



POST ACTION AGENDA NOTICE

NOTICE OF THE REGULAR SESSION OF THE FOUNTAIN HILLS TOWN COUNCIL

Mayor Linda M. Kavanagh

Councilmember Dennis Brown

Vice Mayor Nick DePorter

Councilmember Cassie Hansen

Councilmember Henry Leger

Councilmember Alan Magazine

Councilmember Cecil A. Yates

TIME: 6:30 P.M.

WHEN: THURSDAY, NOVEMBER 17, 2016

**WHERE: FOUNTAIN HILLS COUNCIL CHAMBERS
16705 E. AVENUE OF THE FOUNTAINS, FOUNTAIN HILLS, AZ**

Councilmembers of the Town of Fountain Hills will attend either in person or by telephone conference call; a quorum of the Town's various Commission, Committee or Board members may be in attendance at the Council meeting.

Notice is hereby given that pursuant to A.R.S. § 1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the Town Council are audio and/or video recorded and, as a result, proceedings in which children are present may be subject to such recording. Parents, in order to exercise their rights may either file written consent with the Town Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the Town will assume that the rights afforded parents pursuant to A.R.S. § 1-602.A.9 have been waived.

PROCEDURE FOR ADDRESSING THE COUNCIL

Anyone wishing to speak before the Council must fill out a speaker's card and submit it to the Town Clerk prior to Council discussion of that Agenda item. Speaker Cards are located in the Council Chamber Lobby and near the Clerk's position on the dais.

Speakers will be called in the order in which the speaker cards were received either by the Clerk or the Mayor. At that time, speakers should stand and approach the podium. Speakers are asked to state their name and whether or not they reside in Fountain Hills (*do not provide a home address*) prior to commenting and to direct their comments to the Presiding Officer and not to individual Councilmembers. Speakers' statements should not be repetitive. *If a speaker chooses not to speak when called, the speaker will be deemed to have waived his or her opportunity to speak on the matter. Speakers may not (i) reserve a portion of their time for a later time or (ii) transfer any portion of their time to another speaker.*

If there is a Public Hearing, please submit the speaker card to speak to that issue during the Public Hearing.

Individual speakers will be allowed **three** contiguous minutes to address the Council. Time limits may be waived by (i) *discretion of the Town Manager upon request by the speaker not less than 24 hours prior to a Meeting*, (ii) *consensus of the Council at Meeting* or (iii) *the Mayor either prior to or during a Meeting*. Please be respectful when making your comments. If you do not comply with these rules, you will be asked to leave.

REGULAR SESSION AGENDA

- **CALL TO ORDER AND PLEDGE OF ALLEGIANCE** – Mayor Linda M. Kavanagh **6:31 PM**
- **INVOCATION** – Julie Orwin, Beth Hagivot Congregation
- **ROLL CALL** – Mayor Linda M. Kavanagh
- **MAYOR’S REPORT**
 - i) The Mayor will read a PROCLAMATION declaring November 19, 2016, “Back the Badge Day” in the Town of Fountain Hills.
- **SCHEDULED PUBLIC APPEARANCES/PRESENTATIONS**
 - i) The Mayor and/or Council may review RECENT EVENTS attended relating to Economic Development.
 - ii) ECONOMIC UPDATE by Economic Development Director Scott Cooper.

CALL TO THE PUBLIC

Pursuant to A.R.S. §38-431-01(H), public comment is permitted (not required) on matters not listed on the agenda. Any such comment (i) must be within the jurisdiction of the Council and (ii) is subject to reasonable time, place, and manner restrictions. The Council will not discuss or take legal action on matters raised during “Call to the Public” unless the matters are properly noticed for discussion and legal action. At the conclusion of the call to the public, individual Councilmembers may (i) respond to criticism, (ii) ask staff to review a matter or (iii) ask that the matter be placed on a future Council agenda.

CONSENT AGENDA ITEMS APPROVED 1,2, & 4

All items listed on the Consent Agenda are considered to be routine, non-controversial matters and will be enacted by one motion and one roll call vote of the Council. All motions and subsequent approvals of consent items will include all recommended staff stipulations unless otherwise stated. There will be no separate discussion of these items unless a Councilmember or member of the public so requests. If a Councilmember or member of the public wishes to discuss an item on the consent agenda, he/she may request so prior to the motion to accept the Consent Agenda or with notification to the Town Manager or Mayor prior to the date of the meeting for which the item was scheduled. The items will be removed from the Consent Agenda and considered in its normal sequence on the Agenda.

1. **CONSIDERATION** of approving the TOWN COUNCIL MEETING MINUTES from November 3, 2016.
2. **CONSIDERATION** of approving License Agreement Amendment C2014-138.1 for the Maricopa County Air Monitoring Station located at Fire Station No. 1.
3. **CONSIDERATION** of approving the first FIVE-YEAR EXTENSION of an Intergovernmental Agreement with Maricopa County relating to the maintenance, improvement and management of outdoor recreation opportunities in the Town's McDowell Mountain Preserve and the County's McDowell Mountain Regional Park and authorizing the Town Manager to send a letter requesting the extension. **PULLED FROM CONSENT; BUT ITEM #3 WAS APPROVED**
4. **CONSIDERATION** of approving an AMENDMENT to contract C2012-110 with Artistic Land Management, Inc., for a one-year extension, in an amount not to exceed \$157,000, for Wash and Dam Maintenance.

REGULAR AGENDA

5. **DISCUSSION WITH POSSIBLE DIRECTION TO STAFF** regarding proposed amendments to the Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy, related to Special Event Fee Waivers. **NO ACTION TAKEN**

6. **CONSIDERATION** of RESOLUTION 2016-31, adopting the Town of Fountain Hills Financial Policies, Amended and Restated November 17, 2016. **APPROVED**

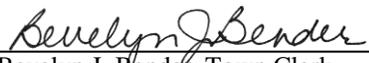
7. **RECOGNITION** of COUNCILMEMBER CASSIE HANSEN'S SERVICE to the Town of Fountain Hills.

8. **COUNCIL DISCUSSION/DIRECTION** to the Town Manager.
Item(s) listed below are related only to the propriety of (i) placing such item(s) on a future agenda for action or (ii) directing staff to conduct further research and report back to the Council:
i.) None.

9. **SUMMARY OF COUNCIL REQUESTS** and REPORT ON RECENT ACTIVITIES by the Mayor, Individual Councilmembers, and the Town Manager.

10. **ADJOURNMENT. 8:17 PM**

DATED this 10th day of November, 2016.



Bevelyn J. Bender, Town Clerk

The Town of Fountain Hills endeavors to make all public meetings accessible to persons with disabilities. Please call 480-816-5100 (voice) or 1-800-367-8939 (TDD) 48 hours prior to the meeting to request a reasonable accommodation to participate in this meeting or to obtain agenda information in large print format. *Supporting documentation and staff reports furnished the Council with this agenda are available for review in the Clerk's office.*



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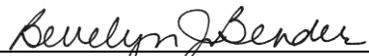
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TOWN OF FOUNTAIN HILLS
PROCLAMATION

BACK THE BADGE

WHEREAS, Fountain Hills' First Responders stand watch over our citizens, selflessly risking their lives to protect individuals, families, neighborhoods, and property; and

WHEREAS, it is crucially important for all citizens to recognize the duties, responsibilities, hazards, and sacrifices of local First Responders; and

WHEREAS, it is time to unite in solidarity to support the men and women who serve and protect our community; and

WHEREAS, the fountain will be turned blue on November 19, 2016 in honor of the Fountain Hills' First Responders.

NOW, THEREFORE, I, Linda M. Kavanagh, Mayor of the Town of Fountain Hills, Arizona, do hereby declare November 19, 2016 as BACK THE BADGE DAY in Fountain Hills.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the official seal of the Town of Fountain Hills, Maricopa County, Arizona this 17th day of November, 2016.




Linda M. Kavanagh, Mayor

ATTEST:


Bevelyn J. Bender, Town Clerk

fountainhills

ECONOMIC
DEVELOPMENT



**ECONOMIC
DEVELOPMENT
UPDATE**

Statewide Industry Report



- **Arizona Commerce Authority**
 - Jobs Created – 17,629
 - Average Salary - \$50,803
 - Capital Invested - \$920.8M



Regional Industry Report



- **Greater Phoenix Economic Council**

- Jobs Created – 7,703

- Company Locates – 43

- Capital Investment - \$930M



Lead Generation - Partners



- Total Direct Partner Generated Leads – 83



- GPEC – 66

- ACA – 17



- Qualified Leads/Responses – 3

- Active - 3

Business Attraction – Active



- **Generated Active Leads**

- Project Avatar
- Project Memory
- Project Auto
- **Project Brew**
- Project Stay
- Project Urgency
- Project Bytes
- **Project Honor**
- Project Vacation
- Project Dough
- Project Sustainability



Business Attraction - Results



- Recent Projects
 - Fountain Hills Dialysis (SKI/DaVita)
 - ✦ 10-12 new jobs
 - ✦ \$500,000 capital investment
 - Bealls Outlet Department Store
 - ✦ 20 new jobs
 - ✦ \$500,000 capital investment
 - Microbrewery
 - Healthcare Project
 - ✦ 2-20 new jobs
 - ✦ Up to \$6M capital investment

Business Retention & Expansion



- **Broker's Alliance**
 - Job Growth - **11 in 2015, 18 so far in 2016, and 60-80 within 5 years**
 - Physical Expansion –
 - ✦ **Need 20 more to trigger new 10,000 SF**
- **Prevco Subsea**
 - **Nautical Engineers**
- **Workforce Development**



Workforce



Entrepreneurial Development



- **JumpStartBiz**

- Five local projects
 - ✦ JanitorSite.com
 - ✦ Interim Public Management
 - ✦ Wired Up
 - ✦ Fore Peaks Realty
- Business Surveys
- Job fairs



Marketing



- Brochure (Digital)
- Trade Show Booth
- Video

Marketing



- Economic Development Networks
- Zippia – **Top 10 most successful cities in Arizona**

Totals



OVER **50** NEW JOBS

OVER **\$1M** CAPITAL INVESTMENT

Thank You





TOWN OF FOUNTAIN HILLS TOWN COUNCIL AGENDA ACTION FORM

Meeting Date: 11/17/2016

Meeting Type: Regular Session

Agenda Type: Consent

Submitting Department: Administration

Staff Contact Information: Bevelyn J. Bender, Town Clerk; 480-816-5115; bbender@fh.az.gov

Council Goal:

Strategic Values: Civic Responsibility

C3 Solicit feedback in decision-making

REQUEST TO COUNCIL (Agenda Language): CONSIDERATION of approving the TOWN COUNCIL MEETING MINUTES from November 3, 2016.

Applicant: NA

Applicant Contact Information:

Property Location:

Related Ordinance, Policy or Guiding Principle: A.R.S. §38-431.01

Staff Summary (background): The intent of approving previous meeting minutes is to ensure an accurate account of the discussion and action that took place at that meeting for archival purposes. Approved minutes are placed on the Town's website in compliance with state law.

Risk Analysis (options or alternatives with implications):

Fiscal Impact (initial and ongoing costs; budget status):

Budget Reference (page number):

Funding Source: NA

If Multiple Funds utilized, list here:

Budgeted; if No, attach Budget Adjustment Form: NA

Recommendation(s) by Board(s) or Commission(s):

Staff Recommendation(s): Approve

List Attachment(s): None

SUGGESTED MOTION (for Council use): Move to approve the consent agenda as listed

Prepared by:

Bevelyn J. Bender

Bevelyn Bender, Town Clerk

11/8/2016

Approved:

Grady E. Miller

Grady E. Miller, Town Manager

11/8/2016



TOWN OF FOUNTAIN HILLS

TOWN COUNCIL AGENDA ACTION FORM

Meeting Date: 11/17/2016

Meeting Type: Regular Session

Agenda Type: Consent

Submitting Department: Public Works

Staff Contact Information: Paul Mood, Public Works Director, pmood@fh.az.gov

Strategic Planning Goal: Not Applicable (NA)

Operational Priority: Not Applicable (NA)

REQUEST TO COUNCIL (Agenda Language): CONSIDERATION of License Agreement Amendment C2014-138.1 for the Maricopa County Air Monitoring Station located at Fire Station No. 1.

Applicant: Maricopa County

Applicant Contact Information: Darryl King, 602-506-4282

Owner: Town of Fountain Hills

Owner Contact Information: NA

Property Location: 16426 E. Palisades Blvd., Fountain Hills, AZ 85268

Related Ordinance, Policy or Guiding Principle: NA

Staff Summary (background): The Maricopa County Air Quality Department has operated and maintained an air monitoring station at Fire Station No. 1 since 1996 to collect data on ozone, wind speed and direction, ambient temperature and relative humidity without a formal license agreement. The equipment was attached to and housed in the EMS trailer that was demolished as part of the Fire Station No. 1 Renovation project.

The Town Council and Maricopa County Board of Supervisors previously approved a license agreement for the County to operate and maintain a new facility located near the northwest corner of the Fire Station property at a cost of \$300 annually. The original license agreement is set to expire on January 31, 2017 and the proposed amendment will extend the license agreement for an additional three years to January 31, 2020.

Risk Analysis (options or alternatives with implications): Approval of the license agreement amendment will allow Maricopa County to continue use of the property for an air monitoring station.

Fiscal Impact (initial and ongoing costs; budget status): \$300 paid to the Town annually.

Budget Reference (page number): NA

Funding Source: Multiple Funds

If Multiple Funds utilized, list here:

Budgeted; if No, attach Budget Adjustment Form: NA

Recommendation(s) by Board(s) or Commission(s): NA

Staff Recommendation(s): Staff recommends approval of the license agreement amendment.

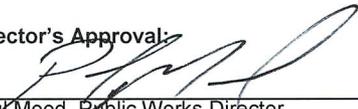
List Attachment(s): Licences Agreement Amendment C2104-138.1, Site Map & Original License Agreement

SUGGESTED MOTION (for Council use): Motion to approve License Agreement Amendment C2014-138.1 for the Maricopa County Air Monitoring Station located at Fire Station No.1 from February 1, 2017 through January 31, 2020.

Prepared by:

Paul Mood, Public Works Director 11/8/2016

Director's Approval:


Paul Mood, Public Works Director 11/8/2016

Approved:


Grady E. Miller, Town Manager 11/8/2016

**Amendment No. 1 to License Agreement
for
Use of Real Property**

This Amendment No. 1 (this "Amendment") to License Agreement for Use of Real Property, Lease No. P-50202, dated and approved by the Maricopa County Board of Supervisors April 9, 2014, (the "Agreement") is made and entered into by and between the Town of Fountain Hills ("Licensor") and Maricopa County, a political subdivision of the State of Arizona ("Licensee") (collectively referred to herein as "Parties"). All capitalized terms not otherwise defined in this Amendment have the same meanings as contained in the Agreement.

RECITALS

WHEREAS, the Agreement is for use of property located at 16426 E. Palisades Blvd., Fountain Hills, Arizona, consisting of approximately 100 square feet of vacant space at the Fountain Hills Fire Station for Licensee's Monitor Site; and

WHEREAS, the term of the Agreement expires January 31, 2017; and

WHEREAS, Licensee and Licensor desire to exercise the first of two options to renew for three years and update Licensee's notice address.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing introduction and recitals, which are incorporated herein by reference, the following mutual covenants and conditions, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee hereby agree as follows:

1. The term of the Agreement is hereby extended for three (3) years, to commence February 1, 2017 and expire January 31, 2020.
2. The notice address for Licensee is changed to the following:

Maricopa County Facilities Management
Attn: Chief Real Estate Officer
2801 West Durango Street
Phoenix, Arizona 85009

3. This Amendment is subject to the provisions of A.R.S. § 38-511, the provisions of which are incorporated herein by this reference.

4. This Amendment shall not become effective until it is executed by the Chairman of the Maricopa County Board of Supervisors (the "Effective Date").
5. In all other respects, the Agreement is affirmed and ratified and, except as expressly modified herein, all terms and conditions of the Agreement shall remain in full force and effect.
6. By executing this Amendment the Parties affirmatively assert that (i) neither party is currently in default, nor has been in default at any time prior to this Amendment under any of the terms or conditions of the Agreement and (ii) any and all claims, known and unknown, relating to the Agreement and existing on or before the date of this Amendment are forever waived.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the Effective Date.

Licensors:
Town of Fountain Hills

Licensee:
Maricopa County

Grady E. Miller, Town Manager



Chairman of the Board

NOV 02 2016

Attest:

Attest:

Bevelyn J. Bender, Town Clerk Date



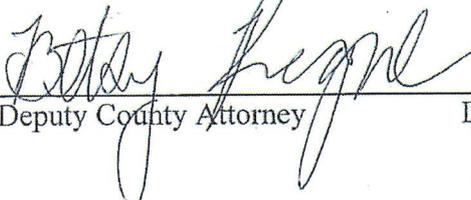
Clerk of the Board

NOV 02 2016
Date

Approved as to Form:

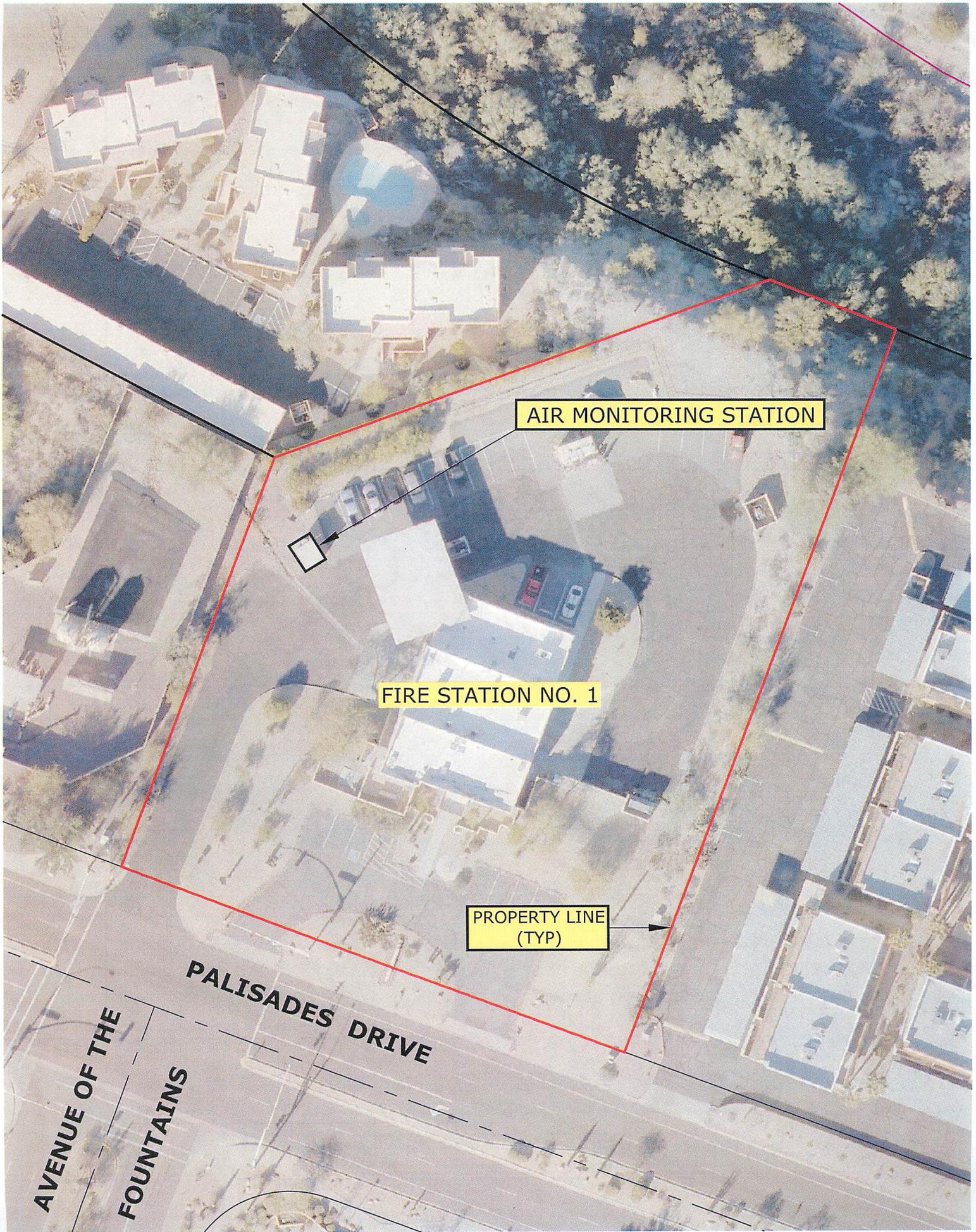
Approved as to Form:

Andrew J. McGuire, Town Attorney Date



Deputy County Attorney

10/11/16
Date



AIR MONITORING STATION

FIRE STATION NO. 1

PROPERTY LINE
(TYP)

PALISADES DRIVE

AVENUE OF THE
FOUNTAINS

**LICENSE AGREEMENT
FOR USE OF REAL PROPERTY
C2014-138**

This License Agreement for Use of Real Property ("Agreement") is executed to be effective the 9 day of April, 2014 ("Effective Date"), between Town of Fountain Hills ("Licensor") and Maricopa County, a political subdivision of the State of Arizona ("Licensee"). The Licensor and Licensee are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, Licensor is the owner of certain real property located at 16426 E. Palisades Blvd., Fountain Hills, AZ, which is legally described on attached Exhibit A ("Property"); and

WHEREAS, Licensee desires to install, operate and maintain an air quality monitor site on a portion of Licensor's Property, as described in this Agreement and depicted on attached Exhibit B ("Monitor Site"); and

WHEREAS, Licensor is willing to grant to Licensee a license to use the Monitor Site for the uses described above.

THEREFORE, in consideration of the following mutual covenants and conditions, it is hereby agreed as follows:

1. LICENSED AREA/MONITOR SITE.

The Monitor Site is located at 16426 Palisades Blvd., Fountain Hills, AZ 85268, as legally described on attached Exhibit A and graphically depicted on attached Exhibit B.

