



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

FEBRUARY 10, 2011

CALL TO ORDER

Mayor LeMarr 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 10, 2011 at 4:00 PM.

COUNCIL MEMBERS PRESENT

Mayor Scott P. LeMarr
Vice Mayor Mary Hamway
Council Member Michael Collins
Council Member Paul E. Dembow
Council Member Pam Kirby
Council Member Vernon B. Parker
Council Member Lisa Trueblood

STAFF MEMBERS PRESENT

Town Manager James C. Bacon, Jr.
Town Attorney Andrew Miller
Town Clerk Duncan Miller
Public Works Director Andrew Cooper
Budget & Finance Director David Andrews
Planner George Burton
Police Chief John Bennett
Senior Planner Molly Hood

Scottsdale Convention and Visitors Bureau Update

Mr. Bacon introduced Rachel Sacco, President and CEO of the Scottsdale Convention and Visitors Bureau (CVB); Mike Surguine, Present of the CVB Board and General Manager of Sanctuary Camelback Mountain; Doug Heaton, General Manager of the Doubletree Paradise Valley; Greg Hanss, Director of Sales & Marketing with the Montelucia Resort; and Jim Rose, General Manager of the Camelback Inn.

Ms. Sacco thanked Council for the opportunity to update the Town on the CVB's activities. Last year, following discussions between the Town and the resort community, the Council voted to increase the bed tax 0.4%. The Town and CVB then entered into a 5 year funding agreement establishing amounts to be paid to the CVB using revenue received from the increased bed tax. In FY 2010/11 the amount was \$900,000. Over the next three years that amount will increase

\$25,000 each year. She said this multi-year agreement has allowed the CVB to enter into long-term contracts with media companies.

She said that tourism is the life blood of the Town. She noted that in many of the Visioning Committee meetings held over the last couple months, the importance of the resort community has been highlighted, not only for revenue it generates but also for being central to the Town's character.

She stated that the Town's bed tax revenue for the current fiscal year is \$4.6 million which makes up 29.5% of the Town's revenue. Conversely, the Town's investment of \$900,000 in the CVB accounts for 5.7% of the Town's operating expenses. She said although this amount makes up 10% of CVB's budget, Paradise Valley resorts reap more than 10% of CVB's return on investment. For example, Paradise Valley resorts made up 21% of all the press coverage the CVB garnered in the last six months. This equaled \$2.8 million in advertising revenue. Moreover, the Town's resorts received 27% of the meetings booked by the CVB in the last six months. This equates to 13,895 room nights of booked business in Paradise Valley. This generated over \$8 million in revenue for the resorts. Fifty-one percent of all leads generated by CVB are for new business that did not book in Scottsdale or Paradise Valley in the last two years.

She said by far, the greatest benefit the Town receives for its investment is revenue and exposure generated by special events like the Fiesta Bowl and BCS Championship. She reminded Council that the CVB and the City of Scottsdale entered into a 20 year agreement with the Fiesta Bowl to host teams and in Scottsdale or Paradise Valley. On the night of the BCS game, CVB properties experienced 96.5% occupancy. She said almost as important was the fact that RevPar (revenue per available room) was double what it was for other properties in the Phoenix area.

She said the CVB was also able to leverage the Town's contribution by booking the Bud Light Fiesta in downtown Scottsdale. As a result, Scottsdale received a week of ESPN national coverage which equals about \$3 million in marketing and brought 80,000 people to the downtown area that might not have been there otherwise.

She stated that the Town's increased investment has also allowed the CVB to go back into several of their target markets with high-end publications, like Travel and Leisure, Departures Magazine, and Food and Wine. CVB has also been able to increase marketing efforts in winter markets like Chicago, New York, Minneapolis, Canada.

Mike Surguine explained that his resort has been able to afford to run ads in national publications because the CVB can leverage their buying power to reduce the cost of ads for individual resorts. He said the addition of the trolley service with extended hours to the Phoenix Open and Barrett Jackson has been extremely beneficial. He said this was a great example of the cooperation between Scottsdale, CVB, and the Town of Paradise Valley.

