



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

MARCH 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, March 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
Community Development Director Eva Cutro
Police Chief John Bennett
Town Engineer William C. Mead
Municipal Court Director Jeanette Weisenhoffer
Financial Services Manager Lenore Lancaster

Discussion of Fire Service Fee

Mr. Bacon explained that the purpose of this work session was to provide background information on two new revenue options (fire service fee and property tax) and capital project financing alternatives as requested by Council.

He said a fire service fee would recover costs associated with providing fire service on a per property basis. The benefit is that the rate is flexible and the Council has complete control over the structure and rate. He reminded Council that this was used by Rural/Metro when they served as the Town's default service provider.

He said the goal of the rate design effort was to pay for the Phoenix Intergovernmental Agreement (IGA) which is approximately \$2 million per year. It would also be possible to fund the purchase of emergency communications equipment pursuant to the IGA. Finally it would pay for administrative costs to establish and manage the fee.

He explained that there are three possible rate designs: flat fee; rate based on size; and flat fee based on size. All commercial properties would be assessed a fee based on square footage. He provided the following comparison:

Flat Fee	Fee Based on Size	Flat Fee Based on Size
Residential = \$37 per month Commercial = \$0.11 per sq. ft	Residential <5,000 sq. ft. = \$35/month 5,000-10,000 sq. ft = \$40/mon >10,000 sq.ft. = \$45/month Commercial = \$0.11 /sq. ft.	0 – 3,499 sq. ft. = \$30/ mon 3,500 – 6,999 sq. ft. \$40/mon >7,000 sq. ft. = \$50 /mon Commercial at \$0.07 / sq.ft.

He said the administrative costs would include billing costs and recovery efforts for non-paying accounts. Costs were assumed to be in-house but the service may be contracted to an outside provider.

He provided the following timeline: adopt a statement of interest resolution by April; conduct community outreach; review community outreach results in November; adopt ordinance establishing the fee in December; and the fee would become effective either in January or June 2012 depending on the Council’s preference.

He offered the following advantages of the fire service fee include:

- The fee would be similar to the one previously paid to Rural Metro
- Direct relationship between fee and service
- Flexibility in fee design
- Revenues / fees adjusted based on service delivery costs
- Stable revenue source to fund public safety
- Transparency – separate fund for fire service (similar to HURF)

Disadvantages:

- New fee for Town government
- Administrative costs
- Legislative changes may be necessary to improve administrative implementation

Responding to a question from Council regarding administrative costs, Mr. Bacon responded that the priority would be to identify an outside service provider. If it was necessary to administer it in-house it would require hiring one accounts receivable employee and one paralegal. This was based on the Town’s experience helping Rural/Metro to increase their private subscription rate from the low 80s to 92% over an 18 month period of time.

Council directed that the resolution authorizing the community outreach program should explain that the revenue increase is necessary to correct the structural deficit caused by providing fire service. It should also include a clear explanation of the fee structure and how it will be implemented and enforced. Finally, it should include other revenue options considered by not adopted.

Discussion of Property Tax

Mr. Bacon explained that there are two types of property tax in Arizona. Revenue from primary property taxes may be used to fund general government and operating expenses. Secondary property taxes may only be used to retire debt, such as from the sale of bonds. He said 55 out of 90 cities and towns have a primary property tax and 22 out of 90 have a secondary property tax. Eighteen out of 90 cities and towns have both. In the East Valley, 8 out of 10 municipalities have a primary and / or secondary property tax.

He explained the process of instituting a primary property tax. The Council would pass a resolution calling for an election to be held on the third Tuesday in May. The resolution would include the "levy" or total amount of money to be raised through the tax. This amount constitutes the "base levy" and remains in effect forever. In future years, the property tax could only be increased 2% over the base. He provided examples of how to calculate a primary property tax based on different homes and businesses. He then described the tax assessment, collection, and enforcement calendar.

He said there are four limitations associated with implementing a primary property tax. First, the primary value may only increase in one of two ways: 1) Up to 10% of the previous year's value, or 2) 25% of the difference between the current year's secondary value and previous year's primary value. Second, the primary tax levy is limited to an increase of 2% over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year. Third, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1% of their home's primary assessed value. Fourth, the local jurisdiction must comply with "truth in taxation" regulations including publishing notices and holding public hearings. He summarized that primary property taxes do not provide flexibility. He noted that Council's often set the base levy too low such that structural deficits are created when annual operating expenditures increase more than 2%.

By contrast, secondary property taxes are used to retire the principal and interest on municipal bonds that were issued to fund capital improvement projects. The Council must refer the bond measure to the voters at an election held in November. He said the assessment, collection, and enforcement procedures and timelines are the same as the primary property tax.

He said property taxes have the following advantages:

- Not affected by business cycle to the same extent as state shared income tax and sales tax
- Part of traditional "Three-legged Stool" (income, property, and sales taxes)
- Tax deductible

- Administered by county; low incremental cost

The disadvantages are:

- Property tax is not tied to disposable income
- Can be increased by a vote of council subject to limitations
- General tax – cannot be tied to fire or other specific service
- Although Council may reduce tax, it cannot go away

Responding to a question from Council, Mr. Bacon stated that cities and towns cannot adopt a secondary property tax to finance projects that have already been adopted. He clarified that, once approved by the voters; primary property taxes remain in effect forever. On the other hand, secondary property taxes are only in place for a specific period of time to retire debt for a specific project.