2. REPRESENTATIONS AND WARRANTIES.

- A. Licensor represents and warrants to Licensee that: (i) Licensor, and its authorized signatory, has full right, power and authority to execute this Agreement; and (ii) Licensor's execution and performance of this Agreement will not violate any laws, ordinances, covenants, mortgages, licenses or other agreements binding on Licensor.
- B. Licensee represents and warrants to Licensor that: (i) Licensee, and its authorized signatory, has full right, power and authority to execute this Agreement; and (ii) Licensee's execution and performance of this Agreement will not violate any laws, ordinances, covenants, mortgages, licenses or other agreements binding on Licensee.
- C. Licensee has studied and inspected the Monitor Site and accepts the same "AS IS" without any express or implied warranties of any kind, other than those warranties contained in subsection (A) above, including any warranties or representations by

Licensors as to title or its condition or fitness for any use. Licensee has inspected the Monitor Site and obtained information and professional advice as Licensee has determined to be necessary related to this Agreement.

3. GRANT OF LICENSE; TERM.

- A. Nothing in this Agreement shall be construed as granting Licensee the authority to use any property that is owned by any person or entity other than Licensor.
- B. This Agreement is not intended to represent permission granted in perpetuity. Either party may terminate this Agreement without cause by giving ninety (90) days' advance written notice to the other of intent to terminate.
- C. The term of this Agreement is for three years and shall commence upon execution by the Maricopa County Board of Supervisors and expire on January 31, 2017.
- D. Licensor grants to Licensee the option of renewing the Agreement for two (2) additional three-year terms. To exercise this option, Licensee shall provide Licensor with written notice of their intent to renew no later than 90-days prior to the expiration of this Agreement. The rental rates during the option term shall remain the same.
- E. If Licensee continues to occupy the Monitor Site after the expiration or termination of this Agreement, holding over will not be considered to operate as a renewal or extension of this Agreement.
- F. Notwithstanding any provision in this Agreement to the contrary or any negotiation, correspondence, course of performance or dealing, or other statements or acts by or between the parties, Licensee's rights in the Monitor Site are limited to the rights created by this Agreement, which create only a license in the Monitor Site, which is revocable only as set forth expressly herein. Licensor and Licensee do not by this instrument intend to create a lease, easement or other real property interest. Licensee has no real property interest in the Monitor Site. Licensee's sole remedy for any breach or threatened breach of this Agreement by Licensor will be an action for damages. Licensee's rights are subject to all covenants, restrictions, easements, agreements, reservations and encumbrances upon, and all other conditions of title to the Monitor Site. Licensee's rights under this Agreement are further subject to all present and future building restrictions, regulations, zoning laws, ordinances, resolutions and orders of any local, state or federal agency, now or later having jurisdiction over the Monitor Site or Licensor's use of the Monitor Site.
- G. This license Agreement is specific to Licensee, and may not be transferred or assigned in any manner, without the prior written approval of Licensor.

4. FEES.

Upon execution of the Agreement and upon Licensor's proper invoicing of Licensee, Licensee shall pay Licensor a first year license fee of \$300.00 (Three Hundred Dollars) for entering into

the Agreement. Thereafter, at the anniversary date of the Agreement and upon Licensor's proper invoicing to Licensee, Licensee shall pay an annual License fee of \$300.00 (Three Hundred Dollars) until such time as Agreement is terminated pursuant to the terms of this Agreement.

5. UTILITIES.

Licensee is responsible for obtaining and paying for all utilities necessary for its use of the Monitor Site.

6. USE RESTRICTIONS.

- A. Licensee shall not remove, damage or alter in any way any existing improvements or personal property of Licensor within the Monitor Site without Licensor's prior written approval, which shall not be unreasonably withheld. Licensee shall repair any damage or alteration to Licensor's Property to the same condition that existed before the damage or alteration, reasonable wear and tear excepted.
- B. Licensee shall use the Monitor Site solely for the purpose of installing and operating an air quality monitoring station, generally consisting of the following elements: Ozone, Wind Speed & Direction, Temperature, Relative Humidity, Pressure
- C. Licensee shall have a non-exclusive right for ingress and egress, seven (7) days a week, twenty-four (24) hours a day, for the authorized use, which right shall be exercised so as to not unreasonably interfere with any Licensor operations.
- D. Licensee shall keep the Monitor Site maintained, orderly and clean at all times.
- E. Subject to the terms set forth herein, Licensee acknowledges that Licensee's use of the Monitor Site shall be subject and subordinate to, and shall not adversely affect, Licensor's use of the Property and the Monitor Site.

7. HAZARDOUS WASTE.

Licensee shall not produce, dispose, transport, treat, use or store any hazardous waste or toxic substance upon or about the Monitor Site in violation of the Arizona Hazardous Waste Management Act, ARIZONA REVISED STATUTES ("ARS") § 49-901 *et seq.*, the Resource Conservation and Recovery Act, 42 UNITED STATES CODE ("USC") 6901 *et seq.*, the Toxic Substances Control Act, 15 USC 2601 *et seq.*, or any other federal, state or local law pertaining to hazardous waste or toxic substances. Licensee shall not use the Monitor Site in a manner inconsistent with any regulations, permits or approvals issued by any state agency. Licensee shall defend, indemnify and hold Licensor harmless against any loss or liability incurred by reason of any hazardous waste or toxic substance on or affecting the Monitor Site to the extent attributable to or caused by Licensee, and shall immediately notify Licensor of any hazardous waste or toxic substance at any time discovered or existing upon the Monitor Site. Licensee shall promptly and without a request by Licensor provide Licensor's Environmental Program Manager with copies of all written communications between Licensee and any governmental agency concerning environmental inquiries, reports or problems relating to hazardous waste or toxic substances on the Monitor Site.

8. CONSTRUCTION AND MAINTENANCE.

- A. Licensee has, at its own cost, all responsibilities for the installation of all improvements proposed by Licensee to the Monitor Site as depicted on Exhibit B, including costs associated with construction, operation and maintenance, unless damage thereto is caused by Licensor or its agents or contractors.
- B. All improvements made by Licensee to the Monitor Site pursuant to the terms of this Agreement are subject to and must be in compliance with all applicable codes, ordinances and laws, including the Americans with Disabilities Act, and constructed in conformance with the Licensor's approved design standards. Licensee shall submit all building and site plans to the Licensor for review and approval prior to the commencement of construction of the Monitor Site.
- C. Licensee shall not permit any liens to be placed or remain on the Property or the Monitor Site by virtue of any work performed under this Agreement.

9. INDEMNIFICATION.

To the extent permitted by law, each party (as "indemnitor") agrees to indemnify, defend and hold harmless the other party (as "indemnitee") from and against any and all claims, losses, liability, costs or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such claims are caused by the willful misconduct or gross negligence of the indemnitor, its officers, officials, agents employees, or volunteers.

10. INSURANCE.

Licensor acknowledges that Licensee is self-insured. Licensee shall provide Licensor with a certificate of self-insurance.

11. DAMAGE OR DESTRUCTION.

Licensor has no obligation to reimburse Licensee for the loss of or damage to fixtures, equipment or other personal property, except for loss or damage as is caused by the negligence or fault of Licensor or its officers, employees or agents. Licensee may insure all fixtures, equipment or other personal property for its own protection if it so desires.

12. SURRENDER OF POSSESSION.

Upon the expiration or termination of this Agreement, Licensee's right to occupy the Monitor Site and exercise the privileges and rights granted under this Agreement shall cease, and it shall surrender and leave the Monitor Site in good condition, normal wear and tear and casualty not caused by Licensee excepted.

13. NOTICE.

A. Except as otherwise provided, all notices required or permitted to be given under this Agreement may be personally delivered or mailed by certified mail, return receipt requested, postage prepaid, to the following addresses:

To Licensor: Town of Fountain Hills
 Attn: Kenneth W. Buchanan, Town Manager
 16705 East Avenue of the Fountains
 Fountain Hills, Arizona 85268

With a copy to: GUST ROSENFELD, P.L.C.
 Attn: Andrew J. McGuire, Esq.
 One East Washington Street, Suite 1600
 Phoenix, Arizona 85004-2553

To Licensee: Maricopa County Finance Department
 Attention: Real Estate Manager
 301 W. Jefferson, Suite 960
 Phoenix, AZ 85003

B. Any notice given by certified mail shall be deemed to be received on the third business day after the date of mailing. Either Party may designate in writing a different address for notice purposes pursuant to this Section.

14. SEVERABILITY.

If any provision of this Agreement is declared invalid by a court of competent jurisdiction, the remaining terms shall remain effective, provided that elimination of the invalid provision does not materially prejudice either Party with regard to its respective rights and obligations; in the event of material prejudice, then the adversely affected Party may terminate this Agreement.

15. TAXES AND LICENSES.

A. Licensee shall pay any leasehold tax, possessory-interest tax, sales tax, personal property tax, transaction privilege tax or other exaction assessed or assessable as a result of its occupancy of the Monitor Site under authority of this Agreement, including any tax assessable on Licensor. If laws or judicial decisions result in the imposition of a real property tax on the interest of Licensor as a result of Licensee's occupancy of the Monitor Site, the tax shall also be paid by Licensee on a proportional basis for the period this Agreement is in effect.

B. Licensee shall, at its own cost, obtain and maintain in full force and effect during the term of this Agreement any and all licenses and permits required for the activities authorized by this Agreement.

16. ALTERNATIVE DISPUTE RESOLUTION; LITIGATION.

This Agreement shall be governed by the laws of the State of Arizona. If a dispute arises concerning any of the terms of this Agreement, the Parties will meet and attempt in good faith to negotiate a resolution of the dispute. If a resolution is not reached, the Parties will consider entering into an alternative dispute resolution process, including mediation and/or arbitration. This Section shall not foreclose the right of either Party to file a court action. In the event of any litigation or arbitration between Licensor and Licensee arising under this Agreement, the successful Party shall be entitled to recover its reasonable attorney's fees, expert witness fees and other costs incurred in connection with the litigation or arbitration.

17. RULES AND REGULATIONS.

Licensee shall at all times comply with all federal, state and local laws, ordinances, rules and regulations which are applicable to its operations and the Monitor Site, including all laws, ordinances, rules and regulations adopted after the Effective Date. Licensee shall display to Licensor, upon request, any permits, licenses or other evidence of compliance with the law.

18. RIGHT OF ENTRY RESERVED.

- A. Licensor may, at any time, enter upon the Monitor Site for any lawful purpose, so long as the action does not unreasonably interfere with Licensee's use or occupancy of the Monitor Site.
- B. Without limiting the generality of the foregoing, Licensor and any furnisher of utilities and other services shall have the right, at their own cost, to maintain existing and future utility, mechanical, electrical and other systems and to enter upon the Monitor Site at all times to make repairs, replacements or alterations thereto that may, in the opinion of Licensor, be deemed necessary or advisable and from time to time to construct or install over, in or under the Monitor Site the systems or parts thereof and, in connection with maintenance, use the Monitor Site for access to other parts in and around the Monitor Site; provided that in the exercise of the right of access, repair, alteration or new construction, Licensor shall not unreasonably interfere with the use and occupancy of the Monitor Site by Licensee.
- C. Exercise of any of the foregoing rights by Licensor or others pursuant to Licensor's rights shall not constitute an eviction of Licensee, nor be made the grounds for any abatement of rent or any claim for damages.

19. OWNERSHIP OF EQUIPMENT.

It is expressly understood and agreed that Licensee retains title to all equipment installed by it and may modify, replace or remove such equipment when necessary. Licensee and Licensor acknowledge that all equipment and improvements of Licensee shall be deemed personal property of Licensee.

20. CONFLICTS OF INTEREST.

This Agreement may be cancelled for conflicts of interest as described under A.R.S. § 38-511.

21. E-VERIFY.

To the extent applicable under A.R.S. § 41-4401, each Party and its respective subcontractors warrant compliance with all federal immigration laws and regulations that relate to its employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). Each Party has the right to inspect the papers of the other Party or its subcontractors participating in this Agreement to ensure compliance with this paragraph. A Party's or its subcontractors' breach of the above-mentioned warranty shall be deemed a material breach of the Agreement and may result in the termination of the Agreement by a non-breaching Party under the terms of this Agreement.

22. AGREEMENT AS LICENSE.

The Parties intend and mutually agree that this Agreement shall be construed as a mere license by Licensor to Licensee to operate within the Licensor's Property. This Agreement shall not be construed as a lease, sublease, rental agreement or easement. It is understood and mutually agreed that Licensee has no interest whatsoever in the Property or Monitor Site.

23. VENUE; GOVERNING LAW.

The proper venue for any proceeding at law or in equity or under the provisions for arbitration shall be Maricopa County, Arizona and Licensor and the Licensee hereby waive any right to object to venue. This Agreement shall be construed in accordance with and be governed by the laws of the State of Arizona.

24. MISCELLANEOUS.

This Agreement constitutes the entire agreement between the parties concerning the subject matter stated and supersedes all prior negotiations, understandings and agreements between the Parties concerning those matters. This Agreement shall be interpreted, applied and enforced according to the fair meaning of its terms and not be construed strictly in favor of or against either party, regardless of which Party may have drafted any of its provisions. No provision of this Agreement may be waived or modified except by a writing signed by the Party against whom the waiver or modification is sought to be enforced. This Agreement may be executed in any number of counterpart copies, each of which shall be deemed an original, but all of which together shall constitute a single instrument. The terms of this Agreement are binding upon and inure to the benefit of the Parties' successors and assigns.

25. SUBJECT TO APPROPRIATION. This Agreement is subject to the provisions of ARIZ. CONST. Art. IX, § 5 and ARIZ. REV. STAT. § 42-17106. The provisions of this Agreement for payment of funds or the incurring of expenses by the Parties shall be effective when funds are appropriated for purposes of this Agreement and are actually available for payment. Each Party shall be the sole judge and authority in determining the availability of funds for its obligations under this Agreement and each Party shall keep the other Party fully informed as to the availability of funds for this Agreement. The obligation of each Party to make any payment pursuant to this Agreement is a current expense of such Party, payable exclusively from such annual appropriations, and is not a general obligation or indebtedness of such Party. If the

governing body of either Party fails to appropriate money sufficient to pay the amounts as set forth in this Agreement during any immediately succeeding fiscal year, this Agreement shall terminate at the end of then-current fiscal year and each Party shall be relieved of any subsequent obligation under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as set forth below.

LICENSOR:
TOWN OF FOUNTAIN HILLS

Kenneth W. Buchanan
Kenneth W. Buchanan, Town Manager

LICENSEE:
MARICOPA COUNTY

Ray Bony
Chairman of the Board of Supervisors

ATTEST:

Bevelyn J. Bender 1-16-14
Bevelyn J. Bender, Town Clerk Date

ATTEST:

Frank McCausland APR 09 2014
Clerk of the Board Date

APPROVED AS TO FORM:

Andrew J. McGuire 2.6.14
Andrew J. McGuire, Town Attorney Date

APPROVED AS TO FORM:

Betsy Ruppel 3-17-14
Attorney for Maricopa County Date

Agreement No. P-50220
C-85-14-011-L-00

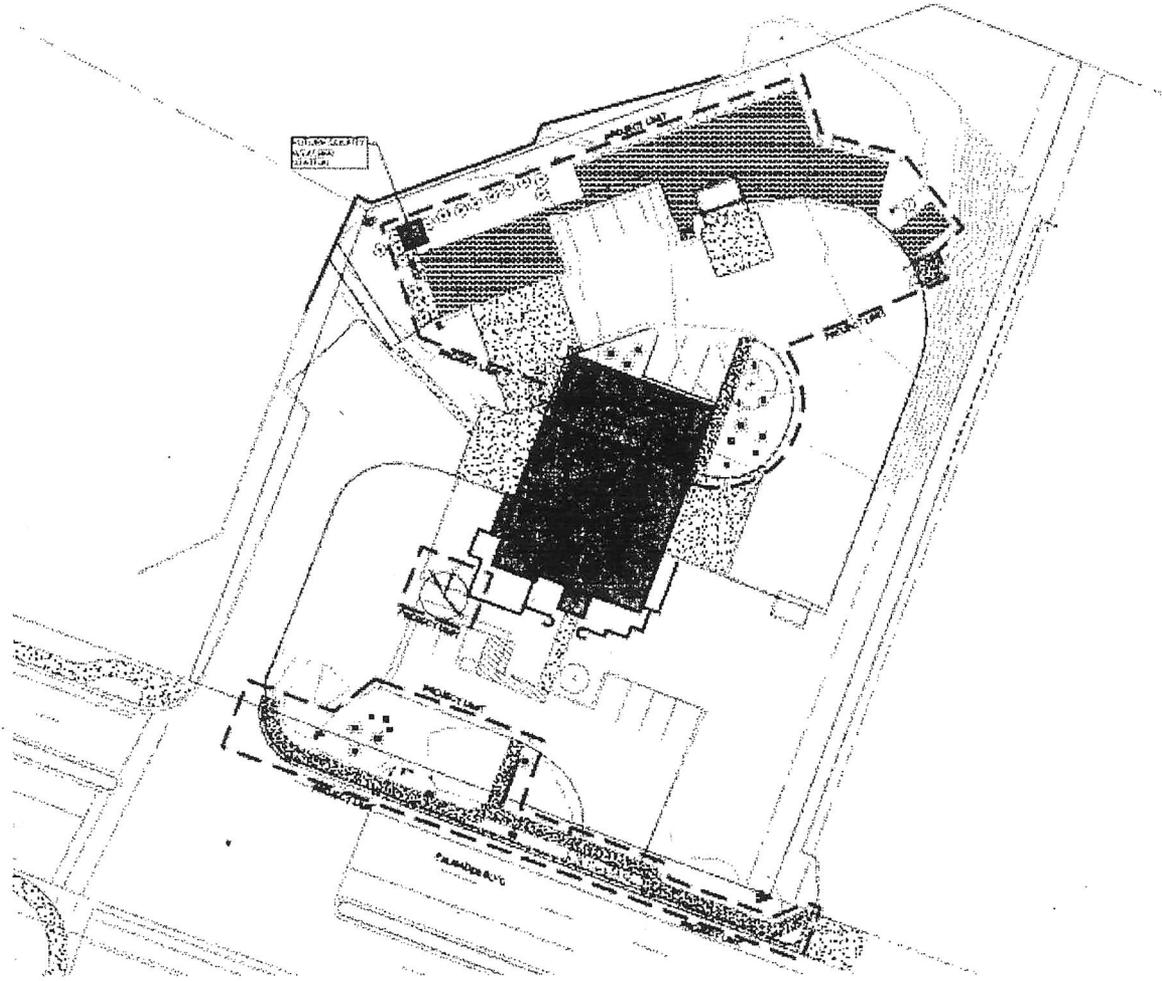
C2014-138

EXHIBIT A

**DESCRIPTION OF
MONITOR SITE**

A 10' X 10' area in the northwest corner of LOT 1 BLOCK 7, FOUNTAIN HILLS, ARIZONA, FINAL PLAT No. 103, according to the plat of record in the office of the County recorder of Maricopa County, Arizona in Book 149 of Maps, page 3.

EXHIBIT B
MONITOR SITE



↑
NORTH



TOWN OF FOUNTAIN HILLS

TOWN COUNCIL AGENDA ACTION FORM

Meeting Date: 11/17/2016

Meeting Type: Regular Session

Agenda Type: Consent

Submitting Department: Community Services

Staff Contact Information: Mark Mayer - mmayer@fh.az.gov

Strategic Planning Goal: Not Applicable (NA)

Operational Priority: Not Applicable (NA)

REQUEST TO COUNCIL (Agenda Language): Consideration of approving the first FIVE YEAR EXTENSION of an Intergovernmental Agreement with the County of Maricopa related to the maintenance, improvement and management of outdoor recreation opportunities in the Town's McDowell Mountain Preserve and the County's McDowell Mountain Regional Park

Applicant: N/A

Applicant Contact Information: N/A

Owner: N/A

Owner Contact Information: N/A

Property Location: N/A

Related Ordinance, Policy or Guiding Principle: Resolution No. 2011-35

Staff Summary (background): On December 15, 2011 the Maricopa County Board of Supervisors approved the original agreement between the County and the Town for access thru their McDowell Mountain Regional Park to access the Town's trail system in the McDowell Mountain Preserve. The term of the original agreement was five years and will expire on December 15, 2016. The original agreement is renewable for two additional five year periods for a total of fifteen years. This would be the first of two possible extensions.

Risk Analysis (options or alternatives with implications): N/A

Fiscal Impact (initial and ongoing costs; budget status): N/A

Budget Reference (page number): N/A

Funding Source: NA

If Multiple Funds utilized, list here:

Budgeted; if No, attach Budget Adjustment Form: NA

Recommendation(s) by Board(s) or Commission(s): N/A

Staff Recommendation(s): Staff is recommending renewal of this agreement

List Attachment(s): Copy of original Resolution No. 2011-35

SUGGESTED MOTION (for Council use): Motion to Approve the extension to the existing IGA with Maricopa County and forward to them for consideration.

Prepared by:

NA _____ 9/27/2016

Director's Approval:


NA _____ 10/31/2016

Approved:


Grady E. Miller, Town Manager _____ 11/9/2016

RESOLUTION NO. 2011-35

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS, ARIZONA, APPROVING AN INTERGOVERNMENTAL AGREEMENT WITH THE COUNTY OF MARICOPA RELATING TO THE MAINTENANCE, IMPROVEMENT AND MANAGEMENT OF OUTDOOR RECREATION OPPORTUNITIES IN THE TOWN'S McDOWELL MOUNTAIN PRESERVE AND THE COUNTY'S McDOWELL MOUNTAIN REGIONAL PARK.

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS as follows:

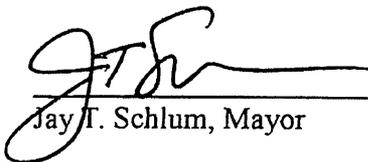
SECTION 1. The Intergovernmental Agreement between the Town of Fountain Hills, a municipal corporation, (the "Town") and the County of Maricopa, a political subdivision of the State of Arizona (the "County"), relating to the maintenance, improvement and management of outdoor recreation opportunities in the Town's McDowell Mountain Preserve and the County's McDowell Mountain Regional Park (the "Agreement") is hereby approved in substantially the form attached hereto as Exhibit A and incorporated herein by reference.

SECTION 2. The Mayor, the Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to cause the execution of the Agreement and to take all steps necessary to carry out the purpose and intent of this Resolution.

PASSED AND ADOPTED by the Mayor and Council of the Town of Fountain Hills, Arizona, October 6, 2011.

FOR THE TOWN OF FOUNTAIN HILLS:

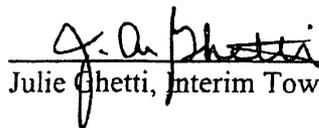
ATTESTED TO:


Jay T. Schlum, Mayor


Bevelyn J. Bender, Town Clerk

REVIEWED BY:

APPROVED AS TO FORM:


Julie Ghetti, Interim Town Manager

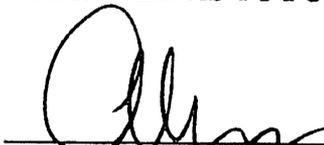

Andrew J. McGuire, Town Attorney

EXHIBIT A
TO
RESOLUTION NO. 2011-35

[Agreement]

See following pages.

