must be completed with this application)

Special Event Diagram: (Show dimensions, serving areas, and label type of enclosure and security positions)
NOTE: Show nearest cross streets, highway, or road if location doesn't have an address.



PARKING

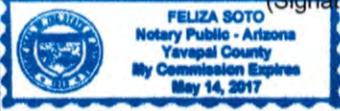


350 S. 12th Street

THIS SECTION TO BE COMPLETED ONLY BY AN OFFICER, DIRECTOR OR CHAIRPERSON OF THE ORGANIZATION NAMED IN QUESTION #1

18. I, Lana Tolleson declare that I am an Officer/Director/Chairperson appointing the applicant listed in Question 6, to apply on behalf of the foregoing organization for a Special Event Liquor License.

X Lana Tolleson (Signature) President/CEO (Title/Position) 7-26-13 (Date) 928634-7593 (Phone #)



State of Arizona County of Yavapai

The foregoing instrument was acknowledged before me this

26 Day 7 Month 2013 Year

My Commission expires on: May 14 2017 (Date)

[Signature] (Signature of NOTARY PUBLIC)

THIS SECTION TO BE COMPLETED ONLY BY THE APPLICANT NAMED IN QUESTION #6

19. I, Lana Tolleson declare that I am the APPLICANT filing this application as listed in Question 6. I have read the application and the contents and all statements are true, correct and complete.

X Lana Tolleson (Signature)

State of Arizona County of Yavapai

The foregoing instrument was acknowledged before me this

26 Day 7 Month 2013 Year

My commission expires on: May 14 2017 (Date)

[Signature] (Signature of NOTARY PUBLIC)

You must obtain local government approval. City or County MUST recommend event and complete item #20. The local governing body may require additional applications to be completed and submitted 60 days in advance of the event. Additional licensing fees may also be required before approval may be granted.

LOCAL GOVERNING BODY APPROVAL SECTION

20. I, _____ (Government Official) _____ (Title) hereby recommend this special event application on behalf of _____ (City, Town or County) _____ (Signature of OFFICIAL) _____ (Date)

FOR DLLC DEPARTMENT USE ONLY

Department Comment Section:

(Employee) _____ (Date)

APPROVED

DISAPPROVED

BY:

(Title) _____ (Date)

**City of Cottonwood, Arizona
City Council Agenda Communication**



 Print

Meeting Date:	August 6, 2013
Subject:	IGA with Sedona Fire District for Fire/EMS Dispatch Services
Department:	Attorney
From:	Steve Horton, City Attorney Mike Kuykendall, Fire Chief Doug Bartosh, City Manager

REQUESTED ACTION

Approval of IGA with Sedona Fire District for Fire/EMS Dispatch Services

SUGGESTED MOTION

If the Council desires to approve this item the suggested motion is:

"I move to approve the proposed IGA with Sedona Fire District for Fire/EMS Dispatch Services."

BACKGROUND

The City's Fire Department is currently dispatched by the Sedona Fire District, as are numerous other fire and emergency medical services agencies throughout the Verde Valley and other parts of Yavapai County. However, the previous IGA for these services expired several years ago, and the parties have been conferring over the past year to negotiate a new IGA, under which SFD will continue to provide these services to the City up until the time that the City's new emergency communications facility is constructed and brought on line, which staff anticipates will be by or before June 30, 2014.

The City raised concerns about the initial draft of the IGA, specifically about proposed limits on SFD's duty to indemnify the City for claims arising out of SFD's negligence; the amount of SFD's insurance coverage; and the City's ability to withdraw from the IGA in the event one or more other participating agencies ceases to subscribe to SFD's services and SFD raises the cost of its services to the City (along with its other subscribers) in order to make up for the loss of revenue occasioned by that withdrawal. Those concerns have been addressed in the current version of the IGA.

In anticipation of the City's withdrawal from the IGA in the Summer of 2014, the parties have also separately negotiated the purchase of a communications tower, generator, and propane

tank from SFD, and are working together to ensure that CFD experiences a smooth transition from being dispatched by SFD to being dispatched out of the City's soon-to-be-constructed dispatch center, along with the City's police department and perhaps other subscribing agencies.

