



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

**APRIL 14, 2011**

**CALL TO ORDER**

Mayor LeMarr called to order the Town Council meeting of the Town of Paradise Valley, Arizona, held in the, Paradise Valley, Arizona, on Thursday, April 14, 2011 at 9:07 AM.

**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

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**CONSENT AGENDA**

**Approval of Special Event Liquor License for Children's Heart Foundation for an event on April 30, 2011**

**Motion and vote** – Councilmember Dembow moved to approve the Special Event Liquor License for Children's Heart Foundation for an event on April 30, 2011, 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. Vice Mayor Hamway seconded the motion which passed by a vote of 7-0.

**WORK/STUDY DISCUSSION ITEMS****Follow-up on Items from March 24 Budget Workshop**

Mr. Bacon explained that the purpose of today's meeting was to review items from the March 24, 2011 budget meeting. This would include a discussion of benefits and an alternative operating budget. The capital budget and revenue options would also be discussed.

He reviewed the Town's financial condition from three years ago. He said the Town adopted a \$22 million budget with 108 employees. The capital budget was \$6.6 million. The Town postponed dealing with a multi-million dollar structural deficit (fire and capital). The Town also hired a town manager with significant experience in reducing the size of government organizations.

The goal over the past three years was to create a smaller, sustainable government without sacrificing customer service or the Town's ability to implement capital and special projects. The Town has seen real results including: \$7 million less in annual spending; 28 fewer positions; implemented new performance pay plan; implemented a new administrative structure; revised police patrol schedule to maintain three officer minimum at lower annual costs; absorbed median contract maintenance and public safety functions into Community Development & Public Works Departments; and recommended temporary mandatory employee furloughs and reductions in benefits levels.

He compared the total number of authorized and funded positions over the last ten years and compared the number of employees per thousand residents. There were 72 funded positions in 1992, 108 in 2009, and 80 are recommended in the 2012 budget. In 1992, there were 6.12 employees per 1,000 residents. In 2012, there will be 5.78.

Council discussed the impact of employee benefits on the budget. Responding to a question from Council about salary and benefit studies, Mr. Bacon stated that a salary study was done in 2006 for police only and a full study was done in 2000. He said benefits, on the other hand were reviewed more recently. The results of the benefits comparison became the basis for his recommendation to eliminate the HRA program and scale back employer contributions to the 401(a) plan.

Mr. Bacon then discussed an alternative operating budget that he was asked to develop at the March 24 budget meeting. He said the alternative operating budget would affect service levels, including; alarms, human service agency support, office hours, post office, reception desk, and staff support capability for capital improvements, special projects, and citizen committees. He said the Council requested that the alternative budget meet the following goals: reduce payroll costs by \$600-\$800 thousand beyond Town Manager's recommendation; fund debt service from existing revenues; and fund District 6 Utility Line Undergrounding project from reserves. He

said the recommended budget and the alternative budget are two ways to allocate \$15 million in expected revenues. However, neither addresses the Town's structural revenue deficit.

He said the alternative budget reduces budgeted positions by an additional 6 over the fiscal year, saving \$674,079 annually. It eliminates funding for human services and three vehicles, saving \$163,479 annually. It reduces the operating contingency by \$251,691 to \$185,501. It reflects legislative changes regarding the ASRS pension rate, reduces HURF revenues and charges for DWR cost share. Finally, it phases out alarm and post office services by July 2012.

The alternative budget also changes the Town's administrative organization by reducing the number of department director positions from four to two. As a result, more positions would report directly to the town manager and fewer would report to directors. The Town Manager would also become the chief financial officer.

He explained that if the Council approves the alternative budget plan, there would be some costs involved in a severance plan and position creation/recruitment processes. Attempts would be made to absorb those costs into departmental budgets. It would also be necessary to reallocate tasks and develop transition plans.

In terms of reallocation, he said the alarm program would be sent back to the police department. The Chief would be tasked with phasing out the service. The preference for the post office, on the other hand, is to transition it to a private provider in Town.

The Council discussed the Town Manager's alternative budget and the impact it would have on the budget. There was general consensus that it met their goals. It was agreed that Councilmembers would consider the alternative budget over the next two weeks and send questions to the Town Manager individually.

Mayor LeMarr recessed the meeting at 10:48 a.m.