**INTERGOVERNMENTAL AGREEMENT BETWEEN MARICOPA COUNTY AND
THE TOWN OF FOUNTAIN HILLS, ARIZONA**

C-30-12-014-3-00

THIS INTERGOVERNMENTAL AGREEMENT (this "Agreement") is entered into as of Dec. 15, 2011 between the County of Maricopa, a political subdivision of the State of Arizona (the "County") and the Town of Fountain Hills, a municipal corporation (the "Town") (hereinafter, individually as a "Party" or collectively as the "Parties").

WITNESSETH

WHEREAS, the County and the Town are authorized to enter into this Agreement pursuant to A.R.S. 11-952; and

WHEREAS, the County, through its Parks and Recreation Department provides recreational opportunities and educational programs to the public; and

WHEREAS, the Town through its McDowell Mountain Preservation Commission provides programs, hiking and mountain biking opportunities in the Fountain Hills McDowell Mountain Preserve (the "Preserve") to the public; and

WHEREAS, the County desires to provide access to the Preserve through McDowell Mountain Regional Park (the "County Park"); and

WHEREAS, the Town provides bicyclists, and hikers with a link through County Park to the Preserve; and

WHEREAS, the County and Town would like to maintain a mutually beneficial relationship by which they may in the future work together to accomplish common objectives related to the Preserve and the County Park without duplicating efforts and expense; and

WHEREAS, the Parties desire to enter into this Agreement to set forth each Party's respective rights and obligations with respect to the means of access and use of the County Park and the Preserve.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by reference, the promises and covenants set forth below, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **PURPOSE OF AGREEMENT**

- 1.1 The County and the Town desire to work in harmony for the common purpose of maintaining, improving, and managing outdoor recreation opportunities in the County Park and the Preserve and educating the public regarding the same. The County Park and the Preserve are depicted upon the Map attached hereto as Exhibit A and incorporated herein by reference.
- 1.2 To jointly plan and develop trails mutually beneficial to the County and the Town. To provide legal access for the multi-use Sonoran Trail that connects the County Park and the Preserve.
- 1.3 To jointly plan, coordinate, and implement, special events, recreational and educational programs, mutually beneficial to the County and the Town.
- 1.4 To share facilities, personnel, electronic resources and equipment when in the best interest of the Parties to include training, resource management and development, task forces and public meetings and events.

2. **SEPARATE RESPONSIBILITIES**

- 2.1 It is agreed that the County will provide the following:
 - A. Seasonal maintenance of the Sonoran Trail, as depicted on the Map attached hereto, from its intersection with the Dixie Mine Trail within the County Park to the FH-MMP Preserve North Entry, as depicted on the Map attached hereto, to ensure that it meets the trails standards set by the Maricopa County Parks and Recreation Department for trails within the regional park system.
 - B. Seasonal maintenance of the Dixie Mine Trail, as depicted on the Map attached hereto, from its trailhead at the southern boundary of the County Park to its intersection with the Sonoran Trail within the County Park to ensure that the public seeking access to the Preserve can do so using trails within the County Park.
 - C. Establish and maintain a budget for performance of any obligations arising under this Agreement by annual appropriations or by separate resolution as deemed necessary and proper by the County's Board of Supervisors.
- 2.2 It is agreed that the Town will provide the following:
 - A. Information to the public intending to access the Preserve using the trail system within County Park that the County Park is a fee-based recreation area and that all members of the public entering the County Park are

subject to paying the current applicable entrance fee for hikers, bikers or equestrians. Nothing in this subsection shall obligate the Town to enforce or guarantee payment of any fees described herein from any source of funds whatsoever.

- B. Seasonal maintenance of the Sonoran Trail, as depicted on the Map attached hereto, from the FH-MMP Preserve North Entry, also as depicted on the Map attached hereto, to its intersection with the Promenade Trail, also as depicted on the Map attached hereto; provided, however, that such portions of the Sonoran Trail located within the City of Scottsdale, as depicted on the Map attached hereto, shall not be maintained pursuant to this Agreement. Such seasonal maintenance described in this subsection shall be performed by the Town as needed and as so determined in the Town's sole discretion.
- C. Establish and maintain a budget for performance of any obligations arising under this Agreement by annual appropriations or by separate resolution as deemed necessary and proper by the County's Board of Supervisors by the Town Council.

2.3 Neither Party is required to provide funding, labor or perform maintenance of any portion of the Sonoran Trail located upon or across the real property of the other Party.

3. **JOINT RESPONSIBILITIES**

It is further agreed that each Party shall jointly bear the following responsibilities as deemed appropriate and properly approved by the governing bodies of each Party and as documented by such other and further agreements as are necessary:

- 3.1 To meet at least annually to discuss matters relating to trails, maintenance, special events, wildlife viewing, and outdoor education programs in or affecting County Park and/or the Preserve and to provide other meetings at various administrative levels as necessary.
- 3.2 To cooperate in the conservation, restoration, and general management of the natural and cultural resources within County Park and the Preserve with proper land use programs.
- 3.3 To cooperate in the development or construction of wildlife habitat improvements.
- 3.4 To cooperate in the development or construction of wildlife viewing and education enhancements to include viewing blinds, signage, kiosks and exhibits.
- 3.5 To cooperate in surveys of park users.

- 3.6 To jointly plan and develop facilities mutually beneficial to the Parties .
- 3.7 To jointly plan and implement recreation and education programs mutually beneficial to the Parties.
- 3.8 To share facilities, personnel, electronic resources and equipment when in the best interest of the parties to include training, resource management and development, task forces and public meetings and events.
- 3.9 To cooperate in joint marketing, social media and promotion campaigns when in the best interest of the parties
- 3.10 When specific projects have been identified, the Parties will develop a written action plan, master plan, memorandum of understanding or similar document that outlines a timeline, procedures and budget for project completion.

4. **INDEMNIFICATION**

By entering into this Agreement, each Party (as “Indemnitor”) agrees that to the extent permitted by law, to indemnify and save the other Party (as “Indemnitee”) harmless, including any of the Parties’ departments, agencies, officers, employees, elected officials or agents, from and against all loss, expense, damage or claim of any nature whatsoever (“Claims”), but only to the extent that such Claims which result in vicarious/derivative liability to the Indemnitee are caused by the act, omission, negligence, misconduct or other fault of the Indemnitor, its officers, officials, agents, employees or volunteers.

5. **APPROPRIATION OF FUNDS**

The provisions of this Agreement for implementation of the Services by both Parties shall be effective when funds are appropriated for purposes of this Agreement and are actually available to each Party. Each Party shall be the sole judge and authority in determining the availability of funds under this Agreement and shall keep the other Party fully informed as to the availability of funds for the Services. The obligation of each Party to make any payment pursuant to this Agreement is a current expense of each Party, payable exclusively from such annual appropriations, and is not a general obligation or indebtedness of either Party.

6. **DURATION**

This Agreement shall become effective as of the date it is executed by all the Parties. The term of this Agreement is five (5) years and may be renewed on agreement of the Parties for two (2) additional five year terms.

7. **TERMINATION; DISPOSITION OF PROPERTY**

7.1 Any Party may terminate this Agreement upon furnishing the other Party with 30 days' written notice. Upon termination, the Parties shall incur no further obligation or liability under this Agreement other than for payment of services rendered prior to the expiration of the Agreement. Any unexpended and unobligated funds shall be returned to the Party providing the funds.

7.2 Upon termination, any equipment or other personal property used in performance of this Agreement shall be returned to the Party holding title thereto.

8. **ASSIGNMENT AND DELEGATION**

Neither party may assign any rights hereunder without the express, written, prior consent of both parties.

9. **DISPUTES**

This Agreement shall be subject to arbitration as may be required by A.R.S. 12-1518.

10. **CONFLICT OF INTEREST**

The parties acknowledge that this Agreement is subject to cancellation provisions pursuant to A.R.S. 38-511, the provisions of which are incorporated herein and made a part hereof.

11. **ENTIRE AGREEMENT**

This Agreement contains the entire understanding of the parties hereto. There are no representations or provisions other than those contained herein. This Agreement shall not be amended or modified, in any manner, except by an instrument in writing, signed by the Parties hereto.

12. **INVALIDITY OF PART OF THIS AGREEMENT**

The parties agree that should any part of this Agreement be held to be invalid or void, the remainder of the Agreement shall remain in full force and effect and shall be binding upon the parties.

13. **GOVERNING LAW**

This Agreement shall be construed under the laws of the State of Arizona and shall incorporate by reference, all laws governing the interagency agreements and mandatory contract provisions of state agencies required by statute or executive order.

14. **NOTICES AND REQUESTS**

Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered to the Party at the address set forth below, (ii) deposited in the U.S. Mail, registered or certified, return receipt requested, to the address set forth below, (iii) given to a recognized and reputable overnight delivery service, to the address set forth below or (iv) delivered by facsimile transmission to the number set forth below:

If to the Town: Town of Fountain Hills
 16705 East Avenue of the Fountains
 Fountain Hills, Arizona 85268
 Facsimile: 480-837-3145
 Attn: Kathleen M. Zanon, Interim Town Manager

With copy to: GUST ROSENFELD, P.L.C.
 1 East Washington, Suite 1600
 Phoenix, Arizona 85004-2553
 Facsimile: 602-254-4878
 Attn: Andrew J. McGuire, Esq.

If to County: Maricopa County Parks and Recreation Department
 234 North Central Avenue, Suite 6400
 Phoenix, Arizona 85004
 Facsimile: (602) 506-4692
 Attn: R.J. Cardin, Director

or at such other address, and to the attention of such other person or officer, as any Party may designate in writing by notice duly given pursuant to this Section. Notices shall be deemed received (i) when delivered to the Party, (ii) three business days after being placed in the U.S. Mail, properly addressed, with sufficient postage, (iii) the following business day after being given to a recognized overnight delivery service, with the person giving the notice paying all required charges and instructing the delivery service to deliver on the following business day, or (iv) when received by facsimile transmission during the normal business hours of the recipient. If a copy of a notice is also given to a Party's counsel or other recipient, the provisions above governing the date on which a notice is deemed to have been received by a Party shall mean and refer to the date on which the Party, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

15. **RECORDS AND AUDITS**

All books, accounts, reports, files and other records of any Party relating to the Agreement or the work done under this Agreement shall be subject at all reasonable times to inspection and audit by the other Party until five years after the Project is completed. Such records shall be available for inspection upon five business days' notice at the

offices of the Party in possession of the records, per Arizona Revised Statutes § 35-214. To the extent applicable under law, the provisions set forth in Arizona Revised Statutes § 35-214 and § 35-215 shall apply to this Agreement.

16. **E-VERIFY**

To the extent applicable under Arizona Revised Statutes § 41-4401, each Party and its contractors and subcontractors warrant their compliance with all federal immigration laws and regulations that relate to their employees and their compliance with the E-verify requirements under Arizona Revised Statutes § 23-214(A). A breach of the above-mentioned warranty by any Party or its contractors or subcontractors shall be deemed a material breach of the Agreement and may result in the termination of the Agreement by the non-breaching Party. Each Party retains the legal right to randomly inspect the papers and records of the other Party's or its contractors' or subcontractors' employees who work on the Project to ensure that the other Party and its contractors and subcontractors are complying with the above-mentioned warranty.

17. **SCRUTINIZED BUSINESS OPERATIONS**

Pursuant to ARIZ. REV. STAT. §§ 35-391.06 and 35-393.06, County certifies that it does not have scrutinized business operations in Sudan or Iran. For the purpose of this section the term "scrutinized business operations" shall have the meanings set forth in ARIZ. REV. STAT. §§ 35-391 or 35-393, as applicable. If the Town determines that County submitted a false certification, the Town may impose remedies as provided by law including terminating this agreement.

18. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed original hereof.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement the day and year first above written.

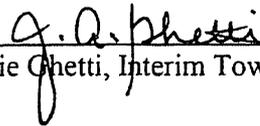
“County”

“Town”

MARICOPA COUNTY, a political subdivision of the State of Arizona

TOWN OF FOUNTAIN HILLS, an Arizona municipal corporation

By: 
Chairman, Board of Supervisors

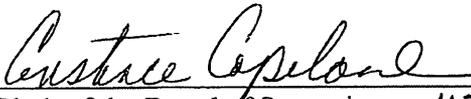
By: 
Julie Ghetti, Interim Town Manager

Date: DEC 15 2011

Date: 10/6/11

ATTEST:

ATTEST:


DEPUTY Clerk of the Board of Supervisors 113011


Bevelyn J. Bender, Town Clerk

IN ACCORDANCE WITH THE REQUIREMENTS OF ARIZONA REVISED STATUTES §§ 11-952(D), 11-201 AND 11-251, THE UNDERSIGNED ATTORNEYS ACKNOWLEDGE THAT (1) THEY HAVE REVIEWED THE ABOVE AGREEMENT ON BEHALF OF THEIR RESPECTIVE CLIENTS, AND (2) AS TO THEIR RESPECTIVE CLIENTS ONLY, EACH ATTORNEY HAS DETERMINED THAT THIS AGREEMENT IS IN PROPER FORM AND WITHIN THE POWERS AND AUTHORITY GRANTED UNDER THE LAWS OF THE STATE OF ARIZONA.

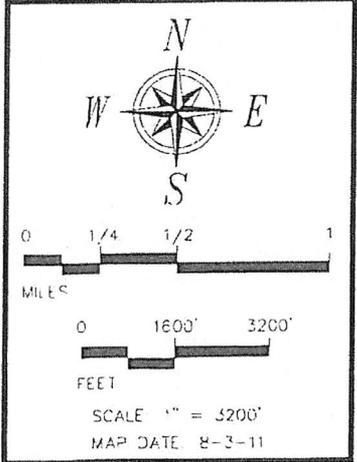
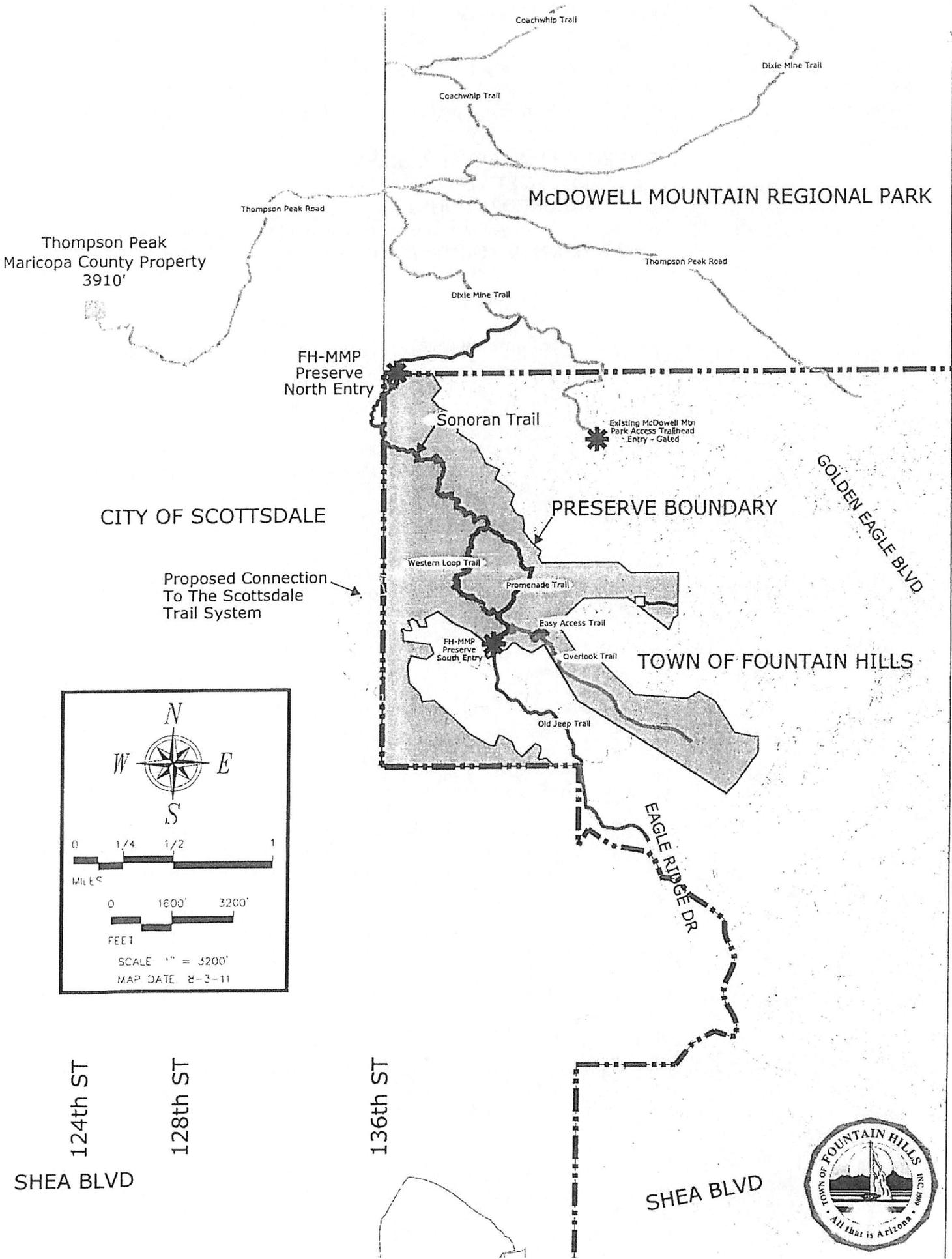

Deputy County Attorney


Andrew J. McGuire, Town Attorney

EXHIBIT A
TO
INTERGOVERNMENTAL AGREEMENT
BETWEEN
MARICOPA COUNTY
AND
THE TOWN OF FOUNTAIN HILLS

[Map]

See following pages.



124th ST
SHEA BLVD

128th ST

136th ST

SHEA BLVD





TOWN OF FOUNTAIN HILLS

TOWN COUNCIL AGENDA ACTION FORM

Meeting Date: 11/17/2016

Meeting Type: Regular Session

Agenda Type: Consent

Submitting Department: Public Works

Staff Contact Information: Raymond Rees/480-816-5180/rrees@fh.az.gov

Strategic Planning Goal: Not Applicable (NA)

Operational Priority: Not Applicable (NA)

REQUEST TO COUNCIL (Agenda Language): CONSIDERATION of approving an AMENDMENT to contract C2012-110 with Artistic Land Management. Inc., for a one-year extension, in an amount not to exceed \$157,000, for Wash and Dam Maintenance.

Applicant:

Applicant Contact Information:

Owner:

Owner Contact Information:

Property Location:

Related Ordinance, Policy or Guiding Principle:

Staff Summary (background): The contract with Artistic Land Management expired. Staff is requesting a one-year extension to perform scheduled annual maintenance on washes and dams. This extension will also give staff ample time to obtain and release a new "Invitation for Bid" for Wash and Dam Maintenance.

Risk Analysis (options or alternatives with implications): Inability to perform needed maintenance on washes and dams during FY 2016-17

Fiscal Impact (initial and ongoing costs; budget status): \$785,000 initial five-year contract and one-year extension for \$157,000

Budget Reference (page number): 306 Environmental Fund

Funding Source: General Fund

If Multiple Funds utilized, list here:

Budgeted; if No, attach Budget Adjustment Form: NA

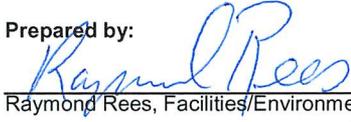
Recommendation(s) by Board(s) or Commission(s):

Staff Recommendation(s): Approve

List Attachment(s): Extension for contract C2012-110

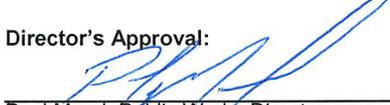
SUGGESTED MOTION (for Council use): Move to approve consent agenda.

Prepared by:



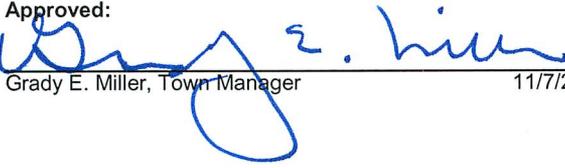
Raymond Rees, Facilities/Environmental Supervisor 11/1/2016

Director's Approval:



Paul Mood, Public Works Director 11/1/2016

Approved:



Grady E. Miller, Town Manager 11/7/2016

**FIRST AMENDMENT
TO
CONTRACT NO. C2012-110
BETWEEN
THE TOWN OF FOUNTAIN HILLS
AND
ARTISTIC LAND MANAGEMENT, INC.**

THIS FIRST AMENDMENT TO CONTRACT NO. C2012-110 (this "First Amendment") is made as of November 17, 2016, between the Town of Fountain Hills, an Arizona municipal corporation (the "Town"), and Artistic Land Management, Inc., an Arizona corporation (the "Contractor").

RECITALS

A. The Town issued Invitation for Bids DS 2011-02 (the "IFB") seeking bids from contractors for wash and dam maintenance (the "Services"). The Contractor responded to the IFB and the Town and Contractor entered into Contract No. C2012-110, dated October 20, 2011, for the provision of the Services (the "Contract"), a true and correct copy of which is on file with the Town Clerk. All of the capitalized terms not otherwise defined in this First Amendment have the same meanings as defined in the Contract.

B. The Town has determined that it is necessary for the Contractor to provide additional wash and dam maintenance services (the "Additional Services").

C. The Town and the Contractor desire to enter into this First Amendment to (i) extend the term of the Agreement (ii) provide for the increase in compensation to the Contractor for the Additional Services.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing introduction and recitals, which are incorporated herein by reference, the following mutual covenants and conditions, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Town and the Contractor hereby agree to amend the Contract as follows:

1. Term. The term of the Contract is hereby extended through November 16, 2017.
2. Compensation. The Town shall increase the compensation to Contractor by not more than \$157,000.00, resulting in an increase of the aggregate not-to-exceed compensation from \$785,000.00 to \$942,000.00.
3. Effect of Amendment. In all other respects, the Contract is affirmed and ratified and, except as expressly modified herein, all terms and conditions of the Contract shall remain in full force and effect.

4. Non-Default. By executing this First Amendment, the Contractor affirmatively asserts that (i) the Town is not currently in default, nor has been in default at any time prior to this First Amendment, under any of the terms or conditions of the Contract and (ii) any and all claims, known and unknown, relating to the Contract and existing on or before the date of this First Amendment are forever waived.