Jim Roses reported that 1 out of 4 group leads for bookings at the Camelback Inn comes from CVB even with all of Marriott's marketing resources.

Doug Heaton said that the Doubletree Paradise Valley is heavily dependent on group business. He appreciated that when the recession hit, the CVB immediately changed their marketing strategy for group bookings. Normally Paradise Valley resorts market for a high quality resort experience. During the recession they changed strategy to sell the value. This gave patrons an opportunity to stay at a CVB property when they might not otherwise be able to do so. As a result, PV resort properties did not lose market share.

Greg Hanss, agreed that the CVB magnifies the marketing power of individual resorts. He said the Town's return on investment is sound, safe, and meticulously tracked by the CVB.

Responding to a question from Council, Ms. Sacco reported that luxury properties appear to be leading the economic recovery. Numbers for January through May were strong. There was a slight dip in June through August but it picked up again in September through December.

Responding to a question from the Council the resort managers stated that SB 1070, the immigration law, did have an impact on bookings but it was short-lived.

Responding to a question from Council the resort managers stated that because occupancy has stabilized, RevPar will likely increase at least 5%.

Responding to a question from Council regarding a possible increase in the sales tax rate, Ms. Sacco stated that it would be important to consider the tax rate of the Town's competitors and to keep the final check out rate under that threshold.

Update on Sale of Arizona American Water Company to EPCOR USA

Mr. Bacon introduced Troy Day, Vice President of Arizona American Water Company. Mr. Day provided an update on the stock purchase agreement between American Water's Arizona and New Mexico holdings and EPCOR, a utility company based out of Edmonton, Canada. He stressed that it represented a change in stock holders only. He said the purchase would not impact employees or facilities, but it would require EPCOR to set up its own customer service database and billing service in Arizona. He said the purchase requires approval from Arizona and New Mexico regulators. EPCOR expects to receive those approvals and be up and running in the first quarter of 2012.

He stated that the City of Edmonton is the sole shareholding in EPCOR. The City appoints EPCOR's board but is not involved in its operations. He said the Company currently serves about 1 million customers in Canada and recently purchased the water utility in Fountain Hills.

Responding to a question from Council, Mr. Day stated that EPCOR's long-term strategy is to sell its electric utility interests and use the revenue to purchase water utilities. Their intention is to do business in Arizona and New Mexico for many years.

Responding to a question from Council, Mr. Day stated that Arizona American is not involved and not interested in discussions with the City of Scottsdale regarding a proposal to treat AA's CAP water in exchange for severing the Company's customers in Scottsdale. He continued that no analysis has been done to determine if a treat and transport agreement would be necessary if Scottsdale customers are removed from their Paradise Valley Water District.

Responding to a question from Council regarding local management decisions, he stated that EPCOR USA will be managed out of Phoenix and decisions will be made locally. He said that EPCOR is familiar with the proposed treat and transport agreement but they have not taken a position other than to support Arizona American.

Responding to a question from Council regarding expansion strategies, Mr. Day said it is his understanding that after the purchase of American Waters holdings in Arizona and New Mexico, EPCOR will still have a 60% interest in their electric utility. EPCOR is interested in divesting their interest in power generation and increasing their water holdings. It will take some time to "digest" this acquisition but it is possible that the Company would be interested in acquiring "tuck-ins" like Berneil Water.

Finally he reported that EPCOR did not take on any debt to purchase Arizona American.

Water Committee Update

Councilmember Kirby reported on the Water Utility Committee's activities over the past couple months. She said that the Town retained Dick Bartholomew of Bartholomew Engineering to identify alternatives to the proposed Treat and Transport Agreement between the City of Scottsdale and Arizona American Water Company (AA). Secondly, he was asked to cost out those alternatives so that if Treat and Transport moves forward to the Arizona Corporation Commission (ACC), the Town could present them to the ACC as solutions worth considering.