JUSTIFICATION/BENEFITS/ISSUES

The attached IGA will ensure that the Cottonwood Fire Department will continue to receive emergency dispatch services from Sedona Fire District until the City's new emergency communications center is constructed and operational.

COST/FUNDING SOURCE

General Fund.

ATTACHMENTS:

Name:	Description:	Type:
 NEW Proposed SRCC IGA Plain language Clean 7-29-13.doc	2013/14 Fire Dispatch Services IGA - Sedona Fire District	Cover Memo

INTERGOVERNMENTAL DISPATCH SERVICES AGREEMENT

This Intergovernmental Dispatch Services Agreement (“AGREEMENT”) is made and entered into as of the date last signed below by and between the Sedona Fire District, a political subdivision of the State of Arizona (“SEDONA FIRE DISTRICT”), and the City of Cottonwood, a municipality of the State of Arizona (“COTTONWOOD”).

RECITALS

WHEREAS, the parties are empowered to enter into an Intergovernmental Agreement pursuant to ARS §11-952, et. seq. and ARS §48-805, etc.; and

WHEREAS, the SEDONA FIRE DISTRICT operates, manages, and maintains a dispatching facility, emergency communications systems, dispatching console, telephone and recording equipment, and dispatching personnel necessary for the operation of a dispatch center; and

WHEREAS, the SEDONA FIRE DISTRICT desires to provide dispatching services to COTTONWOOD through its Sedona Regional Communications Center (SRCC); and

WHEREAS, COTTONWOOD is authorized, under Arizona Revised Statutes, to contract for dispatching services; and

WHEREAS, this AGREEMENT is entered into for the benefit of the parties, and shall not be construed to be for the benefit of any third party, or to create a third party beneficiary status as to any other person, interest, or entity.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed between the SEDONA FIRE DISTRICT and COTTONWOOD as follows:

- I. That all calls received at the Sedona Public Safety Answering Point (PSAP) for fire district services in the COTTONWOOD service area of Yavapai County will be processed and dispatched by the SEDONA FIRE DISTRICT through its SRCC. The initial dispatch and information concerning each call will be accomplished as provided for herein.
- II. The SEDONA FIRE DISTRICT/SRCC shall:
 - A. Answer all emergency telephone calls for COTTONWOOD within 15 seconds of the initial ring on “premise equipment” in the SRCC, excepting the failures outside the control of the SEDONA FIRE DISTRICT/SRCC.

- B. The SEDONA FIRE DISTRICT/SRCC will meet recognized dispatching standards as identified by the ISO and the NFPA 1221.
- C. Perform a daily test of COTTONWOOD’s radio systems in a manner agreed upon by the Fire Chief of COTTONWOOD and a representative of the SEDONA FIRE DISTRICT/SRCC.
- D. Be responsible for the installation and maintenance of all telephonic systems and/or equipment located at the SEDONA FIRE DISTRICT/SRCC.
- E. When aware of a request for services within the COTTONWOOD service area, immediately alert or notify COTTONWOOD through its radio alerting system(s) or by any other means available to the SEDONA FIRE DISTRICT/SRCC.
- F. Maintain radio contact with, and the operational status of, responding COTTONWOOD personnel and units (including any automatic or mutual aid responding units) through the duration of all responses.
- G. The SRCC will monitor and document all COTTONWOOD units and related units on an incident for the creation of an “Incident Report”. This report will include information on the call, unit status and times, and any pertinent Emergency Medical Dispatching information.
- H. The SRCC will provide Emergency Medical Dispatching for all applicable COTTONWOOD medical calls utilizing a nationally recognized system.
- I. Monitor and tape record all COTTONWOOD radio transmissions generated on COTTONWOOD’s main dispatch channel and all telephonic transmissions on emergency lines represented in the SEDONA FIRE DISTRICT/SRCC. All recordings shall be maintained for the minimum timeframe established by law, unless otherwise agreed upon by the parties.
- J. Routinely provide copies of COTTONWOOD’s incident reports generated through the Computer Aided Dispatch system.
- K. Provide the above-mentioned dispatching services on a 24-hour a day basis during the term of this AGREEMENT.
- L. Provide basic GIS services which include: Updates to CAD necessary to facilitate dispatching COTTONWOOD units, annual wall map of COTTONWOOD’s area”, and GIS support for map book development. Other GIS services may be provided at no charge or additional charge as agreed upon by COTTONWOOD Fire Chief and a representative of the SEDONA FIRE DISTRICT/SRCC to facilitate emergency response by_COTTONWOOD.
- M. Provide recordings of radio channels and phone lines as requested by the Fire Chief of COTTONWOOD or his designee for COTTONWOOD incidents.