5. Israel. Contractor certifies that it is not currently engaged in, and agrees for the duration of this Agreement that it will not engage in a "boycott," as that term is defined in ARIZ. REV. STAT. § 35-393, of Israel.

6. Conflict of Interest. This First Amendment and the Contract may be cancelled pursuant to ARIZ. REV. STAT. § 38-511.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date and year set forth above.

“Town”

TOWN OF FOUNTAIN HILLS,
an Arizona municipal corporation

Grady E. Miller, Town Manager

ATTEST:

Bevelyn J. Bender, Town Clerk

(ACKNOWLEDGMENT)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On _____, 2016, before me personally appeared Grady E. Miller, the Town Manager of the TOWN OF FOUNTAIN HILLS, an Arizona municipal corporation, whose identity was proven to me on the basis of satisfactory evidence to be the person who he claims to be, and acknowledged that he signed the above document, on behalf of the Town of Fountain Hills.

Notary Public

(Affix notary seal here)

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

“Contractor”

ARTISTIC LAND MANAGEMENT, INC.,
an Arizona corporation

By: Jose Hernandez

Name: Jose Hernandez

Title: President

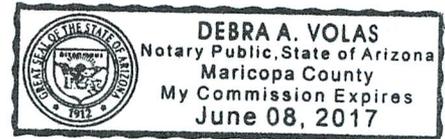
(ACKNOWLEDGMENT)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On OCTOBER 31, 2016, before me personally appeared JOSE HERNANDEZ, the PRESIDENT of ARTISTIC LAND MANAGEMENT, INC., an Arizona corporation, whose identity was proven to me on the basis of satisfactory evidence to be the person who he/she claims to be, and acknowledged that he/she signed the above document on behalf of the corporation.

Debra A. Volas
Notary Public

(Affix notary seal here)





TOWN OF FOUNTAIN HILLS

TOWN COUNCIL AGENDA ACTION FORM

Meeting Date: 11/17/2016

Meeting Type: Regular Session

Agenda Type: Regular

Submitting Department: Community Services

Staff Contact Information: Rachael Goodwin, Recreation and Tourism Supervisor, 480-816-5135

Strategic Planning Goal: Not Applicable (NA)

Operational Priority: Not Applicable (NA)

REQUEST TO COUNCIL (Agenda Language): DISCUSSION WITH POSSIBLE DIRECTION TO STAFF regarding proposed amendments to the Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy, related to Special Event Fee Waivers.

Applicant: Rachael Goodwin

Applicant Contact Information: 480-816-5135, rgoodwin@fh.az.gov

Property Location: 16705 E. Avenue of the Fountains, Fountain Hills, AZ

Related Ordinance, Policy or Guiding Principle: Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy

Staff Summary (background): At the August 18, 2016 Council Meeting, a staff directive was given to evaluate the current Special Event Fee Waiver Policy as detailed in the Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy. This directive was a result of extensive council discussion regarding the waiver of fees for non-profits, when and how those fees should be waived, the criteria used for evaluation, and the overall impact on budget and staff.

Staff has researched multiple options. The guiding principal was to nurture events that have long term potential for creating a positive impact for both the event organizers and the Town. First time events often face financial difficulties with start up costs and other initial expenditures, and the Town recognizes the value of helping an event find its footing. Staff therefore propose a tiered system for all events wishing to request in-kind support for Special Events. It is the expectation that events become more financially stable and eventually self-supporting after this three year support cycle.

Year One: If approved, first year events will be authorized a fee waiver of up to 100% of Town issued fees

Year Two: If approved, second year events will be authorized a fee waiver of up to 50% of Town issued fees

Year Three: If approved, third year events will be authorized a fee waiver of up to 25% of Town issued fees

Along with this fee structure are additional guidelines that would be used for evaluation. These proposed guidelines offer a narrower scope than current policies and are intended to give staff tools to approve or deny requests at the Special Event Committee level. An appeals process to the Town Manager and /or Council are also included in the proposed policy.

Non Profit Events

The added guidelines for evaluation include:

- The identified Non-Profit must be located within Fountain Hills
- The majority of the proceeds from the event, if being distributed by the event organizer, should be distributed to entities within the Town of Fountain Hills.
- The event in question is of a unique and distinct nature that brings notoriety to the Town and reflects in a positive manner.
- Completed submission of all required permits and applications as required by the Fountain Hills Town Code.

Other items that will be considered and are highly preferred:

- Expected attendance of 2,000 or more
- Events open to the public or priority pricing given to Town residents
- Innovative regional marketing
- Events that generate overnight stays within the Town

Commercial or For Profit Events

If the organizing body is a commercial, private, or other for-profit venture, the following criteria will be used to evaluate a potential fee waiver. Please note that these criteria will be judiciously reviewed and only events that meet or exceed these items will be considered.

- Events that provide national exposure
- Events that have a state-wide or southwest regional draw
- Events with expected attendance of 2,000 or more
- Events of a unique and distinct nature that brings notoriety to the Town and reflects in a positive manner
- Events that have a definable and measurable benefit to the town including marketing exposure, tax revenue, overnight stays, etc.

All Events

The following items will apply to all events and organizers and will be taken into consideration in conjunction with the items listed above.

- The impact on Town staff time, MCSO, and Rural/Metro Fire
- The impact on Town volunteer resources
- The number of events submitted per organization or promoter
- The fiscal value of the fee waiver
- Evaluation of prior events by same organizer or promoter and their associated financial reports and overall good standing within the Town.

Legacy Events

Fountain Hills also hosts several events annually that are recognized as pillars in the Fountain Hills Special Event Calendar. These events have a long standing reputation in our community and have established an event foundation for residents and guests alike. As such, these events are identified as "Legacy" events and will have the privilege of operating under the guidelines listed below. Note that should any established "Legacy Event" change dates, format, impact area, organizer, or other substantial changes, Legacy status will be suspended until a review of the Special Event can be completed by the Special Event Committee, Town Manager, or other designee. Legacy status may also be forfeited, if deemed appropriate.

Rental fees for Town property will be waived for Legacy Events, however all permits, rentals costs, and other incurred fees will be required. Events will still be required to follow all Town Code guidelines for Special Events including permits, deadlines, traffic control requirements, security, alcohol service, etc. Participating vendors will be required to abide by Town of Fountain Hills Business License requirements.

Identified Legacy Events are:

- Fountain Festival: as organized by the Fountain Hills Chamber of Commerce, to be held annually, on the second full weekend of November, to include a Thursday- Sunday format.
- The Great Fair: as organized by the Fountain Hills Chamber of Commerce, to be held annually, on the last full weekend of February, to include a Thursday- Sunday format.
- Oktoberfest: as organized by Fountain Events, Inc. to be held annually on the last weekend of September, to include a Friday and Saturday evening format.
- St. Patrick's Day Celebration: as organized by Fountain Events, Inc. to be held annually on the Sunday before March 17.

Staff is requesting feedback and direction on the proposed policy changes.

Risk Analysis (options or alternatives with implications): N/A

Fiscal Impact (initial and ongoing costs; budget status): N/A

Budget Reference (page number): N/A

Funding Source: NA

If Multiple Funds utilized, list here:

Budgeted; if No, attach Budget Adjustment Form: NA

Recommendation(s) by Board(s) or Commission(s): N/A

Staff Recommendation(s): Discussion and Direction to Staff

List Attachment(s): Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy, Power Point

SUGGESTED MOTION (for Council use): Move to direct staff in final adoption and application of updates of the Special Event Fee Waiver policies, as proposed.

Prepared by:



Rachael Goodwin, Recreation Supervisor 11/7/2016

Director's Approval:



Mark Mayer, Community Services Director 11/7/2016

Approved:



Grady Miller, Town Manager 11/7/2016



Update to Council
November 17, 2016

SPECIAL EVENT FEE WAIVERS

SPECIAL EVENT FEE WAIVERS

Current Language, per the Sponsorship and Naming Rights Policy:

Fees may be modified as follows:

- (1) Any Nonprofit Organization that meets the guidelines set forth below may receive a 50% reduction in fees or rentals.
- (2) The Town may further reduce or waive an outside organization's permit or rental fees for an event on Town property, as determined by the Town Manager or designee, that (a) has close association with the Town's core program goals and services and (b) provides the Town with positive marketing exposure.

SPECIAL EVENT FEE WAIVERS

Current Language, per the Sponsorship and Naming Rights Policy:

Requirements:

- At the time of the request for reduced fees, the Nonprofit Organization provides a copy of the determination letter from the IRS granting the Nonprofit Organization tax-exempt status.
- The mission of the Nonprofit Organization does not conflict with the Town's regulations, mission or policies.
- No fundraising activities are involved as a part of the program or event. Any exceptions must be approved by the Town Manager or designee.
- The Nonprofit Organization permit-holder must remain responsible for damage fees and other costs, etc.
- Except for Municipal Sponsorship Agreements, any fee reductions for athletic field permits should be limited to youth tournaments and events only. Youth programs must be based in Fountain Hills and primarily serve Fountain Hills residents.

SPECIAL EVENT FEE WAIVERS

Current Language, per the Sponsorship and Naming Rights Policy:

Additional Criteria for evaluation:

- The event/program should promote beneficial use of the park, Facility, or program.
- The event/program should be free and open to the public.
- The event/program should support the Town's core recreation programs, mission and goals.
- The event/program should demonstrate community pride and involvement.
- The event/program should not have a religious or political purpose.
- Priority should be given to events/programs that support or positively impact youth.
- The sponsoring organization should clearly recognize the Town as a co-sponsor (including logo) on all materials and announcements associated with the event or program.

SPECIAL EVENT FEE WAIVERS

Issues the current format has encountered:

- No limit on which non-profits are eligible. We receive requests from non-profits based throughout the world.
- No limit to the number of requests from a non-profit.
- No way to phase out or “sunset” Town support.
- No after action currently required, therefore no way to evaluate effectiveness of an event.
- No tool to indicate what fees or support are being solicited, or in turn, what is being granted.
- No priority given to proceeds remaining in the Fountain Hills Community.

SPECIAL EVENT FEE WAIVERS

What are other municipalities doing?

- Many small municipalities offer flat rate fee waivers, typically \$500 to \$1,000, to all non-profits for direct fees incurred. These waivers often offset police, public works, or park costs. Generally, “coupons” are limited to one per non-profit, per year. Also limited to local groups only.
- Larger municipalities have budgeted funds that are allocated on a scholarship basis, annually or semi-annually. Events must apply and indicate what support is being requested and why. Support can vary from year to year, and is subject to funding.

SPECIAL EVENT FEE WAIVERS

Recommendations for Fountain Hills

The Town focus is to help nurture new events as they become established and develop financial stability. It is the expectation that events eventually become self-supporting after a three year support cycle:

Year One: If approved, first year events will be authorized a fee waiver of up to 100% of Town costs

Year Two: If approved, second year events will be authorized a fee waiver of up to 50% of Town costs

Year Three: If approved, third year events will be authorized a fee waiver of up to 25% of Town costs

SPECIAL EVENT FEE WAIVERS

Required items for all applicants:

- All applicants will be required to submit a pre-event budget and marketing plan.
- Following the event, recipients are required to submit a post-event financial assessment.
- Events will not be automatically “renewed” for subsequent years; an application must be submitted for annual review and approval.
- The Town Manager will have discretion to authorize Special Event Fee waivers, however may defer them to Town Council for decision, if deemed necessary.
- All applicants will be subject to the Special Event Policies and procedure listed in the Town Code. Receipt of the fee waiver does not exclude applicants from the required permits and supporting materials required for Special Event permits.

SPECIAL EVENT FEE WAIVERS

Required items for all applicants:

Receipt of the fee waiver does not exclude applicants from the required permits and supporting materials required for Special Event permits. The following is a list of materials that must be submitted in order for applicants to be considered for the fee waivers:

- Completed Special Event Application.
- Supporting event materials and documents such as anticipated event layout, road impacts, traffic and parking plans, signage maps, etc.
- Written appeal detailing waiver request and justification.

SPECIAL EVENT FEE WAIVERS

Evaluation Criteria for Non Profit Organization Requests:

Note that an event partnership or association with a Non-Profit entity does not automatically qualify for a Non-Profit based fee waiver; the event must be produced and sanctioned by the Non-Profit organization.

Non-Profit applicants must meet the following qualifications:

- The identified Non-Profit must be located within Fountain Hills.
- The majority of the proceeds from the event, if being distributed by the event organizer, should be distributed to entities within the Town of Fountain Hills.
- The event in question is of a unique and distinct nature that brings notoriety to the Town and reflects in a positive manner.
- Completed submission of all required permits and applications as required by the Fountain Hills Town Code.

SPECIAL EVENT FEE WAIVERS

Evaluation Criteria for Non Profit Organization Requests:

Other items that will be considered and are highly preferred:

- Expected attendance of 2,000 or more
- Events open to the public or priority pricing given to Town residents
- Innovative regional marketing campaign
- Events that generate overnight stays within the Town

SPECIAL EVENT FEE WAIVERS

Commercial or Private Promoter Event Criteria:

If the organizing body is a commercial, private, or other for-profit venture, the following criteria will be used to evaluate a potential fee waiver:

- Events that provide national exposure
- Events that have a state-wide or southwest regional draw
- Events with expected attendance of 2,000 or more
- Events open to the public or priority pricing given to Town residents
- Events of a unique and distinct nature that brings notoriety to the Town and reflects in a positive manner
- Events that have a definable and measurable benefit to the town including marketing exposure, tax revenue, overnight stays, etc.

SPECIAL EVENT FEE WAIVERS

All Events:

The following items will apply to all events and organizers and will be taken into consideration in conjunction with the items previously listed:

- The impact on Town staff time, law enforcement, and fire personnel.
- The impact on Town volunteer resources.
- The number of events submitted per organization or promoter.
- The fiscal value of the fee waiver.
- Evaluation of prior events by same organizer or promoter and their associated financial reports and overall good standing within the Town.

SPECIAL EVENT FEE WAIVERS

Legacy Events

Fountain Hills hosts several events annually that are recognized as pillars in the Fountain Hills Special Event Calendar. As such, these events will have the privilege of operating under the guidelines listed below.

- Note that should any established “Legacy Event” change dates, format, impact area, organizer, or other substantial changes, Legacy status will be suspended until a review of the Special Event can be completed by the Special Event Committee, Town Manager, or other designee
- Rental fees for Town property will be waived for Legacy events, however all permits, rentals costs, and other incurred fees will be required.
- Legacy Events will still be required to follow all Town Code guidelines for Special Events including permits, deadlines, traffic control requirements, security, alcohol service, etc.
- Participating vendors will be required to abide by Fountain Hills Business License requirements.

SPECIAL EVENT FEE WAIVERS

Identified Legacy Events are:

- Fountains Festival: as organized by the Fountain Hills Chamber of Commerce, to be held annually, on the second full weekend of November, to include a Thursday- Sunday format.
- The Great Fair: as organized by the Fountain Hills Chamber of Commerce, to be held annually, on the last full weekend of February, to include a Thursday- Sunday format.
- Oktoberfest: as organized by Fountain Events, Inc. to be held annually on the last weekend of September, to include a Friday and Saturday evening format.
- St. Patrick's Day Celebration: as organized by Fountain Events, Inc. to be held annually on the Sunday before March 17.

RESOLUTION NO. 2014-36

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS, ARIZONA, ADOPTING THE TOWN OF FOUNTAIN HILLS MUNICIPAL SPONSORSHIP AND NAMING RIGHTS POLICY, AMENDED AND RESTATED AUGUST 7, 2014.

WHEREAS, the Mayor and Council of the Town of Fountain Hills (the "Town Council") has determined that it is in the best interests of the citizens of Fountain Hills to establish a formal procedure and criteria for the receipt or solicitation of, selection of, and agreements with persons or entities for municipal sponsorships, co-sponsorships, sole sponsorships and marketing arrangements (including facility naming rights); and

WHEREAS, the Town Council approved Resolution No. 2013-16 on August 15, 2013, adopting the Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy (the "Existing Naming Policy"); and

WHEREAS, the Town Council desires to amend and restate the Existing Naming Policy to amend the procedures for municipal sponsorships.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS as follows:

SECTION 1. The recitals above are hereby incorporated as if fully set forth herein.

SECTION 2. The Town of Fountain Hills Municipal Sponsorship and Naming Rights Policy, Amended and Restated August 7, 2014, is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

SECTION 3. If any section, subsection, sentence, clause, phrase or portion of this Resolution or any part of the policy adopted herein by reference is for any reason to be held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 4. The Mayor, the Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take all steps and execute all documents necessary to carry out the purpose and intent of this Resolution.

[SIGNATURES ON FOLLOWING PAGE]

PASSED AND ADOPTED by the Mayor and Council of the Town of Fountain Hills,
Arizona, August 7, 2014.

FOR THE TOWN OF FOUNTAIN HILLS:

ATTESTED TO:



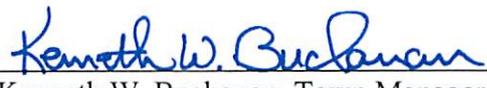
Linda M. Kavanagh, Mayor



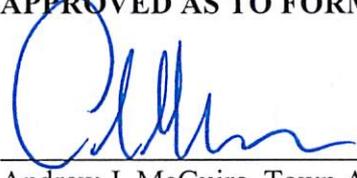
Bevelyn J. Bender, Town Clerk

REVIEWED BY:

APPROVED AS TO FORM:



Kenneth W. Buchanan, Town Manager



Andrew J. McGuire, Town Attorney

EXHIBIT A
TO
RESOLUTION NO. 2014-36

[Municipal Sponsorship and Naming Rights Policy, Amended and Restated August 7, 2014]

See following pages.

TOWN OF FOUNTAIN HILLS
MUNICIPAL SPONSORSHIP AND NAMING RIGHTS POLICY
Amended and Restated August 7, 2014

1. Purpose. To establish for the Town of Fountain Hills, Arizona (the “Town”) a formal procedure and criteria for the receipt or solicitation of, selection of, and agreements with, persons or entities for Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships and Marketing Arrangements, (including Facility Naming Rights), the following Municipal Sponsorships and Naming Rights Policy (this “Policy”) is hereby adopted by the Mayor and Council of the Town (the “Town Council”). This Policy is intended to set forth the process for the Town to participate in Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement programs to give valuable support to important Town programs, facilities and services for public benefit by (i) providing funding for Town events from private businesses and (ii) allowing the Town to partner with activities provided by outside entities. In doing so, the Town must ensure its actions are consistent and appropriate to the Town’s vision, mission and values. This Policy is not intended to apply to Bequests or Donations (each as defined below). This Policy shall:

A. Establish Procedures. Establish consistent procedures and practices for receipt or solicitation of Municipal Sponsorships (as defined below), Co-Sponsorships (as defined below), Sole Sponsorships (as defined below) and Marketing Arrangements (as defined below) by Town staff.

B. Encourage Sponsorships. Encourage solicitation of Municipal Sponsorship opportunities such as Facility Naming Rights, Sole Sponsorships, Co-Sponsorships, Marketing Arrangements and similar agreements that generate revenue (financial or in-kind) in support of existing and new Town facilities, projects, programs or services.

C. Encourage Partnerships. Develop public/private alliances to provide programs, events, venues and services within the Town.

D. Encourage Staff Innovation. Empower Town departments to seek Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement opportunities to provide funds for programs, events, venues or services they might not otherwise be able to provide to Town residents and visitors.

E. Safeguard Town Interests and Goals. Ensure that Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement activities (1) safeguard the Town’s assets and interests, (2) support the Town’s goals of service to the community and (3) remain responsive to the public’s needs and values.

F. Establish Naming Framework. Provide a framework within which requests to name public facilities are considered and evaluated.

2. Scope. This Policy shall govern all Town departments regarding the solicitation of, and the unsolicited offers/requests from third parties related to, Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships and Marketing Arrangements for Town programs, projects, events, venues, facilities and services. Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement solicitations shall be in furtherance of the Town's needs and conducted in accordance with the provisions in this Policy. All Town staff responsible for, or otherwise involved in, Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement activities on behalf of the Town or their respective departments shall adhere to the policies, procedures and guidelines set forth herein.

A. Third Party Solicitation. Subject to the conditions of this Policy, Town staff may solicit or respond to solicitations from third parties for such Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships or Marketing Arrangements for the Town.

B. Fair Compensation. At all times, recognition for Municipal Sponsorships or Marketing Arrangements must be evaluated to ensure the Town is receiving fair and competitive compensation and that such recognition is consistent with the scale of each Sponsor or Marketing Arrangement's contribution.

C. Outside the Scope of this Policy. This Policy shall not apply to:

(1) Funding obtained through formal grant programs or through intergovernmental agreements with other political subdivisions of the State.

(2) Town support of external projects where the Town provides funds to an outside organization (examples include, but are not limited to, grants to Nonprofit Organizations).

(3) Gifts, Bequests, or unsolicited Donations to a Town department or the Town where no reciprocal commercial benefit is given or expected and no business relationship exists.

3. Definitions.

Bequest. A gift or contribution of cash, goods or services given voluntarily and expressed in writing through a will or other testamentary document.

Co-Sponsorship. Participation by the Town (via direct funding, waived fees, staff coordination or technical assistance) in an event that is provided by an outside entity and that is closely aligned with or furthers a core Town program or service.

Donation. A gift or contribution of cash, goods or services given voluntarily toward an event, project, program or corporate asset where no reciprocal commercial benefit is given or expected. If reciprocal commercial benefits are given or a business relationship exists with a corporate donor, the contribution will be a Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement, as applicable, and the principles of this Policy will apply.

Facility Naming Rights. The naming of Town-owned and/or operated buildings, structures, natural features and recreational facilities, whether in whole or portions thereof (hereafter referred to individually as a “Facility” or collectively as “Facilities”), and streets, roads or any public rights-of-way (hereafter referred to individually as a “Street” or collectively as the “Streets”) within the corporate limits of the Town. Portions of a Facility may have names other than that of the entire Facility and features may be dedicated to or in honor of a person such as “Smith Beach” or “Jones’ Amphitheater,” subject to the provisions of this Policy.

In-Kind Contribution. A contribution received in the form of goods and/or services rather than cash as part of a Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement.

Marketing Arrangement. A mutually beneficial business arrangement between the Town and a third party, wherein the third party provides cash and/or in-kind services to the Town in return for access to the commercial marketing potential associated with the Town. Marketing Arrangements may include Municipal Sponsorship or Sole Sponsorship of one or more of the Town’s programs, projects, events, Facilities or activities.