At the February Water Utility Committee, Mr. Bartholomew reported that he is finished analyzing the technical aspects of the alternatives. However, he is waiting on information from Arizona American to complete his cost analysis. The Committee has asked him to independently confirm the cost of the various solutions. Additionally, the Committee asked Mr. Bartholomew to add two items to his scope of work. The first item is to analyze if AA would still have a peak water demand issue if AA's Scottsdale customers were severed from the PV Water District; and, therefore, is the Treat and Transport Agreement still warranted? Second, analyze the possibility of blending water from Wells 14 and 15. This is a new idea that would free up a TCE treatment tower that could be used as redundant treatment for Well PCX-1. Water from this well could then be added back into the water supply. She said he can complete these additional tasks and still remain under the original contractual cost authority.

She also reported that a second consultant was selected to conduct a rate analysis of projected AA rates with treat and transport comparable to Phoenix Water rates. The Committee recommends adding an analysis of Scottsdale Water rates. This work has not started yet. The contract will cost less than \$10,000. It is expected that this work will be completed within four weeks.

She recommended that the Town, represented by Mayor LeMarr and Councilmembers Trueblood and Kirby, begin a dialog with EPCOR. There was Council agreement to do so.

Finally, she updated Council on Scottsdale's activities regarding AA. On Scottsdale's March 1 agenda, they will consider the Treat and Transport Agreement along with the franchise agreement. They will also discuss whether to pursue negotiations with AA and/or EPCOR to acquire the Scottsdale portion of the Paradise Valley Water District. Finally, they will consider a resolution to make public the Paradise Valley Water District Summary Report dated April 2009. Then on March 8, Scottsdale will consider a request by Mayor Lane to disband the Scottsdale Water Committee.

Discussion of Timeline for Review of FY 2011-2012 Recommended Budget and Timeline for Discussion and Consideration of Sales Tax Increase and/or Fire Service Fee

Mr. Bacon presented his recommended budget review schedule. He said it was important to agree on the schedule so that meetings could be properly noticed in order to comply with newly adopted state laws expanding notice requirements regarding tax and fee increases.

Mr. Bacon proposed the following schedule:

- February 24 – Provide background information on current budget and goals for next 90 days
- March 10 - Report on fire service fee options and alternatives for capital project financing
- March 18 - Town Manager distributes FY2011-2012 budget recommendations (not a meeting)
- March 24 - Town Council reviews budget recommendations
- March 31 - Town Council discusses sales tax and fire service fee revenue increase options
- April 21 - Town Council continues discussion of budget and revenue options (if necessary)
- April 28 - Town Council decides whether or not to adopt increase in sales tax rate
- May 12 - Town Council adopts budget on first reading
- May 26 - Town Council adopts final budget

He said the March 24 and 31 meetings would be all day budget workshop meetings. He also noted that the April 14 Town Council meeting would be cancelled.

He explained that in order for any revenue generated by a tax increase to be included in the budget, Council must adopt the increase by April 28. In order to do that, the public hearing must be advertised by February 28. The meeting notice must include the maximum rate being considered.

There was Council discussion about having the opportunity to consider all revenue alternatives simultaneously including sales tax, fire service fee, and property tax. Additionally, there was Council interest in considering financing options for capital improvement projects. It was agreed that these items would be discussed on March 31, 2011. The Council would have the ability to pick and choose which revenue option(s) and/or capital projects financing options to implement.

Motion and vote – Councilmember Trueblood moved to go into executive session at 5:50 p.m. Vice Mayor Hamway seconded the motion which passed by a vote of 7-0.

EXECUTIVE SESSION

- a. Town Manager and Town Attorney Performance Evaluation as authorized by A.R.S. §38-431.03.A.1.