- N. Provide or assist with custom reports within the capabilities of the SRCC as agreed upon by the Fire Chief of COTTONWOOD or his designee and a representative of the SEDONA FIRE DISTRICT/SRCC.
- O. Provide and maintain a minimum liability insurance of \$3,000,000 per occurrence/\$5,000,000 aggregate, protecting the SEDONA FIRE DISTRICT/SRCC from any claims arising from: (a) any error or omission in performing its responsibilities under this AGREEMENT, or (b) by failing to perform above mentioned responsibilities because of reasons beyond its control. Said insurance policy shall name COTTONWOOD as an additional insured. Certificates of such Insurance in a form satisfactory to COTTONWOOD shall be delivered by SEDONA FIRE DISTRICT to COTTONWOOD. The SEDONA FIRE DISTRICT shall deliver to COTTONWOOD certificates of renewals of such insurance policy, and said policy shall provide for thirty (30) days prior written notice to COTTONWOOD prior to cancellation.
- P. Maintain the SEDONA FIRE DISTRICT/SRCC facility and all on-premise PSAP and radio equipment.

III. Indemnification:

- A. SEDONA FIRE DISTRICT Indemnification of COTTONWOOD: Subject to the limitations of liability as otherwise set forth in this Agreement, SEDONA FIRE DISTRICT shall defend, indemnify and hold COTTONWOOD harmless from any and all actions, judgments, claims, demands, injuries, damages, costs, expenses and fees (including reasonable attorney's fees) of any nature or kind which may arise out of the negligent act or omission of SEDONA FIRE DISTRICT, its employees, or agents in performing services pursuant to this agreement.
- B. COTTONWOOD Indemnification of SEDONA FIRE DISTRICT: COTTONWOOD shall defend, indemnify and hold SEDONA FIRE DISTRICT harmless from any and all actions, judgments, claims, demands, injuries, damages, costs, expenses, and fees (including reasonable attorneys fees) of any nature or kind which may arise out of the negligent act or omission of COTTONWOOD, its employees, or agents in performing services pursuant to this Agreement. In furtherance thereof, COTTONWOOD shall name SEDONA FIRE DISTRICT as an additional insured to its insurance policy. Certificates of such insurance in a form satisfactory to SEDONA FIRE DISTRICT shall be delivered by COTTONWOOD to SEDONA FIRE DISTRICT. COTTONWOOD shall deliver to SEDONA FIRE DISTRICT certificates of renewal of such insurance policy (or proof of self insurance) and said policy shall provide for thirty (30) days prior written notice to SEDONA FIRE DISTRICT prior to cancellation.

- IV. Notwithstanding any other provisions herein, the parties agree that SEDONA FIRE DISTRICT's liability shall be limited to SEDONA FIRE DISTRICT's insurance coverage then in place, as provided for in paragraph II(O) above.
- V. In exchange for the services provided for herein, COTTONWOOD agrees to pay the SEDONA FIRE DISTRICT a fixed fee of \$5,500.00 by September 15, 2013, in addition to the payments as outlined in Addendum "A", commencing on the effective date of this AGREEMENT. Except as noted below, the SEDONA FIRE DISTRICT shall have the discretion to increase fees for services effective on each one year anniversary date of this Agreement by not more than 5%, unless otherwise agreed to by all parties receiving services from SRCC.