Municipal Sponsorship. A business relationship in which the Town and another entity exchange things of value, including a public display of support. This value can be financial, in-kind or benefits related to visibility/exposures, publicity or market reach. It should not be confused with Donations (as defined above), the sale of advertising or innovative approaches to purchasing goods or services. Municipal Sponsorships include funds, products or services provided by a company or individual to the Town, in consideration of the opportunity for the company or individual to promote its name, product or service in conjunction with a Town program, project, event, venue or activity.

Nonprofit Organizations. Organizations designated as tax-exempt under the Federal Tax Code.

Sister Agency. Local government entities that are traditional partners with the Town (i.e. Fountain Hills Unified School District and Fountain Hills Sanitary District).

Request for Proposals (“RFP”). An open and competitive process whereby the Town invites companies, subsidiaries or individuals to express their interest in participating, and submit proposals to participate, in Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement opportunities with the Town.

Sole Sponsorship. A business relationship in which a company, subsidiary or individual has paid to be the only Sponsor of a Town program, project, event, venue or activity.

Sponsor. A company or individual that provides the Town with a Municipal Sponsorship and that enters into a Municipal Sponsorship agreement with the Town to promote itself and/or its products or services.

Standards of Responsibility. The requisite standards to enter into a Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement with the Town. Factors to be considered in determining whether the standards have been met include, but are not limited to, whether a prospective Sponsor: (i) has available (or the ability to obtain) the appropriate financial, material, equipment, Facility, personnel resources and expertise necessary to indicate its capability to meet all contractual requirements; (ii) is able to comply with required or proposed delivery or performance scheduling; (iii) has a satisfactory record of performance; (iv) has a satisfactory record of integrity and business ethics; and (v) is qualified legally to contract with the Town.

4. Restrictions. In general, the following industries and products are not eligible for Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships or Marketing Arrangements, including Facility Naming Rights, with the Town, but the Town may elect to enter into Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships or Marketing Arrangements with these restricted industries or products when it is deemed appropriate by the Town Council acting in its sole discretion.

A. Prohibited or Restricted Products. A company, subsidiary and association with products or services that are prohibited or restricted by Town Code or other governing laws and policies.

B. Adult Products. A company or subsidiary whose business is substantially derived from the sale or manufacture of tobacco products, products prohibited under federal law or sexual/adult-oriented products.

C. Alcohol Sponsor at Youth-Related Events. Alcoholic beverages when the intended audience of or participants in the Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement are youth under the legal drinking age.

D. Parties not Deemed Responsible. Parties that are not deemed responsible under the Standards of Responsibility.

E. Parties to Litigation. Parties involved in a lawsuit with the Town.

F. Separate Contracts. Parties involved in any stage of negotiations for a Town contract unless the contract is directly linked to a Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement or Facility Naming Rights opportunity.

G. Conflicts of Interest. Individuals or commercial enterprises having past, present or pending business agreements or associations with the Town, if a Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement Agreement would create an appearance of impropriety.

H. Pending Land-Use Approval. Parties with an active case for any land-use approval before the Town.

I. Religious or Political Entities. Religious or political associations or candidates running for any political office.

5. Roles and Responsibilities.

A. Responsibilities of Town Departments.

(1) Initiating Town Department. The initiating Town department shall (a) ensure adherence to the principles and guidelines outlined in this Policy, (b) prepare a proposal setting forth the scope of the program or project as provided in Subsection 6(A) below and (c) work with the Town Finance Division to ensure appropriate budgeting of revenues and expenditures and with the Town Attorney's Office to ensure the integrity of the procurement process and the legal sufficiency of contractual obligations.

(2) Finance and Budget. The Finance Division shall provide general guidance, cost/benefit analysis, and direction relating to the appropriate budgeting of revenues and expenditures in a manner that maximizes the benefits of each Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement or Facility Naming Rights arrangement for the initiating Town department, the Town and the Sponsor.

(3) Procurement. When applicable, the Town Manager or authorized designee shall oversee the preparation of the RFP or other competitive solicitation for Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement and Facility Naming Rights opportunities.

(4) Town Attorney. The Town Attorney's Office shall provide legal review of any RFP or other competitive solicitation for Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement and Facility Naming Rights opportunities and oversee the preparation of all Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement and Facility Naming Rights agreements.

(5) Town Manager. The Town Manager shall review all Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement activities, including interim reports provided from time to time by Town departments. The Town Manager also shall be responsible for determining the frequency of reports by Town departments.

6. Procedures. The Town's participation in Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement and/or Facility Naming Rights activities shall be according to the procedures set forth below. For Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships, Marketing Arrangements and/or Facility Naming Rights arrangements initiated by the Town, Subsections 6(A) – (G) shall apply; for Municipal Sponsorships, Co-Sponsorships, Sole Sponsorships, Marketing Arrangements and/or Facility Naming Rights arrangements initiated by another person or entity, Subsections 6(B), (D), (E), (F) and (G) shall apply.

A. Prepare a Proposal. A Town department considering a potential Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement or Facility Naming Rights arrangement shall prepare a proposal setting forth the scope of the program or project, including a description of the community benefit, financial goals, means of recognition, potential interested Sponsors, and general marketing strategy if a Marketing Arrangement is involved. The proposal shall be submitted to the Department Director for review and approval. If Facility Naming Rights are involved and will result in a name change to an existing Facility, the history and legacy of the current municipal Facility should be considered and/or incorporated within the new proposed name. All Facility or Street naming shall be in accordance with the additional procedures set forth in Sections 8 and 9 below.

B. Estimate Value. If the proposed Municipal Sponsorship or Marketing Arrangement includes Facility Naming Rights or granting Sole Sponsorship, the Department Director shall provide a reasonable basis for determining the value of the Municipal Sponsorship, Marketing Arrangement or Facility Naming Rights opportunity. At the Town Manager's discretion, a qualified third party may be used to establish value.

C. Develop and Implement Solicitation. The applicable Town department, working with the Town Attorney, shall develop an RFP for each Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement opportunity valued greater than \$10,000 and all Facility Naming Rights opportunities and the most beneficial, qualified response shall be submitted to Town Council with a recommendation for approval. Town-originated Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangements valued at \$10,000 or below and revenue producing or "no-cost" Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement opportunities that involve the provision of commodities or services provided either to the Town or the Fountain Hills community in support of Town operations, functions or programs through which the provider will benefit monetarily, must be awarded using a competitive process that is appropriate to the value, complexity and profile of the business opportunity. Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement proposals forwarded to the Town are not subject to competitive solicitations if the proposed Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement or Facility Naming Rights opportunity is determined through a good faith effort to be unique and without interested competitors.

D. Evaluate Submissions. The applicable Town department shall review and analyze all responsive submittals received and shall provide a recommendation of approval or denial to the Town Manager. The submittals shall be reviewed against selection criteria that may include, but are not limited to:

(1) Consistency of the prospective entity's products, customers and promotional goals with the Town's character, values and service priorities, including the most recently adopted Town Council goals.

(2) The ability for the Town to retain its identity as owner/operator of the Facility or principal provider of the service.

(3) The prospective entity's historical participation and association with community projects, events and continued willingness to participate.

(4) The operating and maintenance costs to the Town associated with the proposed sponsorship.

(5) Anticipated public perception of the association with the Town and the prospective entity and community support for, or objection to, the prospective entity.

(6) The prospective entity's regard for and demonstrated success in valuing diversity.

(7) The prospective entity's regard for and demonstrated success in environmental stewardship.

E. Develop Agreement. In the event a Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement or Facility Naming Rights proposal is recommended for approval, the Town department will work with the Town Attorney's Office to prepare an agreement consistent with all applicable Town Codes, policies and ordinances. The agreement shall contain a provision granting the Town the right to suspend or terminate the Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship, Marketing Arrangement or Facility Naming Rights agreement if, in the sole discretion of the Town Manager or the Town Council (whichever approved the agreement), the continued arrangement would no longer satisfy the selection criteria by which the arrangement was initially approved.

F. Manager Review; Council Approval. The Town Manager shall review all Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship and Marketing Arrangement proposals and shall submit to the Town Council for approval all Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement Agreements (1) with an aggregate value greater than \$10,000, (2) involving Town contributions, whether in cash or as an In-Kind Contribution greater than \$10,000, (3) involving a request to close public access to a Town-owned facility for more than one day, (4) involving events lasting longer than one week (including set-up and take-down) and (5) all agreements involving Facility Naming Rights. Municipal Sponsorship, Co-Sponsorship, Sole Sponsorship or Marketing Arrangement Agreements not identified in clauses (F)(1)-(5) above may be approved by the Town Manager.

G. Record Financial Transaction. In the event a Municipal Sponsorship is received as an In-Kind Contribution of goods or services, the Finance Division shall create and retain a record of that donation and any associated revenue or expense to the Town to document the financial transaction to the Town.

7. Co-Sponsorship Requests. The Town actively supports the efforts of Nonprofit Organizations, other governmental agencies and Sister Agencies whose events are (i) held in Town parks and Facilities and (ii) further Town core program goals and services. Such support may include fee waivers, reduced fees, reduced rental charges and Co-Sponsorship. All permit fee waivers and reductions, reduced Facility rentals and Co-Sponsorship agreements must comply with the guidelines and procedures set forth below.

A. Fees. The Town charges everyone a fee to permit and have priority use of any park, amenity, stage or recreation Facility. This fee is to cover extra operational expenses associated with the use or event and to guarantee the space for the permittee. Fees are based upon the purpose and size of the event. Additional fees are charged as a damage deposit. Fees may be modified as follows:

(1) Any Nonprofit Organization that meets the guidelines set forth below may receive a 50% reduction in fees or rentals.

(2) The Town may further reduce or waive an outside organization's permit or rental fees for an event on Town property that (a) has close association with the Town's core program goals and services and (b) provides the Town with positive marketing exposure. The determination as to further waivers shall be made by the Town Manager or the Town Council, with the authority for such review determined according to the limitations set forth in Subsection 6(F) above.

B. Requirements for Reduced Fees. Any Nonprofit Organization applying for a Town permit or Facility rental may be granted a 50% reduction in fees if the following criteria are met:

(1) At the time of the request for reduced fees, the Nonprofit Organization provides a copy of the determination letter from the IRS granting the Nonprofit Organization tax-exempt status.

(2) The mission of the Nonprofit Organization does not conflict with the Town's regulations, mission or policies.

(3) No fundraising activities are involved as a part of the program or event. Any exceptions must be approved by the Town Manager or Town Council pursuant to the process set forth in Subsection 7(A)(2) above.

(4) The Nonprofit Organization permit-holder must remain responsible for damage fees and other costs, including, but not limited to, general liability insurance, police coverage, player/team fees, electrical fees, lights, overnight security, concessions, toilet/trash service agreements, fencing and any other additional needs and agreements pertaining to the event. Damage deposits are never waived for events conducted by organizations from outside of Fountain Hills. Events at the Desert Vista Skate Park require an additional damage deposit in addition to the regular park permit procedure.

(5) Except for Municipal Sponsorship Agreements, any fee reductions for athletic field permits should be limited to youth tournaments and events only. Youth programs must be based in Fountain Hills and primarily serve Fountain Hills residents. The permit-holder is responsible for the damage deposit and any athletic field light fees.

C. Requests for Co-Sponsorships of Non-Governmental Entities. The Town has a limited In-Kind Contribution budget each year to actively co-sponsor events. Primarily, the Town can provide limited staff coordination and technical assistance. Organizations still must fund other associated costs, including, but not limited to, the cost of additional dumpsters, portable toilets, lighting, etc. When evaluating proposals from organizations, the following criteria are used:

- (1) The event/program should promote beneficial use of the park, Facility, or program.
- (2) The event/program should be open to the public.
- (3) The event/program should support the Town's core recreation programs, mission and goals.
- (4) The event/program should demonstrate community pride and involvement.
- (5) The event/program should not have a religious or political purpose.
- (6) Priority should be given to events/programs that support or positively impact youth.
- (7) The sponsoring organization should clearly recognize the Town as a co-sponsor (including logo) on all materials and announcements associated with the event or program, subject to the Town's prior, written approval of the use of the Town logo or trademarks. The Town may display its banners at all co-sponsored events.

D. Requests for Co-Sponsorship of Other Governments and Sister Agencies.

- (1) If another governmental entity or Sister Agency (i.e. Fountain Hills Unified School District or Fountain Hills Sanitary District) is only a supporting sponsor for another outside organization, that other outside organization still must apply for Town Co-Sponsorship.
- (2) If another governmental entity or Sister Agency is the primary organizer for a public program or event, generally the Town will grant a request to be a co-sponsor. Like sponsorship of outside organizations, the governmental entity or Sister Agency still is responsible for all other costs associated with the program or event.
- (3) The governmental entity or Sister Agency holding the program or event must clearly acknowledge the Town as a co-sponsor on all written materials associated with the event, subject to the Town's prior, written approval of any use of the Town logo or trademarks.

8. Facility Naming General Policies.

A. Recommendations to Other Bodies. This Policy should be followed in reviewing or preparing the Town's official comments or recommendations to State, Federal, and/or intergovernmental boards taking actions regarding geographic names, naming or renaming of Facilities or Streets.

B. Town Request; Town Council Consideration. The Mayor, three members of the Town Council, or the Town Manager may request the naming or renaming of a Facility or a Street. Thereafter, the Town Council shall discuss the requested renaming at a public meeting.

C. Bond-Financed Facilities or Streets. If a bond-financed Facility or Street is proposed or requested to be named or renamed, bond counsel must review and approve the request or proposal before consideration at a Town Council meeting.

D. Public Notice. The Town Council shall provide appropriate public notice of any Street or Facility naming actions in conjunction with other agenda items for regularly-scheduled meetings.

E. Changes to Approved Names. Once a name has been officially approved by the Town Council, changes should be strongly resisted.

F. Town Council Discretion. In all cases, the Town Council reserves the right to accept or reject any proposal to name or rename a Street or Facility, in its sole discretion.

G. Town Manager Duties. The Town Manager, upon approval of the naming or renaming action by the Town Council, shall implement names or name changes of Facilities or Streets. The Town Manager shall notify those who have submitted the suggestion as well as other appropriate offices and agencies. Upon Town Council denial of a name or name change, the Town Manager shall notify those who requested the name change.

9. Facility Naming Criteria.

A. For Facilities and Streets Generally. Recognizing that the naming or renaming of a Facility or Street should be approached cautiously with forethought and deliberation, the following criteria are hereby established:

(1) To avoid duplication, confusing similarity or inappropriateness, the Town Council, in considering name suggestions, shall review existing Facility and/or Street names, as applicable.

(2) In naming Facilities and Streets, consideration shall be given to geographic location, historical or cultural significance and natural or geological features. In the construction of a Facility, the address designation shall be used until the formal naming of the Facility. Whenever possible, naming shall be made prior to the completion of construction of a Facility or Street.

(3) Facilities and Streets may be named only for a deceased individual or individuals if (i) the individual or individuals has/have enhanced the quality of life within the Town and (ii) two years or more has elapsed between the consideration for naming and the time of death of the individual or, in the case of related individuals, two years after the death of one of the individuals. The deceased individual shall have performed outstanding service in one or more of the following categories:

(a) Maintained involvement in a leadership role in civic organizations that are devoted to community improvement.

(b) Provided assistance to the underprivileged, economically disadvantaged or physically and/or mentally handicapped.

(c) Actively promoted and directed community events and activities that have clearly added to the enrichment of the quality and quantity of cultural life within the community.

(d) Actively promoted and implemented effective programs and activities within the community for the Town's youth.

(e) Actively promoted and implemented effective programs and activities within the community for the Town's senior citizens.

(f) Assumed an active leadership role in developing and implementing programs directed to the improvement of the visual aesthetic appearance of the community at the commercial, public or residential level.

(g) Assumed an active leadership role in developing programs and Facilities directed toward the improvement of community social and health needs as well as programs directed toward humanitarian purposes.

B. Additional Criteria Applicable to Streets. In considering the renaming or naming of a Street, the Town Council shall consider the following:

(1) Street names, plats, specific sites and places and natural features indicated on general usage maps for 50 years or more (age criteria applied by the National Register of Historic Places) should be changed only under exceptional circumstances. Street names shall not be similar in spelling or pronunciation to a presently-existing major collector or arterial road in the Phoenix Metropolitan area. No Street shall be named by number only according to the street numbering grid (i.e. 150th Street) unless the Street follows a straight north-south alignment.

(2) Attention should be paid to maintaining sequential, numerical and alphabetical naming patterns when considering any Street name changes or additions. All Streets shall be named and numbered consistently with the County-wide street numbering system and no such name or change of name shall take effect until (a) the affected public safety agencies have been notified and (b) all impacted public safety

dispatch maps have been amended. Any extensions of presently-existing Streets within or into the Town shall bear the same name as the existing roadway. No Street name shall contain a homonym.

(3) New Streets shall be named according to the following guidelines:

(a) In most cases, the Street name will be proposed by the property owner, reviewed by the Town staff and approved by the Town Council as part of its consideration of a final plat for a development within the Town.

(b) If an unnamed private Street is dedicated to the Town, the name may be suggested by the property owners thereon, but the Town Council shall make the final determination.

(4) No Street shall be renamed unless:

(a) The new Street name is not one already well-known in the Phoenix metropolitan area.

(b) There are no (or very few) buildings or other addressed Facilities presently existing along the Street.

(c) The new Street name will not be confused with other existing Streets in the Town.

(d) The new Street name shall not be the same as a specific living person within the Phoenix Metropolitan area.

C. Historical Reference. Changes of names for Facilities or Streets should be approved only when they do not violate historical or common usage names. Facilities and Streets may be named after research reveals that the area around the Facility or Street has been commonly, yet unofficially, named by the residents in the area.

D. Donor Naming. Facilities and Streets may be permanently named for an individual (alive or deceased), organization, or business if that individual, organization or business has made a donation of money, land or other goods and/or services to the Town equal to at least half the full cost of the Facility or Street, either for purposes of developing a particular Facility or Street or for the Town's Capital Fund. Such arrangements will be called "Permanent Naming." Permanent Naming proposals that are not in accordance with Section 4 of this Policy shall not be considered.



TOWN OF FOUNTAIN HILLS

TOWN COUNCIL AGENDA ACTION FORM

Meeting Date: 11/17/2016

Meeting Type: Regular Session

Agenda Type: Regular

Submitting Department: Administration

Staff Contact Information: Craig Rudolphy, Finance Director; 480-816-5162; crudolphy@fh.az.gov

Strategic Planning Goal: Not Applicable (NA)

Operational Priority: Not Applicable (NA)

REQUEST TO COUNCIL (Agenda Language): CONSIDERATION of RESOLUTION 2016-31 adopting the Town of Fountain Hills Financial Policies, Amended and Restated November 17, 2016.

Applicant:

Applicant Contact Information:

Owner:

Owner Contact Information:

Property Location:

Related Ordinance, Policy or Guiding Principle:

Staff Summary (background): The current Financial Policies, section 3.5 Capital Projects Fund, states that excess revenues of the General Fund collected over budgeted and unexpended appropriations shall be used to fund the Capital Projects Fund. There is no time requirement in which to transfer these excess revenues and such transfers have not been made since FY08-09. Section 3.2, General Fund, sub-section C, is being modified to explicitly state that these transfers are to be made following the completion of the annual audit.

In addition, as new funds are being created, the Council needs to classify the fund balance according to accounting standards promulgated in GASB Statement 54. Section 4.1 of the policy is being modified so that this classification will be specified during the annual budget adoption process.

Risk Analysis (options or alternatives with implications):

Fiscal Impact (initial and ongoing costs; budget status):

Budget Reference (page number):

Funding Source: NA

If Multiple Funds utilized, list here:

Budgeted; if No, attach Budget Adjustment Form: NA

Recommendation(s) by Board(s) or Commission(s):

Staff Recommendation(s): Approve

List Attachment(s): Town of Fountain Hills Financial Policies, Amended and Restated November 17, 2016

SUGGESTED MOTION (for Council use): Move to approve RESOLUTION 2016-31

Prepared by:

NA _____ 9/27/2016

Director's Approval:


Craig Rudolph, Finance Director _____ 11/8/2016

Approved:


Grady E. Miller, Town Manager _____ 11/8/2016

TOWN OF FOUNTAIN HILLS

FINANCIAL POLICIES **Amended and Restated November 17, 2016**

Table of Contents

I.	INTRODUCTION	1
II.	OVERALL GOALS.....	1
2.1	Fiscal Conservatism.....	1
2.2	Maintaining Bond Rating.....	1
2.3	Stability.....	1
2.4	Delivering Quality Services.....	1
III.	FUND BALANCE.....	2
3.1	Fund Balance Categories.....	3
3.2	General Fund.....	4
3.3	Special Revenue Funds.....	6
3.4	Debt Service Funds.....	6
3.5	Capital Projects Fund.....	7
IV.	FINANCIAL PLANNING.....	7
4.1	Adopting Budget.....	7
4.2	Budget Preparation.....	7
4.3	Operating Budget.....	8
4.4	Revenue Sources.....	8
4.5	Revenue Estimate.....	8
4.6	Staffing.....	8
4.7	Budget Preparation Schedule.....	8
4.8	Performance Measurement.....	8
4.9	Efficiency Analysis.....	9
4.10	Department Responsibility.....	9
4.11	Quarterly Report.....	9
4.12	Deficit.....	9
V.	EXPENDITURE CONTROL.....	9
5.1	Budgeted Expenditures.....	9
5.2	Purchasing System and Policies.....	9
5.3	Internal Controls.....	9
5.4	State Expenditure Limit.....	9
5.5	Capitalized Assets.....	10
VI.	REVENUES AND COLLECTIONS.....	10
6.1	Balanced Revenue Base.....	10
6.2	Stable Revenue Base.....	10
6.3	Monitoring Collection.....	10
6.4	Intergovernmental Aid.....	10
6.5	Cost Recovery.....	10
6.6	Growth Revenues.....	11
VII.	USER FEE COST RECOVERY.....	11
7.1	Establishing Fees.....	11
7.2	Recalculation.....	11

VIII.	CASH HANDLING POLICY	11
8.1	Individual Responsibilities.....	11
8.2	Establishing Cash Handling Sites.....	12
8.3	Procedures for Cash Collection.....	12
8.4	Receipts.....	13
8.5	Cash Received in Person.....	14
8.6	Cash Received Through the Mail.....	16
8.7	Check Acceptance.....	16
8.8	Credit Card Acceptance.....	18
8.9	Balancing of Cash Receipts.....	18
8.10	Cash Over & Short.....	19
8.11	Returned Check Procedures.....	20
8.12	Preparation of Deposits (performed by the Finance Division).....	21
8.13	Exceptions to Cash Handling Policy.....	21
8.14	Records Retention.....	21
IX.	DEBT POLICY.....	22
9.1	General.....	22
9.2	Capital Improvement Plan.....	22
9.3	Financing Alternatives.....	25
9.4	Issuance of Obligations.....	27

I. INTRODUCTION

The Mayor and Town Council (the “Town Council”) of the Town of Fountain Hills (the “Town”) understands that principles of sound financial management establish the framework for overall fiscal planning and management. The principles set forth guidelines for both current activities and long range planning. Following these principles will enhance the Town’s financial health as well as its image and credibility with its citizens, the public in general, bond rating agencies and investors. The policies will be reviewed periodically to assure the highest standards of fiscal management. Policy changes will be needed as the Town continues to grow and becomes more diverse and complex in the services it provides, as well as the organization under which it operates, to provide these services to its citizens. The Town Manager and staff have the primary role of reviewing and providing guidance in the financial area to the Town Council.

