

**TOWN OF PARADISE VALLEY
6401 E. LINCOLN DRIVE
PARADISE VALLEY, ARIZONA 85253
BUDGET POLICY RETREAT
SUMMARY MINUTES
DECEMBER 10, 2008**

CALL TO ORDER

Mayor Parker called to order the Council Budget Policy Retreat of the Town of Paradise Valley, Arizona, held at the Paradise Valley Doubletree Resort on December 10, 2008 at 8:30 A.M.

COUNCILMEMBERS PRESENT

Mayor Vernon B. Parker
Vice Mayor Ron Clarke
Councilmember Brian Cooney
Councilmember Mary Hamway
Councilmember Pam Kirby arrived at 8:35 a.m.
Councilmember Scott LeMarr
Councilmember Virginia "Jini" Simpson

STAFF MEMBERS PRESENT

Town Manager James C. Bacon, Jr
Town Attorney Andrew M. Miller
Management Services Director Lenore P. Lancaster

Summary of Present Polices & Status of FY 2008-2009 Budget

Mr. Bacon reviewed the trends for revenues, expenses, fund balance, and capital projects for the last five years. He then reviewed the FY 2009 to FY 2013 five year plan reserve versus expenditure plan which shows the Town will not meet its financial policy on reserves in FY 2011. He also explained the process for budget authorization and how variances impact fund balance.

Establish Revenue Targets

Ms. Lancaster reviewed the Town's General and HURF revenues from FY 2004 through FY 2009 (estimated actual), noting that except for FY 2009 actual revenues have exceeded budgeted revenues. Four revenue sources account for almost 70% of the Town's revenues: local sales and use taxes, bed taxes, permit revenues, State shared income taxes, and State shared sales taxes. Given the current economy these revenues will be difficult to predict for FY 2009-2010. Ms. Lancaster reviewed various sets of assumptions, the resulting revenue generated, and input from the Town Council on what they believed would be realistic assumptions.

The preliminary revenue and estimates for FY 2009-2010 are as follows:

Local sales & use taxes	\$4,855,000
Local bed taxes	\$1,904,000
Permits	\$768,000
State shared income and sales taxes	\$2,755,000
All other revenues	\$5,593,000
Total	\$15,875,000

These estimates will be reconsidered after second quarter results are known. Staff will update Council on that information at the February 26th work/study meeting.

Identify Key Components of FY 2009-10 Operating Budget

Mr. Bacon reviewed expenditure trend information for the last six years, including the estimate for FY 2009. He reviewed the changes in staffing levels from FY 2004 and the impact of new services – contract fire service and in-house plan review.

Mr. Bacon recommended a reduction in authorized staffing levels and that steps be taken to minimize budget variances. He stated that contracts will also be reviewed to determine if services are necessary or can be performed in a more cost effective way.

Council discussed the human services budget and cited the need for an application process and review by Council. They suggested using a percentage of revenues for funding human services and suggested a target of \$80,000 for next year. Staff will prepare historical information related to revenue for this category.

Council discussed funding for the Scottsdale Convention and Visitors Bureau (CVB). They asked staff to calculate the CVB contribution as a percentage of bed tax revenues for the last six years and the request for 2010 as a percentage of FY 2010 bed tax revenue estimate. They felt that the FY 2009-2010 contribution should not exceed the FY 2009 level and also requested that performance targets be established with the CVB.

Compensation Plan Changes

Mr. Bacon reviewed the current compensation plan for employees and the market and merit increase history for the last three budgets. He reviewed the new positions that have been added since FY 2004 and the growth in personnel expenditures, actual and budget. Mr. Bacon reviewed the goals of compensation plan changes and suggested changes needed to accomplish those changes.

Council supported the revised changes in pay grade for nine positions and increasing the maximum of the range by 2.4% while keeping the minimum the same. They supported not giving a blanket market adjustment and there was discussion of whether merit increases should be given if the Town needs to significantly reduce expenses. They did not support one-time merit payments to employees who were at the maximum of their salary range. At this time they preferred to maintain the present policy.

Vice Mayor Clarke left the meeting at 1 p.m.

Capital Budget

William Mead, Town Engineer, Andrew Cooper, Public Works Director, and Elsa Lynch, Court Services Manager joined the meeting at 1:30 p.m.

Mr. Bacon reviewed how the capital improvement program has been funding during the last six years. He reviewed budget versus actual expenditures. Mr. Bacon stated that there will be no current revenues available to fund capital projects in FY 2010 and that funding would have to be from the Town's fund balance.

There was Council discussion of seven potential projects for FY 2010: completion of APS Undergrounding districts 31 and 36, the Berneil Channel, McDonald reconstruction, Mockingbird reconstruction, Municipal Court Building, Stanford reconstruction and the street overlay program. Council was supportive of the two current APS undergrounding projects and asked that APS be requested to move forward on the design of two districts in FY 2010 for construction in FY 2011. They recommended that the 15 year cycle for street overlay be maintained and continue the "neighborhood" approach. Council suggested that the Town take advantage of bidding the FY 2010 asphalt overlay program in FY 2009 and then have no overlay expense in FY 2010. Council supported moving forward with a master plan design for the Court, using Court Enhancement funds. Council did not support expenditures in FY 2010 for the Berneil Channel, or the reconstruction of McDonald, Mockingbird or Stanford Drive. No other projects were suggested for funding.

Examine Revisions to Town's Policies on Contingency and Reserves

Mr. Bacon presented several recommendations to modify the Town's current policy with regard to reserves, including establishing a capital projects accumulation fund and designating revenue sources for future funding of capital projects when the revenue base is sufficient. Council was supportive of these changes.

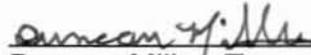
ADJOURNMENT

Mayor Parker adjourned the meeting at 3:25 p.m.



Vernon B. Parker, Mayor

ATTEST:



Duncan Miller, Town Clerk

By LL