In addition to the fee increase set forth above, in the event any agency receiving dispatch services from SEDONA FIRE DISTRICT ceases to participate, the fees in **Addendum "A"** shall be adjusted to spread the proportionate share of the total cost of the dispatch center, recalculated after the withdrawal of said participant, among the remaining participants (including COTTONWOOD). The new proportionate share for each remaining participant shall be consistent with the calculation and division of costs, fees and expenses in **Addendum "A"**. The SEDONA FIRE DISTRICT agrees to give COTTONWOOD a minimum of 60 days written notice of any such increase in fees. In the event said increase to COTTONWOOD would total more than 5% of the fee otherwise then being paid by COTTONWOOD, then for a period of 60 days after such written notice, COTTONWOOD shall have the right to give SEDONA FIRE DISTRICT written notice that it is terminating its participation in the AGREEMENT. In the event COTTONWOOD decides to terminate its participation in the AGREEMENT, COTTONWOOD may continue to participate in this AGREEMENT for up to six months after written notice is provided by COTTONWOOD so as to allow COTTONWOOD to re-locate its service, during which time COTTONWOOD shall be invoiced at a rate without said increase rates. In addition, SEDONA FIRE DISTRICT reserves the right to take steps, as deemed necessary in its sole discretion, to reduce costs associated with the loss or change of any participants, including the reduction of manpower, services rendered and delay in equipment replacement or upgrades. The SEDONA FIRE DISTRICT shall provide notice of the same to the remaining participants.

- VI. The effective date of this AGREEMENT shall be July 1, 2013 and shall continue in effect until June 30, 2014, unless terminated earlier as provided for herein. On or before the expiration date of June 30, 2014, the parties will meet to re-negotiate the terms of any future IGA. In the event no re-negotiation or affirmative action to renew the AGREEMENT is complete prior to June 30, 2014, then the AGREEMENT shall expire, as between the parties. In that event, SEDONA FIRE DISTRICT may continue to provide services to other agencies.
- VII. The parties acknowledge that SEDONA FIRE DISTRICT may develop or become a part of a Joint Powers Authority ("JPA") that provides dispatch services to one or more agencies, including the parties to this AGREEMENT. In that event, SEDONA FIRE DISTRICT may assign its rights and obligations under this IGA to said Joint Powers Authority, provided however that SEDONA FIRE DISTRICT will provide the

undersigned agency at least six (6) months notice of its intent to do so. Upon receiving said notice, the undersigned agency may, within sixty (60) days, give notice to SEDONA FIRE DISTRICT of its intent to withdraw from participation under this AGREEMENT either upon the effective date of SEDONA FIRE DISTRICT'S assignment of this AGREEMENT to the JPA, or upon the expiration of the then current term of this AGREEMENT. If assigned, the new JPA shall assume full responsibility for the performance of all services and obligations under the AGREEMENT and SEDONA FIRE DISTRICT shall be relieved of all obligations or liability for performance under this AGREEMENT.

- VIII. Either party may cancel this AGREEMENT pursuant to the requirements of ARS. §38-511.
- IX. All equipment and property purchased or obtained by the SEDONA FIRE DISTRICT/SRCC pursuant to this AGREEMENT will be the sole property of the SEDONA FIRE DISTRICT and will remain its property after any termination of this AGREEMENT.
- X. COTTONWOOD is responsible for maintenance and system improvements to its own equipment. It is also understood that if the SEDONA FIRE DISTRICT utilizes improved technology, COTTONWOOD will upgrade its equipment to the same level of technology.
- XI. The parties acknowledge that this AGREEMENT is not intended for the benefit of any third party, and shall not be construed as a third party beneficiary contract.
- XII. Should any provision of this AGREEMENT be found unlawful or unenforceable, it shall be stricken, and the balance of the AGREEMENT shall remain in full force and effect; provided, however, that in the event the stricken portion makes it impractical or impossible for either party to perform their responsibilities under this AGREEMENT, the AGREEMENT shall terminate, and the participating agencies shall be responsible for payment of their share of operating costs through the date of termination.
- XIII. The Parties warrant that they comply with any state and federal laws, rules and regulations which mandate that all persons, regardless of race, color, creed, religion, sex, genetic information, age, national origin, disability, familial status or political affiliation, shall have equal access to employment opportunities, including but not limited to the Americans with Disabilities Act. The parties shall take affirmative action to ensure that it will not participate either directly or indirectly in the discrimination prohibited by or pursuant to Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, the Age Discrimination Act of 1975, Genetic Information Nondiscrimination Act of 2008.
- XIV. Legal Arizona Workers Act Compliance: Both parties are required to comply with A.R.S. §41-4401, and hereby warrant that they will, at all times during the term of this AGREEMENT, comply with all federal immigration laws applicable to the employment of their respective employees, the requirements of A.R.S. §41-4401, and with the e-