II. OVERALL GOALS

The overall financial goals underlying these principles are:

- 2.1 Fiscal Conservatism. To ensure that the Town is, at all times, in a solid financial condition, defined as:
 - A. Cash solvency – the ability to pay bills.
 - B. Budgetary solvency – the ability to balance the budget.
 - C. Long run solvency – the ability to pay future costs.
 - D. Service level solvency – the ability to provide needed and desired services.
 - E. Adhering to the highest accounting and management practices as well as the financial reporting and budgeting standards established by the Government Finance Officers Association, by the Governmental Accounting Standards Board (GASB) and by other professional organizations.
- 2.2 Maintaining Bond Rating. To maintain an Aa3 or better bond rating in the financial community to assure the Town taxpayers that the Town government is well managed and financially sound.
- 2.3 Stability. To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the Town’s residents.
- 2.4 Delivering Quality Services. To deliver quality services in an affordable, efficient and cost-effective basis providing full value for each tax dollar.

III. FUND BALANCE

Fund balance is defined as the cumulative difference of all revenues and expenditures, also considered the difference between a fund's assets and deferred outflows of resources and its liabilities and deferred inflows of resources. The purpose of this policy is to establish a key element of the financial stability of the Town by setting guidelines for fund balance. It is essential that the Town maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances. The fund balance also provides cash flow liquidity for the Town's general operations. Fund balance is an important indicator of the Town's financial position and adequate reserves must be maintained to allow the Town to continue providing services to the community during periods of economic downturns and/or unexpected emergencies or requirements.

The level of fund balance is related to the degree of uncertainty that the Town faces. A prudent level of financial resources is necessary to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. With the Town dependency upon State shared income and State sales tax revenues for approximately one third of the General Fund budget, there is increased opportunity for fluctuation. Additionally, a significant portion of Town revenue is received from sales taxes – both state shared and local – which are sensitive to fluctuations in the economy. Therefore, the level of reserves needs to be sufficient to ensure stability in ongoing government operations during a slowdown in the economy or legislative changes to the revenue sharing formula.

Fund balance is one of the most widely used elements of state and local government financial statements by (1) municipal bond analysts through credit reviews and ratings, (2) taxpayer associations, (3) research organizations and oversight bodies, (4) state, county and local legislators and officials, (5) financial statement users and (6) reporters.

Other objectives that influence the size of the fund balance are:

1. Credit reviews performed by municipal bond analysts.
2. Preserving or improving the Aa2 bond rating.
3. Maintaining a positive trend to historical fund balances.
4. Maintaining a rating equal to or better than surrounding communities.

The Governmental Accounting Standards Board ("GASB") has found that usefulness and value of fund balance information provided is significantly reduced by misunderstandings regarding the message that it conveys and the inconsistent treatment and financial reporting practices of governments. GASB issued a pronouncement, GASB Statement No. 54 ("GASB 54"), which applies to all financial reports of all state and local governmental entities; GASB 54 intended to improve financial reporting by providing fund balance categories and classifications that will be more easily understood.

3.1 Fund Balance Categories. An accounting distinction is made between portions of fund balance that are spendable and nonspendable. These portions are broken into five categories:

- (A) **Nonspendable fund balance**—Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This amount includes inventory, prepaids, and non-current receivables such as long-term loan and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).
- (B) **Restricted fund balance**— Includes amounts that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance means “restricted net assets” as defined in the government-wide Statement of Net Assets, GASB Statement No. 34, as amended by GASB Statement No. 46.
- (C) **Committed fund balance**—Includes amounts that are committed for specific purposes by formal action of the Town Council. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. The action to commit fund balances must occur prior to year end; however, actual amounts can be determined in the subsequent period.
- (D) **Assigned fund balance**—Includes amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town Council itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the Town Council. This assignment would include any activity reported in a fund other than the General Fund that is not otherwise restricted more narrowly by the above definitions. The Town is not allowed to assign balances that result in a residual deficit.
- (E) **Unassigned fund balance**—Includes any remaining amounts after applying categories (A)-(D) above (amounts not classified as nonspendable, restricted, committed or assigned). Planned spending in the subsequent year’s budget would be included in the unassigned fund balance category. The General Fund is the only fund that will report a positive unassigned balance.

3.2 General Fund.

The fund balance of the Town General Fund may consist of up to five components, as described previously. In order to satisfy the objective of maintaining a bond rating equal to or better than surrounding peer communities, a combined General Fund operating fund balance of at least 30% of revenues is recommended.

- A. Committed Fund Balance. The Town will maintain a committed fund balance in the General Fund of 20% of the average actual General Fund revenues for the preceding five fiscal years, indicating stable fiscal policies. The maintenance of this fund balance is a particularly important factor considered by credit rating agencies in their evaluation of the credit worthiness of the Town. It is of primary importance that the Town's credit rating be protected.
- (1) Rainy Day Fund to be Maintained. As a component of the Committed fund balance, the Town will maintain a Rainy Day Fund, separate and apart from the Unassigned General Fund, which shall be designated for use in the event of an unanticipated expenditure or loss of revenue. The Rainy Day Fund balance at the end of any fiscal year will be equal to a minimum of 20% of the average actual General Fund revenues for the preceding five fiscal years. This contingency will provide for the temporary financing of an unforeseen nature for that year. Expenditures for these emergency or unforeseen appropriations can only be undertaken with Town Manager approval and only if funds are not available in the department requesting the funding.
 - (2) Guidelines for Rainy Day Fund. In order to achieve the objectives of this policy, and to maintain sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing, the following guidelines shall be adhered to by the Town Manager, Town staff and Town Council:
 - (a) Deposit Rules. At the end of each fiscal year, the Town Council shall transfer 5% of any surplus revenues (before transfers to the Capital Projects Fund) to the Rainy Day Fund. Deposits shall be made as set forth herein until the Rainy Day Fund balance is equal to at least 20% of the average actual General Fund revenues for the preceding five fiscal years.
 - (b) Use Rules. Rainy Day Funds may only be expended for any one of the following purposes or under the following circumstances:
 - (i) To replace the loss of more than 25% of the Town's local share of State shared revenues received pursuant to ARIZ. REV. STAT. § 43-206.

- (ii) For any event that threatens the health, safety or welfare of the Town's citizens.
 - (iii) For any event that threatens the fiscal stability of the Town.
 - (iv) To address any matter declared as an emergency by the Governor or the Mayor.
- (c) Withdrawal Rules. All withdrawals from the Rainy Day Fund shall be subject to the following rules:
- (i) Any appropriation shall require the approval by at least 2/3 of the entire Town Council.
 - (ii) The maximum amount of Rainy Day withdrawals in any fiscal year shall not exceed one-half of the total balance in the Fund.
- (d) Replenishment Rules. Any amounts withdrawn from the Rainy Day Fund shall be replenished as follows (and such repayment shall be in addition to the annual deposits set forth above):
- (i) All amounts shall be repaid in not more than five years, in annual installments of not less than 1% of the previous fiscal year General Fund balance.
 - (ii) Repayments shall be appropriated as part of the annual budget adoption.
- B. Assigned Fund Balance. The Town will maintain an assigned fund balance in the General Fund of a minimum 10% of the average actual General Fund revenues for the preceding five fiscal years. This assigned fund balance will be assigned for (1) "pay-as-you-go" capital project expenditures, (2) vehicle or equipment replacement, (3) prepaying or defeasing existing Town debt or (4) any other expenditure that is non-recurring in nature. The 10% is the minimum and may be increased to accelerate accumulation of funds for a large capital expenditure. To the extent these balances are expended, additional funds necessary to restore this additional 10% amount will be provided in at least approximately equal contributions during the five fiscal years following the fiscal year in which the event occurred. The assigned General Fund balance can be authorized for expenditure only in accordance with Resolution 2012-02 adopted by the Mayor and Town Council on June 7, 2012, as may be amended from time to time.
- C. Unassigned Fund Balance. Funds in excess of the balances described in the preceding paragraphs will be unassigned General Fund balance, unless otherwise assigned in accordance with GASB 54. By Resolution, the Town Council has allocated General Fund surplus funds to be (1) transferred to the Rainy Day Fund,

(2) used to supplement “pay as you go” capital expenditures in the Capital Projects Fund or (3) used to prepay or defease existing Town debt. These funds may not be used to establish or support costs that are recurring in nature. Any excess revenues ~~(from the prior fiscal year)~~ collected over budgeted and unexpended appropriations not needed to meet fund balance requirements will be transferred to the Capital Projects Fund ~~in the following fiscal year~~.

During the annual budget process, the Town Manager will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned General Fund balance. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis.

The Finance Director is authorized to assign available fund balance for specific purposes in accordance with GASB 54. It is the policy of the Town that expenditures for which more than one category of fund balance could be used, that the order of use is: Nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.

These guidelines will be reviewed by the Town Manager periodically following adoption (or sooner at the direction of the Town Council).

3.3 Special Revenue Funds.

- A. HURF. The Highway User Revenue Fund (“HURF”) is restricted in use solely for street and highway purposes. The fund depends upon State shared revenues for over 90% of annual revenues. The restricted fund balance will be based on the minimum requirement as specified in the schedule for projects funded with Special Revenue or grant funds. The schedule will be reviewed on an annual basis to determine the required amount to be set aside as restricted fund balance.
- B. Excise Tax Funds. The excise tax funds are committed funds that the Town Council may dedicate for specific purposes by resolution or as part of the annual budget adoption.

3.4 Debt Service Funds.

The Debt Service Fund is established for the payment of principal and interest on bonded indebtedness and as such is a restricted fund. Revenues are derived from a property tax levy, pledged excise taxes, municipal property lease payments and shared revenues. Revenues are received in amounts sufficient to pay the annual debt service payment; therefore, the restricted fund balance will be no less than the annual debt service payment due on July 1 of the new fiscal year and no more than the annual debt service payment due on July 1 plus an amount equal to the average annual delinquency factor based on the prior three years’ delinquency rates.

3.5 Capital Projects Fund.

A Capital Projects Fund has been established to allow the Town to accumulate monies for (1) purchase of land or buildings, (2) improvements to Town-owned properties, (3) grant matches associated with capital improvements, (4) public safety projects and equipment purchases, (5) economic development projects and (6) such other capital projects as determined by the Town Council. The Capital Projects Fund will be funded by: (A) sales of real and personal property belonging to the Town; (B) General Fund transfer of any excess revenues (from the prior fiscal year) collected over budgeted and unexpended appropriations not needed to meet fund balance requirements or re-appropriation; and (C) interest earnings on the balance of the fund invested per the Town's investment policy. Accounted for separately, but considered part of the Capital Projects Fund, are accumulated development fees collected pursuant to ARIZ. REV. STAT. § 9-463.05 that are assessed on new construction for the purpose of funding growth. These funds are restricted to growth-related capital expenditures as designated in the Town's adopted Infrastructure Improvements Plan. The fund balance will be established each fiscal year during the budget process depending on planned expenditures but cannot exceed accumulated revenues. The Town shall first be entitled to recoup the cost of any capital improvements, infrastructure, marketing or sales-related costs associated with the disposition of property before crediting the Capital Projects Fund (for funds other than development fees). The Town Council may approve the uses of the Capital Projects Fund as a part of its annual budget or by motion and affirmative vote at the time the expenditures are approved.

IV. FINANCIAL PLANNING

Financial planning refers to the process of identifying resources and allocating those resources among competing purposes. The primary vehicle for this planning is the preparation, monitoring and analyses of the Town's budget. It is increasingly important to monitor the performance of the programs competing to receive funding.

4.1 Budget Adoption. The Town Manager shall prepare a proposed annual budget, which shall be submitted to the Town Council and the public for review in accordance with ARIZ. REV. STAT. § 42-17001, *et seq.* The Town will budget revenues and expenditures on the basis of a fiscal year beginning July 1 and ending the following June 30. The Town Council will adopt the budget no later than June 30. By adopting the budget and the various funds set forth therein, the Town Council expresses its intent to commit fund balances for the purpose of GASB 54 classifications. The Town Manager shall execute the Town Council policies as set forth in the finally adopted budget.

4.2 Budget Preparation. The Town Manager or authorized designee will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program. The proposed budget will contain the following:

A. Revenue estimates by major category, by major fund.

- B. Expenditure estimates by department levels and major expenditure category, by fund.
 - C. Estimated fund balance by fund.
 - D. Debt service by issue detailing principal and interest amounts by fund.
 - E. Proposed personnel staffing levels.
 - F. A detailed schedule of capital projects, including a capital improvement program.
 - G. Any additional information, data, or analysis requested of management by the Town Council.
- 4.3 Operating Budget. The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues, creating a balanced budget. The Town will not balance the current budget at the expense of meeting future years' expenditures; for example, accruing future years' revenues or rolling over short-term debt to avoid planned debt retirement.
- 4.4 Revenue Sources. Ongoing operating costs should be supported by ongoing, stable revenue sources. This policy protects the Town from fluctuating service levels and avoids crises when one-time revenues are reduced or removed. Revenues from growth or development should be targeted to costs related to development, or invested in improvements that will benefit future residents or make future service provision efficient.
- 4.5 Revenue Estimate. The Town Manager will provide an estimate of the Town's revenues annually for each fiscal year, as well as estimates of special (grant, excise tax, etc.) revenues and interfund transfers.
- 4.6 Staffing. The budget will fully appropriate the resources needed for authorized regular staffing. At no time shall the number of regular full-time employees on the payroll exceed the total number of full-time positions authorized by the Town Council. All personnel actions shall be in conformance with applicable Federal and State law and all Town ordinances and policies.
- 4.7 Budget Preparation Schedule. Annually, the Town Manager shall provide a budget preparation schedule outlining the preparation timelines for the proposed budget. Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to Town Departments in a timely manner for the Department's completion. Department Directors shall prepare and return their budget proposals to the Administration Department, as required in the budget preparation schedule.
- 4.8 Performance Measurement. Performance measurement indicators will be integrated into the budget process as appropriate.

- 4.9 Efficiency Analysis. Alternatives for improving the efficiency and effectiveness of the Town's programs and the productivity of its employees will be considered during the budget process. Duplication of services and inefficiency in service delivery should be eliminated wherever they are identified.
- 4.10 Department Responsibility. Department Directors are required to monitor revenues and control expenditures to prevent exceeding their total departmental expenditure budgets. Department Directors shall immediately notify the Town Manager of any exceptional circumstances that could cause a departmental expenditure budget to be exceeded.
- 4.11 Quarterly Report. A quarterly report on the status of the General Fund budget and trends will be prepared within 60 days of the end of each quarter by the Town Manager or authorized designee. In addition, the quarterly report shall include revenue and expenditure projections through the end of the fiscal year.
- 4.12 Deficit. If a deficit is projected during any fiscal year, the Town will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Rainy Day Fund, to the extent necessary to ensure a balanced budget at the close of the fiscal year. The Town Manager may institute a cessation during the fiscal year on hirings, promotions, transfers and capital equipment purchases. Such action will not be taken arbitrarily or without knowledge and support of the Town Council.

V. EXPENDITURE CONTROL

The Town Manager shall ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with all applicable legal requirements.

- 5.1 Budgeted Expenditures. Expenditures will be controlled by an annual budget at the departmental level. The Town Council shall adopt appropriations through the budget process. Written procedures will be maintained for administrative approval and processing of certain budget transfers within funds.
- 5.2 Purchasing System and Policies. The Town will maintain a purchasing system that provides needed materials in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the Town's purchasing policies, guidelines and procedures and applicable State and Federal laws. The Town will endeavor to obtain supplies, equipment and services as economically as possible.
- 5.3 Internal Controls. Expenditures will be controlled through appropriate internal controls and procedures in processing invoices for payment.
- 5.4 State Expenditure Limit. The State of Arizona sets a limit on the expenditures of local jurisdictions. The Town will comply with these expenditure limitations and will submit an audited expenditure limitation report, audited financial statements and audited reconciliation report as defined by the Uniform Expenditure Reporting System (ARIZ. REV. STAT. § 41-1279.07) to the State Auditor General each year.

5.5 Capitalized Assets. All assets of \$10,000 or more will be capitalized and recorded in the Town of Fountain Hills Summary of Capital Assets.

VI. REVENUES AND COLLECTIONS

All government employees are considered stewards of public funds. In order to provide funding for service delivery, the Town must have reliable revenue sources. These diverse revenues must be collected equitably, timely and efficiently.

6.1 Balanced Revenue Base. The Town's goal is a General Fund revenue base that is equally balanced between sales taxes, State shared revenues, property tax, service fees and other revenue sources.

6.2 Stable Revenue Base. The Town will strive for a diversified and stable revenue base to shelter it from economic changes or short-term fluctuations and in any one revenue source by doing the following:

- A. Establishing new charges and fees as needed and as permitted by law at reasonable levels.
- B. Pursuing legislative change, when necessary, to permit changes or establishment of user charges and fees.
- C. Aggressively collecting all revenues, late penalties, outstanding taxes owed and related interest as authorized by law.

6.3 Monitoring Collection. The Town Manager or authorized designee will monitor all taxes to ensure they are equitably administered and collections are timely and accurate. Fees and charges should be based on benefits and/or privileges granted by the Town, or based on costs of a particular service.

6.4 Intergovernmental Aid. The Town Manager or authorized designee should pursue intergovernmental aid for those programs and activities that address a recognized need and are consistent with the Town's long-range objectives. Any decision to pursue intergovernmental aid should include the consideration of the following:

- A. Present and future funding requirements.
- B. Cost of administering the funds.
- C. Costs associated with special conditions or regulations attached to the grant award.

6.5 Cost Recovery. The Town will attempt to recover all allowable costs (both direct and indirect) associated with the administration and implementation of programs funded through intergovernmental aid. In the case of the Fountain Hills Unified School District, the Town may determine to recover less than full cost of services provided. In the case of State and Federally mandated programs, the Town will attempt to obtain full funding for

the service from the governmental entity requiring the service be provided. Allowable costs will be determined based upon a “Cost Allocation Study” prepared periodically.

- 6.6 Growth Revenues. Local sales tax revenues are derived from several sources with a significant portion from construction related activity. To ensure that the revenues from growth or development are targeted to costs related to development, or invested in improvements that will benefit future residents or make future service provision efficient, the Town will designate 50% of those one-time revenues to the Capital Projects Fund. Monthly, these revenues will be transferred from the General Fund to the Capital Projects Fund for future appropriation.

VII. USER FEE COST RECOVERY

User fees and charges are payments for voluntarily-purchased, publicly-provided services that benefit specific individuals. The Town relies on user fees and charges to supplement other revenue sources in order to provide public services.

- 7.1 Establishing Fees. The Town may establish user fees and charges for certain services provided to users receiving a specific benefit. User fees and charges will be established to recover as much as possible the direct and indirect costs of the program or service, unless the percentage of full cost recovery has been mandated by specific action of the Town Council. It is recognized that occasionally competing policy objectives may result in reduced user fees and charges that recover a smaller portion of service costs.
- 7.2 Recalculation. Periodically, the Town will recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs.

VIII. CASH HANDLING POLICY

Collecting and controlling cash at the Town are very important functions. The Customer Service Representatives and Permit Technicians are the Town’s cash handling agents. Strong internal controls for cash collection and handling are necessary to prevent mistreatment of Town funds and to safeguard and protect employees from unwarranted charges of mishandling funds.

Historical practices shall not constitute justification for deviation from these procedures. The material contained in this Section supersedes any previous policies and procedures regarding the handling of cash followed within the Town and/or within Departments. The Finance Division will conduct periodic reviews of cash handling procedures. Any amendments to the policies require Town Council approval, but the Town Manager may make interpretations and exceptions to the policies contained in this Section as more particularly set forth in Subsection 8.13 below.

- 8.1 Individual Responsibilities. All cash transactions are to be processed by Town staff (including cash, credit cards, checks, etc.) and not volunteers. Any Department Director or manager with responsibilities for managing Town cash receipts and those employees who are entrusted with the receipt, deposit and reconciliation of cash for Town-related activities

shall be responsible for knowledge of and compliance with this Section VIII. A reference to this Section should be included as part of all departmental policies and procedures.

8.2 Establishing Cash Handling Sites. Ideally, from a control perspective, collecting and controlling cash should be centralized in one location; however, that is not always possible or practical. As a result, the collection of money is, in part, decentralized. The Finance Division must authorize all cash handling sites, including one-time requests for cash for special events. Departments requesting status as a cash handling site (or special events where money is being collected and a cash float is needed) must submit a request to the Finance Division at least 24 hours prior to the special event that includes:

- A. Reason(s) why cash handling site or cash float is needed.
- B. A list of the personnel involved with the cash handling site, descriptions of their duties and how segregation of duties will be maintained.
- C. Whether a change drawer will be needed.
- D. A description of the reconciliation process, including frequency of reconciliation.
- E. A description of the process for safeguarding cash until it is deposited.
- F. A schedule of how often and where cash deposits will be made.

8.3 Procedures for Cash Collection.

- A. “Cash” is defined as any of the following accepted methods of payment for Town transactions:
 - (1) Cash (coin and currency).
 - (2) Checks (made payable to the Town, no third party checks).
 - (3) Credit Cards (MasterCard, Visa, Discover, American Express-ACTIVE Net only).
 - (4) Money Orders.
- B. Cash should be physically protected through the use of vaults, safes, cash registers, etc. Each Department is responsible to make the necessary provisions to properly safeguard the cash receipts in its area and maintain the necessary safe or vault that will ensure the security. Generally, any amount of cash on hand must be maintained in a vault or heavy safe (one which cannot be easily moved by two persons using a hand cart). Cash should not be retained in desk drawers or standard file cabinets without a locking mechanism; petty cash must be secured in a locked file cabinet and keys should be secured separately.