RECONVENE FOR REGULAR BUSINESS MEETING

CALL TO ORDER

Mayor LeMarr reconvened the meeting of the Town Council at 6:49 P.M.

COUNCIL MEMBERS PRESENT

Mayor Scott P. LeMarr
Vice Mayor Mary Hamway
Council Member Michael Collins
Council Member Paul E. Dembow
Council Member Pam Kirby
Council Member Vernon B. Parker
Council Member Lisa Trueblood

STAFF MEMBERS PRESENT

Town Attorney Andrew Miller
Town Clerk Duncan Miller
Police Chief John Bennett
Budget & Finance Director/Assistant Town Manager David Andrews
Public Works Director Andrew Cooper, Jr.
Senior Planner Molly Hood

PLEDGE OF ALLEGIANCE

Mayor LeMarr led the Pledge of Allegiance.

PRESENTATIONS

There were no presentations.

CALL TO THE PUBLIC

There were no public comments.

MAYOR / COUNCIL / MANAGER REPORT

There were no reports.

CONSENT AGENDA

a. Minutes of Town Council Meeting January 27, 2011

b. Approval of Special Event Liquor License St. Barnabas on the Desert Episcopal Church

Recommendation: Approve the Special Event Liquor License for St. Barnabas on the Desert Episcopal Church for an event on February 26, 2011 at their facility on Mockingbird Lane, subject to the following stipulations: only those people authorized by law be allowed to dispense and/or consume alcoholic beverages; consumption shall be limited to the premises as indicated in the application; and Section 10-7 Control of Excess Noise be observed

c. Approval of Special Event Liquor License Unitarian Universalist Congregation of Phoenix

Recommendation: Approve the Special Event Liquor License for Unitarian Universalist Congregation of Phoenix for an event on February 26, 2011 at their facility on Lincoln Drive, subject to the following stipulations: only those people authorized by law be allowed to dispense and/or consume alcoholic beverages; consumption shall be limited to the premises as indicated in the application; and Section 10-7 Control of Excess Noise be observed

d. Adoption of Resolution Number 1231; Regarding General Plan 2012 Public Participation Program

Recommendation: Adopt Resolution 1231 pertaining to the General Plan 2012 Public Participation Program.

Mr. Andrews summarized the items on the Consent Agenda.

Councilmember Trueblood asked that Item d be removed.

Motion and vote – Vice Mayor Hamway moved to approve the Consent Agenda with the exception of Item d. Councilmember Parker seconded the motion which passed by a vote of 7 – 0.

d. Adoption of Resolution Number 1231; Regarding General Plan 2012 Public Participation Program

Councilmember Trueblood requested that Resolution 1231 include a detailed schedule of target completion dates. Council debated whether to table the Resolution until the next meeting so that the schedule could be included or adopt it with the stipulation that the schedule be added at a later date. Councilmember Collins noted that the state statute requiring adoption of a written public participation plan for the general plan update process does not require this level of specificity. He suggested that since this resolution should have already been adopted it would be prudent to adopt it now with the stipulation that the schedule be added.

Motion and vote – Vice Mayor Hamway moved to adopt Resolution Number 1231 with stipulation that a schedule of target completion dates be added to the resolution. Councilmember Collins seconded the motion. The motion passed by a vote of 4 – 3.

Aye

LeMarr
Hamway
Collins
Dembow

No

Kirby
Parker
Trueblood

PUBLIC HEARINGS

There were no public hearings.

ACTION ITEMS

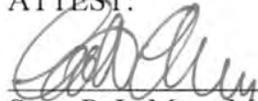
There were no action items.

ADJOURNMENT

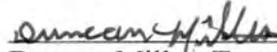
Motion and vote – Councilmember Collins moved to adjourn. Councilmember Parker seconded the motion which passed by a vote of 7-0.

Mayor LeMarr adjourned the meeting at 7:00 p.m.

ATTEST:



Scott P. LeMarr, Mayor



Duncan Miller, Town Clerk