verification requirements of A.R.S. §23-214(A) (together the “state and federal immigration laws”). The parties further agree to ensure that each subcontractor that performs any work under this AGREEMENT likewise complies with the state and federal immigration laws.

A breach of a warranty regarding compliance with the state and federal immigration laws shall be deemed a material breach of the AGREEMENT and the party who breaches may be subject to penalties up to and including termination of the AGREEMENT. Each party retains the legal right to inspect the papers of any contractor or subcontract employee of the other working under the terms of the AGREEMENT to ensure that the other party is complying with the warranties regarding compliance with the state and federal immigration laws.

- XV. To the extent applicable, the parties agree to comply with the requirements of A.R.S. §§ 35-391.06(A) and 35-393.06(B), and certifies that they do not have any prohibited scrutinized business operations.
- XVI. This AGREEMENT in no way restricts either party from participating in similar activities with other public or private agencies, organizations, and individuals.
- XVII. This AGREEMENT shall be interpreted in accordance with the plain meaning of its terms and not strictly for or against any of the parties hereto. This AGREEMENT is the result of negotiations between, and has been reviewed by, each of the parties hereto and their respective counsel. Accordingly, this AGREEMENT shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of, or against any one of, the parties hereto.
- XVIII. This AGREEMENT shall be construed and interpreted under the laws of Arizona.
- XIX. To the extent required by A.R.S. §§12-1518(B) and 12-133, the parties agree to resolve any dispute arising out of this AGREEMENT by arbitration.

IN WITNESS THEREOF, the parties hereto and other signatories have hereunto set their hands on the dates and at the places set forth below:

SEDONA FIRE DISTRICT

THE CITY OF COTTONWOOD

Board Chairman

Agency Representative

Date: _____

Date: _____

ATTEST:

ATTEST:

Board Clerk

Clerk

ADDENDUM “A”
Service Payment and Fees Schedule

2013/2014 Dispatch Costs

	Calls 12/13	2012/13 Costs	12/13 CPC	Actual Calls 13/14	Adjusted Calls 2013/14	%	Diff. Calls	3% 2013 CPC	2013 cost project.	VVAC Calls	50% CPC	VVAC cost	Final Adj. Cost	%	Final CPC	Final Difference	Final % Diff.
Black Canyon City FD	968	\$40,201.04	\$41.53	935	933	6%	-35	\$43.61	\$40,688.13				\$40,688.13	3.1%	43.52	\$487.09	1%
Mayer FD	1331	\$64,646.67	\$48.57	1363	1321	9%	-10	\$50.03	\$66,089.63				\$66,089.63	5.1%	48.49	\$1,442.96	2%
Pinewood FD	484	\$30,468.95	\$62.95	535	521	3%	37	\$64.84	\$33,781.64				\$33,781.64	2.6%	63.14	\$3,312.69	11%
Camp Verde FD	2041	\$128,485.82	\$62.95	2323	2215	14%	174	\$64.84	\$143,620.60				\$143,620.60	11.0%	61.83	\$15,134.78	12%
Jerome FD	111	\$4,343.71	\$39.13	118	100	1%	-11	\$64.84	\$6,484.00	73	\$32.42	\$2,366.66	\$4,117.34	0.3%	34.89	-\$226.37	-5%
Clarkdale FD	531	\$23,449.76	\$44.16	593	521	3%	-10	\$64.84	\$33,781.64	327	\$32.42	\$10,601.34	\$23,180.30	1.8%	39.09	-\$269.46	-1%
Cottonwood FD	2689	\$101,510.72	\$37.75	2773	2588	17%	-101	\$64.84	\$167,805.92	2141	\$32.42	\$69,411.22	\$98,394.70	7.5%	35.48	-\$3,116.02	-3%
Montezuma Rimrock FD	792	\$49,858.29	\$62.95	959	803	5%	11	\$64.84	\$52,066.52				\$52,066.52	4.0%	54.29	\$2,208.23	4%
Verde Valley FD	1830	\$115,202.86	\$62.95	2043	1844	12%	14	\$64.84	\$119,564.96				\$119,564.96	9.2%	58.52	\$4,362.10	4%
Verde Valley Ambulance Co.	3291	\$122,820.10	\$37.32	3374	750	5%	76	\$64.84	\$48,630.00			\$82,379.22	\$131,009.22	10.0%	38.83	\$8,189.12	7%
User Totals	14068	\$680,987.92	\$48.41	15016	11596	75%	145		\$712,513.04				\$712,513.04	54.6%	47.45	\$31,525.12	5%
Sedona FD	3947	\$604,840.08	\$153.24	3878	3804	25%	-143						\$597,008.96	45.8%	153.95	-\$7,831.12	-1%
Grand Totals	18015	\$1,285,828.00	\$71.38	18894	15400	100%						\$	1,304,516.00		69.04		

CLAIMS REPORT OF AUGUST 6, 2013

FUND TOTAL	VENDOR NAME	DESCRIPTION	TOTAL \$0.00
CLAIMS EXCEPTIONS REPORT OF AUGUST 6, 2013			
FUND	VENDOR NAME	DESCRIPTION	TOTAL
All	City of Cottonwood	Payroll 07/19/13	\$487,934.19
All	City of Cottonwood	Payroll 08/01/13	\$480,536.51
All	AZ Municipal Risk Retention	Work Comp 4th Qrt FY 2013	66,062.00
All	AZ Public Employers Health Pool	Insurance Premiums 07/2013	150,509.51
Gen	Emcor	PO 19258 Rec Center Solar	43,280.00
Gen	Old Town Association	Advertising Match	5,000.00
Utilities	Hill Brothers Chemicals	Chemical	5,660.16
Gen	Linsco Private Ledger	FY 2014 Fire Insurance Tax	\$23,410.34
Gen	Waste Management	PO 19143 Trash Hauling Transfer Station	\$7,368.84
Utilities	Yavapai County	Water Advisory Commission	\$6,032.00
Capital	Arrington Watkins Architects LLC	PO 19340 Emergency Comm Center	\$38,799.69
Gen	Cottonwood Chamber of Commerce	Bed Tax July 2013	\$10,132.25
All	Cottonwood Municipal Utilities	Utilities	\$6,257.84
Utilities	Drill Tech Inc	PO 19304 Mesquite Hills Well	\$45,589.47
Utilities	KP Ventures Drilling	PO 19341 Well 8-2 Emergency	\$21,911.28
Gen	Larry Green Chevy	Sales Tax July 2013	\$21,677.43
Gen	Merit Technology Partners	PO 19354 Admin Svcs. Fire Server Replacement	\$28,590.65
Gen	Midway Chevrolet	PO 19202-2 Police Vehicles	\$89,871.04
Utilities	US Postmaster	Postage	\$5,350.00
All	United Fuel	Fuel	\$16,284.10
All	APS	Utilities	\$26,836.62
Library	CDW Government	PO 19335 LSTA Grant	\$5,894.61
Utilities	Tiffany Construction Inc	PO 19319 Quail Canyon	\$159,876.92
Hurf	Unisource Energy Services	Relocation of Gas	\$30,543.42
TOTAL			\$1,783,408.87