- C. The cash drawer should be kept shut when not in use and after each transaction. The cash drawer, when open, should not be left unattended when it contains money. The contents of cash drawers should be placed in a safe, vault, or an approved, locked location after each day; all safes are to be kept locked.

8.4 Receipts.

- A. Procedures must be in place to record the daily beginning and ending receipt numbers of the cash register, and include safeguards to prevent manipulation of register totals, receipt numbers, etc. Automatic numbering of receipts through a computerized system is an acceptable alternative.
- B. Receipts should be generated from either receipt books or cash register receipt system.
- C. Cash registers must be programmed to issue receipts, which shall contain all information required by the accounting system to properly credit and track payments.
- D. Receipt books, if issued for special events, must be issued in sequential order. All books should be accounted for from the time of delivery and returned to the Finance Division.
- E. Only those receipt books that have been distributed by the Finance Division may be used.
- F. At a minimum, sequential, pre-numbered receipt forms must contain the following information:
 - (1) Date issued.
 - (2) Cashier and/or Department issuing the receipt.
 - (3) Name of payor (not the department name or revenue source).
 - (4) Net amount received.
 - (5) Sufficient information to identify the purpose of the payment.
 - (6) Form of payment (cash, check, credit card, etc.).
- G. The receipt forms should also:
 - (1) Contain all available identifying numbers and other pertinent, descriptive information including invoice numbers.

- (2) Be issued in a minimum of two copies, one for the payor and one to accompany the deposit.
- (3) Never be altered; if any type of change is necessary, all copies of the receipt must be clearly marked “void” and a new receipt issued.
- (4) Be filed sequentially and retained by the Department (including void receipts).

8.5 Cash Received in Person.

- A. When a customer produces a mutilated bill (where a portion is missing), the receiver should request that the customer have a bank redeem the bill. No bill will be considered for acceptance if both serial numbers are not present.
- B. A printed receipt must be issued for each payment received when the customer pays in person. At a remote location (for special events), manual pre-numbered receipts may be used when cash register receipts are not available.
- C. Departments may not accept post-dated checks, IOU’s, or third party checks.
- D. All cash received must be recorded through the computerized accounting system (MUNIS and/or ACTIVE Net) with computer-generated official Town cash receipts. When a cash handling site with a computerized accounting system has to use temporary cash receipts, those temporary receipts must be converted over to computerized receipts as soon as possible. If the conversion cannot be accomplished within 48 hours, the cash should be deposited into the Department’s safe and tracked in detail until it is recorded on the computerized accounting system.
- E. The customer must be presented an official Town receipt form with a duplicate record being retained by the receiving Department. All numbered receipts must be accounted for, including the original of voided receipts.
- F. The cash handling site must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing, disbursement and reconciling.
- G. The procedures below are to be followed to safeguard the employee and the cash:
 - (1) Account for cash as soon as is it received – count the cash in front of customer.
 - (2) Keep cash received in view of the customer until the transaction is complete.
 - (3) If change is required, count all cash and change in front of customer.

- (4) Reconcile the funds received to the computerized accounting system cash report or to the total of the temporary receipts at the end of the day or at the end of each shift and balance the receipts as set forth in Subsection 8.9.
- (5) Immediately place all cash in a cash drawer, safe or other secure place until deposited. A secure area for processing and safeguarding funds received should be provided and restricted to authorized personnel.
- (6) Personal transactions with Town cash funds are prohibited. Monies may never be borrowed nor loaned from cash funds, nor may personal checks be cashed from receipts.
- (7) All employees paying for Town services (rentals, movie tickets, animal license, business license, etc.) must be rung up by a different employee under a separate user ID.
- (8) Deposit all cash intact and not intermingled or substituted with other cash.
- (9) Pay refunds or expenditures through the appropriate Town bank account on a Town-generated check from the main accounts payable account or petty cash for the smaller accounts. If the original payment was made using credit/debit card, then refunds will be issued through the credit card per credit card regulations.
- (10) Provide printed receipts generated by the point of sale (POS) program for every transaction involving money.
- (11) Voided cash receipts must be approved and initialed by a supervisor before the daily deposit is done, noting the reason for voiding the transaction.
- (12) Deposit daily cash report and cash promptly at the end of each day into the Finance Division safe.
- (13) Place cash in amounts over \$500.00 in the Finance Division safe immediately following the transaction until the end of day close out.
- (14) Cashiers should enter transactions using their personal logins (switch user) during a single shift.
- (15) All packaged coin or strapped currency received as payment should be removed from the package or straps and verified.

H. Cashing checks from Town deposits, borrowing cash for personal use, lapping receipts to cover shortages in cash receipts, withholding checks for deposit in order to float checks, commingling personal and Town funds and modifying cash records

are all serious offenses and may result in discipline up to and including immediate discharge from employment.

8.6 Cash Received Through the Mail.

- A. When mail is opened, if the cash received is not credited directly into the appropriate Town account or issued a receipt through a computerized accounting system, a log of the checks, credit card transactions and or cash should be prepared and submitted to the Finance Division. The log should include the customer's name, amount received, check number and any other information available that may assist in proper allocation of the funds. The envelope also should be retained as part of the records.
- B. When mail is opened, checks must be endorsed promptly with a restrictive endorsement stamp. Checks must be stored in a safe or other secure place approved by the Finance Division until deposited.
- C. Unidentified receipts must be deposited to a depository account approved for such purposes. All reasonable attempts should be made to identify the correct account and transfer the funds.

8.7 Check Acceptance.

- A. The Federal Reserve has established a regulation to standardize check endorsements:
 - (1) Checks must be made payable to the Town of Fountain Hills and endorsed promptly with a restrictive endorsement stamp payable to the Town of Fountain Hills. The endorsement stamps must be distributed by the Finance Division; this stamp protects the check if lost or stolen.
 - (2) All depositor's endorsements are limited to the top 1.5 inches on the back side of the check, at the trailing edge of the check. This area is where endorsements are normally placed. If you look at the face of the check, the endorsement area is directly behind where "Pay to the Order of" is printed.
 - (3) Any check that has been endorsed may not be returned to the customer. Any marks below the 1.5 inches on the check may obscure the bank routing number, cause delays in returning checks, and forfeit the Town's right to recovery. The purpose of this regulation is to speed collection and returns.
 - (4) The endorsement must include the following:

FOR DEPOSIT ONLY
TOWN OF FOUNTAIN HILLS
[Account Number]

- (5) Checks should have the customer information pre-printed on the face of the check. Bank issued/generated checks are acceptable.
 - (6) Personal checks from employees for cash may not be cashed at any counter in a Town facility.
 - (7) Checks or credit card transactions will not be cashed or processed for more than the amount of purchase. Departments are not authorized to return currency to the payor in the event that the check exceeds the amount due to the Town.
- B. Be sure that the name, branch, city and state where the drawer's bank is located is printed on the check.
- C. The Town will not accept a check that is:
- (1) Illegible or not written out clearly; checks should be written out in blue or black ink only.
 - (2) For anything other than the exact amount (no change will be given).
 - (3) A third party check (that is, checks made out to someone other than the Town).
 - (4) Altered or changed.
 - (5) Undated, post-dated or stale dated (older than six months).
 - (6) Not signed.
 - (7) A starter check, i.e. a check without the name, address and check number on the face of the check.
 - (8) Not in U.S. funds.
 - (9) From a foreign bank, even if payable in U.S. funds.
 - (10) Transfer checks.
- D. If the written amount on a check does not match the numerical amount, the written amount will govern.
- E. Money orders should be filled out by the customer in the presence of Town staff; the customer must countersign and write Town of Fountain Hills in the payee section.

8.8 Credit Card Acceptance.

- A. Credit cards accepted are Visa, MasterCard, Discover and American Express (ACTIVE Net only).
- B. When presented with a credit card, the Department cashier shall:
 - (1) Verify that the card has not been altered and is not expired.
 - (2) Check customer identification to verify that the name on the card and the account name are the same, unless someone is paying for other family members.
 - (3) Retain the credit card until the transaction is complete.
 - (4) Enter the credit card transaction by swiping the card through the terminal on the keyboard; if the keyboard does not have a terminal, the swipe reader is not functioning or payment is being taken over the telephone, the credit card number should be entered manually when prompted by ACTIVE Net or Class software programs.
 - (5) If the credit card information is being input from a paper registration form that includes the card number and payor signature, shred or permanently mark over the portion of the form that includes the credit card information as soon as the transaction is complete and the card is accepted.
 - (6) If receiving credit card information over the phone, verify the caller's name as it appears on the card, verify the amount to be processed, enter the credit card number, expiration date and security code directly into the ACTIVE Net or Class program – immediately shred any piece of paper where the information can be viewed or taken.

8.9 Balancing of Cash Receipts.

- A. All funds collected must be balanced daily, by mode of payment, by comparing the total of the cash, checks and credit cards to the computerized accounting reports, to the manual receipts totals, including the totals of the money received by mail. All cash receipts and supporting documentation (daily deposit slip, system receipts, and system reports) should be transferred daily to the accounting system and all discrepancies should be resolved before the end of the day/shift.
- B. Daily cash counts and reconciliations will be performed on a random basis by the Accountant or other senior Finance Division staff member. These reconciliations should be signed and dated by the reviewer. The total monthly receipts should be balanced with the monthly bank account statements and accounting system monthly reports and all discrepancies should be resolved.

- C. Currency and coin must be reconciled separately from checks, credit cards and money orders by comparing actual cash received to the cash total from the cash report or to the sum of the cash sales from the manual receipts.
- D. Over/short amounts must be separately recorded, investigated and resolved to the extent possible as set out in the over/short portion of this Section.
- E. Because balancing can be a time-consuming task and requires attention to detail, it is recommended that each cashier pre-balance his/her own drawer periodically during the day.

NOTE: On the rare occasion that a check needs to be forwarded to another party by the Town of Fountain Hills, the check cannot be endorsed. Any of the following positions are authorized to approve this receipt without endorsement: the Town Manager, the Finance Director and the Town Clerk. Approval to accept this instrument in this manner requires approval from one of the Town's authorized signatories in writing prior to the presentation of the instrument.

- F. End of day close out process for cash collection points includes the following:
 - (1) Two signatures on the daily cash report before submitting to the Finance Division.
 - (2) Total deposit must match the printed report from the software program.
 - (3) Deposits are turned in daily and deposited in the Finance Division safe by the responsible party.

8.10 Cash Over & Short.

- A. A daily accounting of cash received should be balanced against the total amount on the daily reports run by the Department. Any amount that is over or short shall be reported on the same day to the Department Director and the Accountant.
- B. The discipline procedures set forth below should be followed if the established dollar limits and frequency of overages and/or shortages are exceeded. The current established dollar limit is five dollars. A log should be established to record any overages and shortages, and the employee's name and date. Patterns, frequencies and inconsistencies should be noted on the employee's performance review. Overages or shortages of \$50.00 or more are to be reported to the Finance Director.
- C. Warnings or exceptions involving cash overages or shortages shall be retained in the employee's permanent file.
- D. If the shortage is the result of a suspected or documented theft, the shortage must be reported immediately and in writing to the Accountant, the Finance Director and

the Town Manager who will submit to law enforcement for investigation, regardless of amount.

E. Employees who handle cash are expected to be careful and accurate and to balance their funds each day without overages or shortages. Failure to follow internal controls and checks and balances as approved by the Finance Division is considered to be at least negligence and could be considered misconduct subject to the following disciplinary procedures:

- (1) Verbal Warning. A verbal warning will be given if an employee has:
 - (i) Two or more over/shorts in any 90-day period (regardless of the amount).
 - (ii) Cumulative over/shorts of \$75.00 or more in any 30-day period.
- (2) Written Warning.
 - (i) After an employee has received two verbal warnings, the third warning will be in the form of a written warning. A fourth warning will be subject to disciplinary action as determined by the Department Director.
 - (ii) A written warning will be issued if an employee exceeds a cumulative total of \$100.00 or more cash short in any month regardless of the number of verbal warnings.

8.11 Returned Check Procedures.

- A. Any checks returned by the Town's depository bank as uncollected shall be sent to the Finance Division. Examples of returned checks include: non-sufficient funds (NSF), account closed, payor's signature missing, refer to maker and post-dated or stale-dated checks.
- B. When a check is returned, the Finance Division prepares a negative entry to the revenue journal, debiting the originating account for the amount of the check and at the same time assessing a service fee in the amount set forth in the Town's adopted fee schedule. It is the responsibility of the Department that was credited with the revenue to notify the check writer and use due diligence to collect the amount of the check and the service fee. The check writer will be prohibited from receiving Town services until the Town is paid the full amount, plus the returned check fee. Restitution should be in the form of currency, money order, cashier's check or certified check. The Finance Division will maintain an aging report on all non-collectable items; this report will be submitted monthly to the Finance Director.

- C. When restitution is obtained, the same account should be used that was used on the negative entry and the deposit should be transferred to the Customer Service Representative for inclusion in the daily deposit.
- D. If after proper due diligence is performed, collection has not been made, the Accountant may be consulted regarding returned items that remain uncollected for further action through the State.

8.12 Preparation of Deposits (performed by the Finance Division).

- A. The Finance Division shall prepare all deposits.
- B. All checks must be made payable to Town of Fountain Hills and endorsed. A calculator tape of the checks should be included with the checks bundled together.
- C. Cash must be recorded on the deposit slip in the appropriate space.
- D. Only depository-issued deposit slips, including the appropriate account number(s) and sub-code(s) are to be used.
- E. Someone not involved with collecting the cash, opening the mail or reconciling the deposit must prepare the deposit.
- F. Deposit from the Municipal Court should be secured in locking deposit bags, which are available from the bank.
- G. Trips to the bank should be at random times during each day.

8.13 Exceptions to Cash Handling Policy.

- A. Any exception to this Section **must** be approved in writing by the Department Director and requires the concurrence of the Finance Director. For example, in cases where there is not enough staff available to maintain complete separation of duties, an alternate process to safeguard Town funds must be established and approved by the Finance Director. Requests for exceptions to these procedures must be submitted to the Finance Director in writing.
- B. Town personnel are prohibited from depositing Town cash into checking or other bank accounts unless the account has been set up by the Finance Division.

8.14 Records Retention. All cash receipts and related documents must be maintained in accordance with Records Retention Schedules pursuant to ARIZ. REV. STAT. §§ 39-101 through 39-103 and 41-151.15 through 41-151.19. Accounting reports, deposit slips, credit card receipts, copies of manual cash receipts, etc. should be kept for the period specified by the Records Retention Schedules.

IX. DEBT POLICY

The purpose of this debt policy is to provide for the preservation and enhancement of the Town's bond ratings, the maintenance of adequate debt service reserves, compliance with debt instrument covenants and provisions and required disclosures to investors, underwriters and rating agencies. The Town's overall debt management policy is to ensure that financial resources are adequate in any general economic situation to not preclude the Town's ability to pay its debt when due.

These policies are meant to supplement the legal framework of public debt laws provided by the Arizona Constitution, State Statutes, Federal tax laws and the Town's current bond resolutions and covenants.

9.1 General.

- A. The Town will (1) use current revenues to pay for short-term capital projects, repair and maintenance items and (2) reserve long-term debt for capital improvements with useful lives of ten years or more. The Town will not use long-term debt to fund current governmental operations and will manage its cash flow in a fashion that will prevent any borrowing to meet working capital needs. However, exclusive reliance upon "pay-as-you-go" funds for capital improvements requires existing residents to pay for improvements that will benefit new residents who relocate to the area after the expenditure is made. Financing capital projects with debt provides for an "intergenerational equity," as the actual users of the capital asset pay for its cost over time, rather than one group of users paying in advance for the costs of the asset. Where there is a benefit to all future residents, debt financing should be given consideration.
- B. To increase its reliance on current revenue to finance its capital improvements, and promote a "pay-as-you-go" philosophy, the Town will appropriate each year a percentage of current revenues to maintain a minimum 10% of average actual General Fund revenues for the preceding five fiscal years in the assigned fund balance.

9.2 Capital Improvement Plan.

- A. As part of the budget process each year, the Town Manager or authorized designee will prepare a capital spending plan that provides a detailed summary of specific capital projects for the five fiscal years subsequent to the fiscal year presented. The plan will include the name of the project, project schedule, capital cost by fiscal year and a recommended specific funding source. The five year capital improvement plan will be developed within the constraints of the Town's ability to finance the plan.
- B. The Town Manager and Department Directors will develop formal ranking criteria that will be used in the evaluation of all capital projects. The ranking criteria will give greatest weight to those projects that protect the health and safety of its citizens. "Pay-as-you-go" project financing shall be given the highest priority.

Capital improvements that must rely upon debt financing shall be accorded a lower priority and projects with a useful life of less than ten years shall not be eligible for inclusion in bond issues except in extraordinary circumstances.

- C. Lease-purchase financing shall be undertaken only when the project is considered essential to the efficient operation of the Town or to remove expenditures that would exceed the State-imposed expenditure limitation. The Town Manager or authorized designee shall be responsible for ensuring that “pay-as-you-go” expenditures do not cause the State-imposed expenditure limitation to be exceeded in any fiscal year.
- D. All capital project requests will be accompanied by a description of the sources of funding to cover project costs. Where borrowing is recommended, a dedicated source of funds to cover debt service requirements must be identified. All capital project requests will be required to identify any impact the project may have on future operating costs of the Town. The Town will seek grants to finance capital improvements and will favor those projects that are likely to receive grant money.
- E. All capital project appropriations and amendments to the capital improvement plan must be approved by the Town Council.
- F. The capital plan will include all equipment and facilities with a useful life of greater than ten years and a cost greater than \$50,000. Debt financing shall not exceed the useful life of the infrastructure improvement or asset.
- G. The following steps shall be used to prepare the Capital Improvement Program (“CIP”):
 - (1) Establish Capital Improvement policies, including:
 - (a) Time period the CIP will cover.
 - (b) Facilities/equipment that will be included in the CIP.
 - (c) How acquisition of multiple items (e.g., computers) will be treated.
 - (d) Identification of projects that are expected to be undertaken, but fall outside the time horizon of the plan.
 - (2) Adopt standards to rank project requests.
 - (a) Projects that address a public health or safety concern are given top priority.
 - (b) Projects mandated by a court of competent jurisdiction or a government with authority over the Town are equal with public health or safety.

- (c) Major maintenance (preservation of assets).
 - (d) Replacement of obsolete equipment (improving efficiency).
 - (e) Expansion to meet demand caused by growth.
 - (f) Coordination of projects to achieve cost savings.
 - (g) Availability of cash to finance improvements from current revenues.
 - (h) Acquisition of open space.
- (3) Perform and maintain a capital inventory and identify useful life.
- (4) Identify projects.
- (a) Status review of previously approved projects.
 - (b) Identification of new projects.
 - (c) Assess capital project alternatives.
 - (d) Complete project request forms.
- (5) Assess funding sources.
- (a) Available grants.
 - (b) Development fees shall be utilized to fund capital projects before “pay-as-you-go” and bond issuance financing.
 - (c) Developer contributions.
 - (d) Private contributions.
 - (e) Issuance of securities.
 - (f) Capital leases.
- (6) Approve the CIP and Budget.
- (a) Town Council review.
 - (b) Public hearing.

(c) Adoption of the CIP and capital budget.

All capital project requests will be accompanied by a description of the sources of funding to cover project costs. Where borrowing is recommended, the source of funds to cover debt service requirements must be identified. All capital project requests will be required to identify any impact the project may have on future operating costs of the Town.

Department Directors will submit detailed descriptions of the useful life of capital projects submitted in conjunction with the preparation of the Town's CIP. The Town Manager shall incorporate an estimate of the useful life of proposal capital improvements in developing an amortization schedule for each bond issue. If a short-lived asset or project (less than ten years) is included in a bond issue then the bond amortization schedule shall be adjusted to reflect the asset's rapid depreciation. At no time shall the amortization exceed the life of the asset.

9.3 Financing Alternatives.

A. Financing alternatives include, but are not limited to:

- (1) Grants.
- (2) Developer Contributions.
- (3) General Obligation ("GO") Bond – requires voter approval, supported by an ad valorem (property) tax.
- (4) Revenue Bonds – repaid with dedicated revenue source (HURF, revenue generated by project).
- (5) Municipal Property Corporation ("MPC") Bonds – repaid with a dedicated revenue source.
- (6) Community Facilities District ("CFD") or Special District Bonds – supported by an ad valorem property tax, revenues of the district or assessments of the cost of public infrastructure or enhanced municipal services.
- (7) Capital Leases – repaid within operating budget.
- (8) Commercial Paper (CP) or Bond Anticipation Notes (BAN) with terms less than two years.

B. Town debt service costs (GO Bonds, Revenue Bonds, MPC Bonds, Leases) shall not exceed 20% of the Town's operating revenue in order to control fixed costs and ensure expenditure flexibility. Improvement District, CFD and Special District debt service is not included in this calculation because it is paid by district property owners and is not an obligation of the general citizenry. Separate criteria for CFDs have been established and included within the Town's CFD policy.

- C. The Town shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
- D. Where applicable, the Town will structure GO bond issues to create level debt service payments over the life of the issue. The goal will be to strive for a debt repayment schedule to be no more than 15 years; at no time will the debt exceed 25 years.
- E. Refunding bonds will be measured against a standard of the net present value debt service savings exceeding 3% of the principal amount of the bonds being refunded, or if savings exceed \$750,000, or for the purposes of modifying restrictive covenants or to modify the existing debt structure to the benefit of the Town. Refinancings undertaken for other reasons should proceed only when the advantages have been clearly shown in a cost/benefit analysis of the transaction.
- F. The Town will seek to maintain and, if possible, improve the current bond rating in order to minimize borrowing costs and preserve access to credit.
- G. An analysis showing how a new issue combined with current debt impacts the Town's debt capacity and conformance with Town debt policies will accompany every future bond issue proposal. The debt capacity analysis should reflect a positive trend and include:
 - (1) Percent of debt outstanding as a percent of the legal debt limit.
 - (2) Measures of the tax and revenue base.
 - (3) Evaluation of trends relating to expenditures and fund balance.
 - (4) Debt service as a percentage of assessed valuation.
 - (5) Measures of debt burden on the community.
 - (6) Tax-exempt market factors affecting interest costs.
 - (7) Debt ratios.
- H. MPC and contractual debt, which is non-voter approved, will be utilized only when a dedicated revenue source (e.g., excise taxes) can be identified to pay debt service expenses. The project to be financed will generate net positive revenues (i.e., the additional revenues generated by the project will be greater than the debt service requirements).
- I. The Town's privilege/excise tax to debt service goal will be a ratio of at least 2.5:1 to ensure the Town's ability to pay for long-term debt from this elastic revenue source.