Discussion of Capital Projects Financing Alternatives

Mr. Bacon explained five capital project financing alternatives.

First, cash is the most common way to finance capital projects. The cash can come from current revenues or reserves. The only cost of this alternative is the opportunity cost of not investing the same amount and realizing investment income.

Second, inter-fund loans are a hybrid between cash and debt financing. The Town's reserve funds are invested in a range of securities. One of the investment options can be to loan one account needing money from another fund which has cash reserves. The interest rate charged should be consistent with rates the Town is receiving for other investments. The borrowing fund must budget funds for repayment and the term is dependent on the project. The Town has not used this alternative in the past.

Third, lease purchase agreements were extensively used by the Town in the past as a strategy to remain under the state expenditure limitation. A third party agrees to finance the purchase of a capital asset and to lease it to the Town. At the end of the lease term, the Town receives ownership of the asset.

Fourth, the Town could borrow money from banks. The Town would be required to back the note with some form of collateral, such as land or public buildings.

Fifth, the Town could issue municipal bonds to raise funding for capital projects. Municipal bonds are generally exempt from federal and state income taxes. Their repayment would be backed by the full taxing power of the Town. Secondary property taxes are often used to pay the annual debt service costs.

Motion and vote: Councilmember Kirby moved to go into executive session at 5:37 p.m. Councilmember Trueblood seconded the motion which passed by a vote of 7-0.

EXECUTIVE SESSION

- a. Discussion and consideration of appointment of municipal court judges as authorized by A.R.S. §38-431.03.A.1.
- b. Legal advice from Town Attorney regarding privilege and use taxes, fire service fees, and primary and secondary property taxes as authorized by A.R.S. §38-431.03.A.3.
- c. Town Manager 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 6:19 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 Manager James C. Bacon, Jr.
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.

PLEDGE OF ALLEGIANCE

Mayor LeMarr led the Pledge of Allegiance.

PRESENTATIONS

There were no presentations.

CALL TO THE PUBLIC

Resident Lori Carmel expressed concern about low water pressure in the Berneil Water District. She stated that there was a recent house fire near her home on Berneil Drive. She said fire-fighting efforts were made more difficult because of the lack of water. She also asked the Town to investigate the property located at 9121 69th St for possible code violations.

Resident Glen R. Jackson agreed that Berneil Water customers consistently experience low water pressure.

Resident Stan Marks stated that there have been burglaries in his neighborhood recently. He said the Police was able to recover DNA from one of the crime scenes that was turned over to DPS for analysis. However, DPS has been slow to test the samples. He suggested that the Town find another lab to process DNA.

MAYOR / COUNCIL / MANAGER REPORT

There were no reports.

CONSENT AGENDA

- a. Minutes of Town Council Meeting February 24, 2011
- b. Confirmation of Board of Adjustment Chair
Recommendation: Confirm Hope Ozer to serve as Chair of the Board of Adjustment for a one year term.
- c. Cancellation of March 24, 2011 and April 14, 2011 Regular Council Meetings
Recommendation: Cancel the regularly scheduled meetings of March 24, 2011 and April 14, 2011

Mr. Bacon summarized the items on the Consent Agenda.

Motion and vote –Vice Mayor Hamway moved to approve the Consent Agenda as submitted. Councilmember Dembow seconded the motion which passed by a vote of 7 – 0.

PUBLIC HEARINGS

There were no public hearings.

ACTION ITEMS

Appointment of Municipal Court Judges

Presiding Judge J.Tyrrell Taber introduced the judges recommended for appointment and reappointment.

The Council thanked the judges for volunteering their time to serve as municipal court judges.

Motion and vote – Vice Mayor Hamway moved to make the following appointments to the Paradise Valley Municipal Court for the term April 1, 2011 through April 1, 2013, in accordance with Chapter 12 of the Town Code:

- Presiding Judge, Hon. J. Tyrrell Taber
- Associate Presiding Judge, Hon. John Auran
- Associate Judge, Hon. Steven Cohen
- Associate Judge, Hon. Jack Cunningham
- Associate Judge, Hon. Charlene Jackson
- Associate Judge, Hon. Stanley Marks
- Associate Judge, Hon. Jeffrey Timbanard

Councilmember Parker seconded the motion which passed by a vote of 7 – 0.

Town Clerk Duncan Miller administered the oath of office to the judges.

ADJOURNMENT

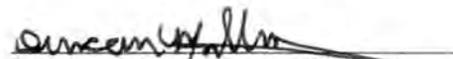
Motion and vote – Vice Mayor Hamway moved to adjourn. Councilmember Parker seconded the motion which passed by a vote of 6-0.

Mayor LeMarr adjourned the meeting at 7:11. p.m.

ATTEST:



Scott P. LeMarr, Mayor


Duncan Miller, Town Clerk