TOWN
Of
PARADISE VALLEY

TOWN COUNCIL MEETING
6401 E. LINCOLN DRIVE
PARADISE VALLEY, ARIZONA 85253

SUMMARIZED MINUTES
FEBRUARY 19, 2009

CALL TO ORDER

Mayor Parker called to order the Town Council meeting of the Town of Paradise Valley, Arizona, held at Town Hall 6401 E. Lincoln Drive, on Thursday, February 19, 2009 at 4:04 PM.

COUNCIL MEMBERS PRESENT

Mayor Vernon B. Parker
Council Member Brian Cooney
Council Member Mary Hamway.
Council Member Pam Kirby
Council Member Scott LeMarr

Vice Mayor Ron Clarke and Council Member Virginia "Jini" Simpson were not present

STAFF MEMBERS PRESENT

Town Manager James C. Bacon, Jr.
Town Attorney Andrew Miller
Management Services Director Lenore Lancaster
Town Clerk Duncan Miller
Human Resources Manager Jinnett Hancock

MUNICIPAL PROPERTY CORPORATION BOARD OF DIRECTORS

Dan Taylor, President
Bernie Barry, Secretary
Philip Edlund
Russell Mosser
Alan Prince

Robert Coulter and Richard Gordon were not present

ALSO PRESENT

Larry Given, Lee Davis, and Erika Miller of Wedbush Morgan Securities

Joint Town Council / Municipal Property Corporation Discussion of Bond Refunding Project

Ms. Lancaster introduced Larry Given, Lee Davis, and Erika Miller of Wedbush Morgan Securities. Mr. Given presented a proposal to refinance the 1998 Municipal Property Corporation Bonds and the Town's capital leases for construction of the fire stations and purchase of the land for Fire Station #1. The interest rates on the bonds and leases are currently all over 4.0%.

Mr. Given advised that it would be beneficial to refinance at this time because rates as low as 2.9% are possible. The refinancing would be structured such that a majority of the savings will be realized in Fiscal Year 2009-2010. The bonds and leases would be called in June or July of 2009. The cost to prepay the bonds and leases would be $11,707,960.58. The cost of issuance would be $106,000.00. The estimated underwriting cost is $57,750.00, however, if the bonds are sold competitively that cost would be removed.

He clarified that, if refinanced, the final maturity date would be Fiscal Year 2019. The total savings over ten years would be $536,520 with the bulk, $510,334, in Fiscal Year 2010. The remainder of the savings would be spread out over 10 years. He said his recommendation to refinance is based on the industry standard which states that the net present value savings as a percent of the refunded principle should be at least 3%. It is expected that if the Town refinances the net present value savings would be 4.4141%.

He stated that if the Council wishes to proceed, the next step would be for the Council and the MPC to adopt separate resolutions authorizing its officers to execute the legal documents necessary to complete the transaction. Mr. Bacon announced that the resolutions would be scheduled for adoption in March and the bond documents would be completed by the end of May.

The Municipal Property Corporation Boardmembers left at 4:24 p.m.

Review of Second Quarter Budget Results

Mr. Bacon stated that the second quarter financial results continue the trend from the first quarter. Actual results are below budget for both revenues and expenditures but actual revenues are greater than actual expenditures. He said the construction and housing industry continue to experience progressively lower activity levels. Both revenue and expenditures are below budget. He said the second half of FY 2009 is expected to reflect first half results.

Ms. Lancaster reviewed the Town's revenue and expenditure variances. She said local bed and sales taxes were above budget but state shared revenue, permits and miscellaneous revenue were all below budget. As of December 31, 2008 revenues were a total of $121,244 below budget.

She discussed best and worst case revenue projections for the remainder of the fiscal year, including resort sales tax, bed tax, construction sales tax, sales tax audits, and other sales tax. The worst case was $9,341,876; the best case was $9,854,076. Similarly, she discussed projections for other revenue sources including permit fees and intergovernmental revenues.

Ms. Lancaster then discussed expenditure savings including employee vacancies, overtime savings, and a variety of operational expenditures. Specifically, she reviewed the list of contracted services which will be cut from the 2009-10 budget including: communications consultant, landscape/litter removal, public affairs consultant, slurry seal, and street resurfacing. The remaining contracts which will not be cuts were sales tax audit, custodial services, and Scottsdale Convention and Visitors Bureau.

The assumptions about completing APS districts in Nov and Dec have not panned out. However, the Town will contact neighborhood groups to gage interest.

She said the beginning fund balance had a favorable variance of $819,792. The ending fund balance is expected to be $24,249.248, excluding the $2,970,000 remaining in contingency.

Rachel Sacco, President and CEO of the Scottsdale Convention and Visitors Bureau and General Manager of the Sanctuary on Camelback Mountain, Michael Surguine commented on the resort community's outlook for 2009. They believed that there are positive indications that travelers will seek deals closer to home. The CVB is marketing with that in mind.

Responding to a question from the Council regarding the possibility of raising the Town's bed tax, Mr. Surguine stated that timing would be important. He cautioned against raising the tax if neighboring communities do not increase their taxes by a similar amount.

Determination of Reserve Levels Based on Agreed Upon Financial Policies

Mr. Bacon discussed the revised financial policy document. He said the draft reflects changes discussed by the Council at its December 10, 2008 budget policy retreat. He highlighted that there would be three contingency accounts established. The first account would be the operating budget contingency account funded by current revenues. The other two accounts would be funded from the Town's fund balances.

The draft policy also provides that the reserve account would equal at least 90%, but not more than 110%, of the annual general governmental operating expenditures.

There was Council consensus to schedule the Financial Management Policy for consideration at the next meeting.

Discussion of FY 2009-2010 Revenue Forecast

Mr. Bacon noted that this item is a continued discussion from the December budget policy retreat. He said the revenue forecast would be used in creating the budget for next fiscal year. The discussion focused on pessimistic permit activity next year. The Council suggested using more conservative numbers for permit revenue, but less conservative numbers for bed tax revenue. Mr. Bacon suggested that the Council continue this discussion at a future meeting.

Discussion of Resolution Establishing Payments for Employees Who Separate from the Town of Paradise Valley between March 1, and June 30, 2009

Mr. Bacon stated that, given the steep decline of work in different areas within the Town and much lower expected revenues for next fiscal year, as many as 20 layoffs will be necessary. He presented a proposal for an involuntary severance package. Affected employees would be informed on or before March 16th. Layoff decisions would be made by the Town Manager after consultation with department directors. There would be a four week transition period to complete the separation. The severance package would provide for:

- One week of pay for every year of service up to a maximum of ten weeks
- The Town will pay the employee's first 3 months of 18 months of COBRA benefit continuation premiums
- Outplacement assistance for a period of 2 months
- Payment of employee's fully accrued sick leave balance
- For applicably employees, payment of the unearned portion of the employee's hiring bonus

He noted that the proposed plan has been reviewed by outside human resources professional.

There was Council consensus to schedule the proposed severance package for consideration at the next meeting.

ADJOURNMENT

Motion and vote Councilmember Hamway moved to adjourn. Councilmember Cooney seconded the motion which passed unanimously.

Mayor Parker adjourned the meeting at 6:09 p.m.

Vernon B. Parker, Mayor

ATTEST:

Duncan Miller, Town Clerk