Councilmember Parker departed the meeting at 10:48 a.m.

### **Discussion of Capital Improvement Project Program Options**

Mayor LeMarr Reconvened the meeting at 11:05 a.m.

Mr. Bacon stated that a capital budget serves two purposes: it maintains and improves existing infrastructure and it creates new community assets. The average Town capital budget over the last decade has been \$6.3 million per year. The majority of the revenue comes from the fund balance with the remainder from current revenues. The last two capital budgets have been almost exclusively committed to APS undergrounding projects. No projects have been included in the recommended FY 2011-12 budget.

Council reviewed three alternative capital budgets based on staff's currently understood goals for the community.

Alternative 1 \$1.7 million

Alternative 2 \$3.0 million

Alternative 3 \$3.7 million

Each alternative budget has been programmed for five years.

He noted that a \$3 million annual budget is necessary just to maintain existing assets. He repeated his recommendation that Council identify ongoing revenues to sustain the capital budget.

### **Discussion of Sales Tax, Fire Service Fee, and Property Tax Revenue Options**

Mr. Bacon reviewed the four revenue options being considered by Council.

He said an increase in the local sales tax would be implemented by majority vote of the Town Council. He presented four rate options ranging from 2% to 2.6%. His recommendation was to increase the sales tax to 2.5%. At this rate the Town would still be below the City of Scottsdale. Revenue from the increase would be dedicated to the capital budget, but it would not include funding for the new police communications system. He concluded that in order for the tax to go into effect on July 1, Council must approve the ordinance on April 28. There was Council discussion about postponing the vote. Town Attorney Miller advised that state law requires the Town to advertise tax and fee increases on the Town's website for a period of 60 days prior to the public hearing. The vote could be postponed but the Council would still have to schedule the hearing for April 28, open the public hearing, and then continue the hearing to a date certain.

He said a Fire Service Fee would be implemented by a majority vote of Town Council. He presented four residential rate design options ranging from \$37 to \$50 per month. His preference was for C or D. In options C and D, the residential rates are the same but commercial rates are different. He said option D has a higher yield. He said revenue from the Fee would finance the Phoenix Fire Department IGA and it would provide a revenue stream for emergency communications. The Fee would generate approximately \$2.5 million. It would be operated as an enterprise fund to provide transparency. He said the fee was modeled on the assumption that IGA costs will not increase.

Council discussed applying the fee to vacant parcels as well. There was also a desire to review the rate annually.

Mr. Bacon recommended that the Council adopt a resolution on April 28 directing staff to develop an implementation plan for the Fire Service Fee so that it could be implemented in the summer of 2012.

Mr. Bacon state that a primary property tax would be approved by the Council and presented to the voters for approval. A primary property tax is used to fund the operating budget. Once the tax has been approved it cannot be rescinded. It is not permissible to dedicate funding to a specific project or program and it cannot include a sunset provision.

Councilmember Parker rejoined the meeting at 12:07 p.m.

He said a secondary property tax, on the other hand, is for a fixed term and used to fund capital projects. Secondary taxes must also be approved by the Council and the voters. His preference was to consider a secondary property tax for future large capital projects which create new community assets.

There was Council consensus to direct the Staff to prepare an ordinance increasing the sales tax rate to 2.5%, prepare a resolution on Fire Service Fee Option D, and a resolution approving severance plan for the April 28 meeting. Council also asked for an opportunity to discuss the budget policy regarding the reserve balance at a future meeting.

There was no support for a primary property tax and no project was identified to necessitate consideration of a secondary property tax.

**EXECUTIVE SESSION**

- a. The Town Council may go into executive session at one or more times during the meeting as needed to confer with the Town Attorney for legal advice regarding any of the agenda items listed above as authorized by A.R.S. §38-431.03.A.3.

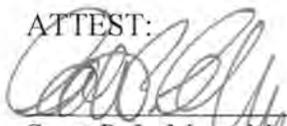
No action was taken on this item.

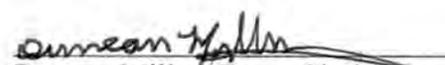
**ADJOURNMENT**

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

Mayor LeMarr adjourned the meeting at 1:07 PM

ATTEST:

  
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Scott P. LeMarr, Mayor

  
Duncan Milley, Town Clerk