9.4 Issuance of Obligations.

- A. The Town shall select the underwriter and the paying agent/registrars for each debt issuance based on competitive bid. The underwriter must be a firm with an office in the Phoenix area and a record of prior working relationships.
- B. The request for proposals process will be designed to select the service providers that offer the Town the best combination of expertise and price. The Town is not required to select the firm offering the lowest price, but a report must be prepared by the Town Manager providing justification to the Town Council for a recommendation when other than the lowest bidder is chosen. The review of all proposals submitted shall be the responsibility of the Town Manager.
- C. The Town will sell bonds through public sale, online bidding process or an accelerated bidding process unless the Town Council authorizes the bond to be sold by negotiated sale or private placement.
- D. The Town Manager or designee and Town Attorney will coordinate their activities to ensure that all securities are issued in the most efficient and cost-effective manner and in compliance with the governing statutes and regulations. The Town Manager and the Town Attorney shall consult and jointly select the bond counsel for a bond issue.
- E. The Town Manager or authorized designee will seek a rating on all new issues which are being sold in the public market if economically feasible.
- F. The Town will report all financial information on an annual basis and notices of listed events in a timely manner, not in excess of ten business days after the occurrence of event, to the rating agencies and the Municipal Securities Rulemaking Board's ("MSRB's") Electronic Municipal Market Access (EMMA) system. The annual report will include but not be limited to the Town's annual Comprehensive Annual Financial Report (CAFR) and other items specified in the Town's continuing disclosure undertakings.
- G. Any institution or individual investing monies as an agent for the Town shall do so in a manner consistent and in compliance with the Town's adopted Investment Policy.
- H. The Town Manager or authorized designee will provide detailed draw schedules for any project to be funded with borrowed monies. The Town will invest the proceeds or direct a trustee to invest the proceeds of all borrowings in a manner that will ensure the availability of funds as described in the draw schedules.
- I. The Town acknowledges the responsibilities of the underwriting community and pledges to make all reasonable efforts to assist underwriters in their efforts to comply with Securities and Exchange Commission Rule 15c2-12 and MSRB Rule

G-36. The Town will follow its adopted issuance and post-issuance compliance procedures relating to its tax-exempt financings.

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RESOLUTION 2016-31

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS, ARIZONA, ADOPTING THE TOWN OF FOUNTAIN HILLS FINANCIAL POLICIES, AMENDED AND RESTATED NOVEMBER 17, 2016.

WHEREAS, the Mayor and Council of the Town of Fountain Hills (the “Town Council”) approved Resolution No. 2003-14, adopting the Town of Fountain Hills Financial Policies (the “Original Financial Policies”) to establish the framework for fiscal planning and management; and

WHEREAS, pursuant to Resolution No. 2003-50, the Original Financial Policies were amended on August 21, 2003 (the “2003 Amended Financial Policies”) to include the Town’s debt policy as reserved under the Original Financial Policies; and

WHEREAS, pursuant to Resolution No. 2009-05, the 2003 Amended Financial Policies were amended and restated on June 18, 2009 (the “2009 Amended Financial Policies”) to incorporate Rainy Day Fund procedures and to make other technical corrections; and

WHEREAS, pursuant to Resolution No. 2010-16, the 2009 Amended Financial Policies were amended on June 17, 2010 (the “2010 Amended Financial Policies”) to modify the sales tax revenues allocation for the Capital Projects Fund; and

WHEREAS, pursuant to Resolution No. 2012-02, the 2010 Amended Financial Policies were amended and restated on June 7, 2012 (the “2012 Amended Financial Policies”) to adopt financial policies consistent with, and to implement, Governmental Accounting Standards Board Statement 54 (“GASB 54”) requirements; and

WHEREAS, pursuant to Resolution 2015-08, the 2012 Amended Financial Policies were amended and restated on Marcy 19, 2015 (the “2015 Amended Financial Policies”) to incorporate the Town’s separate cash handling policies and to update certain provisions of the Town’s debt policy; and

WHEREAS, the Town Council desires to further amend the 2015 Amended Financial Policies to clarify the time requirement in which to: (i) transfer excess revenues collected over budgeted and unexpended appropriations from the General Fund to the Capital Projects Fund; and (ii) establish the Town Council’s budget adoption as the expression of its intent to commit fund balances for the purpose of GASB 54.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS as follows:

SECTION 1. The recitals above are hereby incorporated as if fully set forth herein.

SECTION 2. The document known as Town of Fountain Hills Financial Policies, Amended and Restated November 17, 2016 (the “Amended and Restated Financial Policies”) is hereby adopted in substantially the form and substance attached hereto in Exhibit A and incorporated herein by reference.

SECTION 3. The Mayor, the Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take all steps necessary to carry out the purpose and intent of this Resolution.

PASSED AND ADOPTED BY the Mayor and Council of the Town of Fountain Hills, Arizona, November 17, 2016.

FOR THE TOWN OF FOUNTAIN HILLS:

ATTESTED TO:

Linda M. Kavanagh, Mayor

Bevelyn J. Bender, Town Clerk

REVIEWED BY:

APPROVED AS TO FORM:

Grady E. Miller, Town Manager

Andrew J. McGuire, Town Attorney

EXHIBIT A
TO
RESOLUTION 2016-31

[Amended and Restated Financial Policies]

See following pages.

**TOWN OF
FOUNTAIN HILLS**

FINANCIAL POLICIES
Amended and Restated November 17, 2016

Table of Contents

I.	INTRODUCTION	1
II.	OVERALL GOALS.....	1
2.1	Fiscal Conservatism.....	1
2.2	Maintaining Bond Rating.....	1
2.3	Stability.....	1
2.4	Delivering Quality Services.....	1
III.	FUND BALANCE.....	2
3.1	Fund Balance Categories.....	3
3.2	General Fund.....	4
3.3	Special Revenue Funds.....	6
3.4	Debt Service Funds.....	6
3.5	Capital Projects Fund.....	7
IV.	FINANCIAL PLANNING.....	7
4.1	Adopting Budget.....	7
4.2	Budget Preparation.....	7
4.3	Operating Budget.....	8
4.4	Revenue Sources.....	8
4.5	Revenue Estimate.....	8
4.6	Staffing.....	8
4.7	Budget Preparation Schedule.....	8
4.8	Performance Measurement.....	8
4.9	Efficiency Analysis.....	9
4.10	Department Responsibility.....	9
4.11	Quarterly Report.....	9
4.12	Deficit.....	9
V.	EXPENDITURE CONTROL.....	9
5.1	Budgeted Expenditures.....	9
5.2	Purchasing System and Policies.....	9
5.3	Internal Controls.....	9
5.4	State Expenditure Limit.....	9
5.5	Capitalized Assets.....	10
VI.	REVENUES AND COLLECTIONS.....	10
6.1	Balanced Revenue Base.....	10
6.2	Stable Revenue Base.....	10
6.3	Monitoring Collection.....	10
6.4	Intergovernmental Aid.....	10
6.5	Cost Recovery.....	10
6.6	Growth Revenues.....	11
VII.	USER FEE COST RECOVERY.....	11
7.1	Establishing Fees.....	11
7.2	Recalculation.....	11

VIII.	CASH HANDLING POLICY	11
8.1	Individual Responsibilities.....	11
8.2	Establishing Cash Handling Sites.....	12
8.3	Procedures for Cash Collection.....	12
8.4	Receipts.....	13
8.5	Cash Received in Person.....	14
8.6	Cash Received Through the Mail.....	16
8.7	Check Acceptance.....	16
8.8	Credit Card Acceptance.....	18
8.9	Balancing of Cash Receipts.....	18
8.10	Cash Over & Short.....	19
8.11	Returned Check Procedures.....	20
8.12	Preparation of Deposits (performed by the Finance Division).....	21
8.13	Exceptions to Cash Handling Policy.....	21
8.14	Records Retention.....	21
IX.	DEBT POLICY.....	22
9.1	General.....	22
9.2	Capital Improvement Plan.....	22
9.3	Financing Alternatives.....	25
9.4	Issuance of Obligations.....	27

I. INTRODUCTION

The Mayor and Town Council (the “Town Council”) of the Town of Fountain Hills (the “Town”) understands that principles of sound financial management establish the framework for overall fiscal planning and management. The principles set forth guidelines for both current activities and long range planning. Following these principles will enhance the Town’s financial health as well as its image and credibility with its citizens, the public in general, bond rating agencies and investors. The policies will be reviewed periodically to assure the highest standards of fiscal management. Policy changes will be needed as the Town continues to grow and becomes more diverse and complex in the services it provides, as well as the organization under which it operates, to provide these services to its citizens. The Town Manager and staff have the primary role of reviewing and providing guidance in the financial area to the Town Council.

II. OVERALL GOALS

The overall financial goals underlying these principles are:

- 2.1 Fiscal Conservatism. To ensure that the Town is, at all times, in a solid financial condition, defined as:
 - A. Cash solvency – the ability to pay bills.
 - B. Budgetary solvency – the ability to balance the budget.
 - C. Long run solvency – the ability to pay future costs.
 - D. Service level solvency – the ability to provide needed and desired services.
 - E. Adhering to the highest accounting and management practices as well as the financial reporting and budgeting standards established by the Government Finance Officers Association, by the Governmental Accounting Standards Board (GASB) and by other professional organizations.
- 2.2 Maintaining Bond Rating. To maintain an Aa3 or better bond rating in the financial community to assure the Town taxpayers that the Town government is well managed and financially sound.
- 2.3 Stability. To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the Town’s residents.
- 2.4 Delivering Quality Services. To deliver quality services in an affordable, efficient and cost-effective basis providing full value for each tax dollar.

III. FUND BALANCE

Fund balance is defined as the cumulative difference of all revenues and expenditures, also considered the difference between a fund's assets and deferred outflows of resources and its liabilities and deferred inflows of resources. The purpose of this policy is to establish a key element of the financial stability of the Town by setting guidelines for fund balance. It is essential that the Town maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances. The fund balance also provides cash flow liquidity for the Town's general operations. Fund balance is an important indicator of the Town's financial position and adequate reserves must be maintained to allow the Town to continue providing services to the community during periods of economic downturns and/or unexpected emergencies or requirements.

The level of fund balance is related to the degree of uncertainty that the Town faces. A prudent level of financial resources is necessary to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. With the Town dependency upon State shared income and State sales tax revenues for approximately one third of the General Fund budget, there is increased opportunity for fluctuation. Additionally, a significant portion of Town revenue is received from sales taxes – both state shared and local – which are sensitive to fluctuations in the economy. Therefore, the level of reserves needs to be sufficient to ensure stability in ongoing government operations during a slowdown in the economy or legislative changes to the revenue sharing formula.

Fund balance is one of the most widely used elements of state and local government financial statements by (1) municipal bond analysts through credit reviews and ratings, (2) taxpayer associations, (3) research organizations and oversight bodies, (4) state, county and local legislators and officials, (5) financial statement users and (6) reporters.

Other objectives that influence the size of the fund balance are:

1. Credit reviews performed by municipal bond analysts.
2. Preserving or improving the Aa2 bond rating.
3. Maintaining a positive trend to historical fund balances.
4. Maintaining a rating equal to or better than surrounding communities.

The Governmental Accounting Standards Board (“GASB”) has found that usefulness and value of fund balance information provided is significantly reduced by misunderstandings regarding the message that it conveys and the inconsistent treatment and financial reporting practices of governments. GASB issued a pronouncement, GASB Statement No. 54 (“GASB 54”), which applies to all financial reports of all state and local governmental entities; GASB 54 intended to improve financial reporting by providing fund balance categories and classifications that will be more easily understood.

3.1 Fund Balance Categories. An accounting distinction is made between portions of fund balance that are spendable and nonspendable. These portions are broken into five categories:

- (A) **Nonspendable fund balance**—Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This amount includes inventory, prepaids, and non-current receivables such as long-term loan and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).
- (B) **Restricted fund balance**— Includes amounts that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance means “restricted net assets” as defined in the government-wide Statement of Net Assets, GASB Statement No. 34, as amended by GASB Statement No. 46.
- (C) **Committed fund balance**—Includes amounts that are committed for specific purposes by formal action of the Town Council. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. The action to commit fund balances must occur prior to year end; however, actual amounts can be determined in the subsequent period.
- (D) **Assigned fund balance**—Includes amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town Council itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the Town Council. This assignment would include any activity reported in a fund other than the General Fund that is not otherwise restricted more narrowly by the above definitions. The Town is not allowed to assign balances that result in a residual deficit.
- (E) **Unassigned fund balance**—Includes any remaining amounts after applying categories (A)-(D) above (amounts not classified as nonspendable, restricted, committed or assigned). Planned spending in the subsequent year’s budget would be included in the unassigned fund balance category. The General Fund is the only fund that will report a positive unassigned balance.

3.2 General Fund.

The fund balance of the Town General Fund may consist of up to five components, as described previously. In order to satisfy the objective of maintaining a bond rating equal to or better than surrounding peer communities, a combined General Fund operating fund balance of at least 30% of revenues is recommended.

- A. Committed Fund Balance. The Town will maintain a committed fund balance in the General Fund of 20% of the average actual General Fund revenues for the preceding five fiscal years, indicating stable fiscal policies. The maintenance of this fund balance is a particularly important factor considered by credit rating agencies in their evaluation of the credit worthiness of the Town. It is of primary importance that the Town's credit rating be protected.
- (1) Rainy Day Fund to be Maintained. As a component of the Committed fund balance, the Town will maintain a Rainy Day Fund, separate and apart from the Unassigned General Fund, which shall be designated for use in the event of an unanticipated expenditure or loss of revenue. The Rainy Day Fund balance at the end of any fiscal year will be equal to a minimum of 20% of the average actual General Fund revenues for the preceding five fiscal years. This contingency will provide for the temporary financing of an unforeseen nature for that year. Expenditures for these emergency or unforeseen appropriations can only be undertaken with Town Manager approval and only if funds are not available in the department requesting the funding.
 - (2) Guidelines for Rainy Day Fund. In order to achieve the objectives of this policy, and to maintain sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing, the following guidelines shall be adhered to by the Town Manager, Town staff and Town Council:
 - (a) Deposit Rules. At the end of each fiscal year, the Town Council shall transfer 5% of any surplus revenues (before transfers to the Capital Projects Fund) to the Rainy Day Fund. Deposits shall be made as set forth herein until the Rainy Day Fund balance is equal to at least 20% of the average actual General Fund revenues for the preceding five fiscal years.
 - (b) Use Rules. Rainy Day Funds may only be expended for any one of the following purposes or under the following circumstances:
 - (i) To replace the loss of more than 25% of the Town's local share of State shared revenues received pursuant to ARIZ. REV. STAT. § 43-206.

- (ii) For any event that threatens the health, safety or welfare of the Town's citizens.
 - (iii) For any event that threatens the fiscal stability of the Town.
 - (iv) To address any matter declared as an emergency by the Governor or the Mayor.
- (c) Withdrawal Rules. All withdrawals from the Rainy Day Fund shall be subject to the following rules:
- (i) Any appropriation shall require the approval by at least 2/3 of the entire Town Council.
 - (ii) The maximum amount of Rainy Day withdrawals in any fiscal year shall not exceed one-half of the total balance in the Fund.
- (d) Replenishment Rules. Any amounts withdrawn from the Rainy Day Fund shall be replenished as follows (and such repayment shall be in addition to the annual deposits set forth above):
- (i) All amounts shall be repaid in not more than five years, in annual installments of not less than 1% of the previous fiscal year General Fund balance.
 - (ii) Repayments shall be appropriated as part of the annual budget adoption.
- B. Assigned Fund Balance. The Town will maintain an assigned fund balance in the General Fund of a minimum 10% of the average actual General Fund revenues for the preceding five fiscal years. This assigned fund balance will be assigned for (1) "pay-as-you-go" capital project expenditures, (2) vehicle or equipment replacement, (3) prepaying or defeasing existing Town debt or (4) any other expenditure that is non-recurring in nature. The 10% is the minimum and may be increased to accelerate accumulation of funds for a large capital expenditure. To the extent these balances are expended, additional funds necessary to restore this additional 10% amount will be provided in at least approximately equal contributions during the five fiscal years following the fiscal year in which the event occurred. The assigned General Fund balance can be authorized for expenditure only in accordance with Resolution 2012-02 adopted by the Mayor and Town Council on June 7, 2012, as may be amended from time to time.
- C. Unassigned Fund Balance. Funds in excess of the balances described in the preceding paragraphs will be unassigned General Fund balance, unless otherwise assigned in accordance with GASB 54. By Resolution, the Town Council has allocated General Fund surplus funds to be (1) transferred to the Rainy Day Fund,

(2) used to supplement “pay as you go” capital expenditures in the Capital Projects Fund or (3) used to prepay or defease existing Town debt. These funds may not be used to establish or support costs that are recurring in nature. Any excess revenues collected over budgeted and unexpended appropriations not needed to meet fund balance requirements will be transferred to the Capital Projects Fund.

During the annual budget process, the Town Manager will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned General Fund balance. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis.

The Finance Director is authorized to assign available fund balance for specific purposes in accordance with GASB 54. It is the policy of the Town that expenditures for which more than one category of fund balance could be used, that the order of use is: Nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.

These guidelines will be reviewed by the Town Manager periodically following adoption (or sooner at the direction of the Town Council).

3.3 Special Revenue Funds.

- A. HURF. The Highway User Revenue Fund (“HURF”) is restricted in use solely for street and highway purposes. The fund depends upon State shared revenues for over 90% of annual revenues. The restricted fund balance will be based on the minimum requirement as specified in the schedule for projects funded with Special Revenue or grant funds. The schedule will be reviewed on an annual basis to determine the required amount to be set aside as restricted fund balance.
- B. Excise Tax Funds. The excise tax funds are committed funds that the Town Council may dedicate for specific purposes by resolution or as part of the annual budget adoption.

3.4 Debt Service Funds.

The Debt Service Fund is established for the payment of principal and interest on bonded indebtedness and as such is a restricted fund. Revenues are derived from a property tax levy, pledged excise taxes, municipal property lease payments and shared revenues. Revenues are received in amounts sufficient to pay the annual debt service payment; therefore, the restricted fund balance will be no less than the annual debt service payment due on July 1 of the new fiscal year and no more than the annual debt service payment due on July 1 plus an amount equal to the average annual delinquency factor based on the prior three years’ delinquency rates.

3.5 Capital Projects Fund.

A Capital Projects Fund has been established to allow the Town to accumulate monies for (1) purchase of land or buildings, (2) improvements to Town-owned properties, (3) grant matches associated with capital improvements, (4) public safety projects and equipment purchases, (5) economic development projects and (6) such other capital projects as determined by the Town Council. The Capital Projects Fund will be funded by: (A) sales of real and personal property belonging to the Town; (B) General Fund transfer of any excess revenues (from the prior fiscal year) collected over budgeted and unexpended appropriations not needed to meet fund balance requirements or re-appropriation; and (C) interest earnings on the balance of the fund invested per the Town's investment policy. Accounted for separately, but considered part of the Capital Projects Fund, are accumulated development fees collected pursuant to ARIZ. REV. STAT. § 9-463.05 that are assessed on new construction for the purpose of funding growth. These funds are restricted to growth-related capital expenditures as designated in the Town's adopted Infrastructure Improvements Plan. The fund balance will be established each fiscal year during the budget process depending on planned expenditures but cannot exceed accumulated revenues. The Town shall first be entitled to recoup the cost of any capital improvements, infrastructure, marketing or sales-related costs associated with the disposition of property before crediting the Capital Projects Fund (for funds other than development fees). The Town Council may approve the uses of the Capital Projects Fund as a part of its annual budget or by motion and affirmative vote at the time the expenditures are approved.

IV. FINANCIAL PLANNING

Financial planning refers to the process of identifying resources and allocating those resources among competing purposes. The primary vehicle for this planning is the preparation, monitoring and analyses of the Town's budget. It is increasingly important to monitor the performance of the programs competing to receive funding.

- 4.1 Budget Adoption. The Town Manager shall prepare a proposed annual budget, which shall be submitted to the Town Council and the public for review in accordance with ARIZ. REV. STAT. § 42-17001, *et seq.* The Town will budget revenues and expenditures on the basis of a fiscal year beginning July 1 and ending the following June 30. The Town Council will adopt the budget no later than June 30. By adopting the budget and the various funds set forth therein, the Town Council expresses its intent to commit fund balances for the purpose of GASB 54 classifications. The Town Manager shall execute the Town Council policies as set forth in the finally adopted budget.
- 4.2 Budget Preparation. The Town Manager or authorized designee will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program. The proposed budget will contain the following:
 - A. Revenue estimates by major category, by major fund.

- B. Expenditure estimates by department levels and major expenditure category, by fund.
 - C. Estimated fund balance by fund.
 - D. Debt service by issue detailing principal and interest amounts by fund.
 - E. Proposed personnel staffing levels.
 - F. A detailed schedule of capital projects, including a capital improvement program.
 - G. Any additional information, data, or analysis requested of management by the Town Council.
- 4.3 Operating Budget. The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues, creating a balanced budget. The Town will not balance the current budget at the expense of meeting future years' expenditures; for example, accruing future years' revenues or rolling over short-term debt to avoid planned debt retirement.
- 4.4 Revenue Sources. Ongoing operating costs should be supported by ongoing, stable revenue sources. This policy protects the Town from fluctuating service levels and avoids crises when one-time revenues are reduced or removed. Revenues from growth or development should be targeted to costs related to development, or invested in improvements that will benefit future residents or make future service provision efficient.
- 4.5 Revenue Estimate. The Town Manager will provide an estimate of the Town's revenues annually for each fiscal year, as well as estimates of special (grant, excise tax, etc.) revenues and interfund transfers.
- 4.6 Staffing. The budget will fully appropriate the resources needed for authorized regular staffing. At no time shall the number of regular full-time employees on the payroll exceed the total number of full-time positions authorized by the Town Council. All personnel actions shall be in conformance with applicable Federal and State law and all Town ordinances and policies.
- 4.7 Budget Preparation Schedule. Annually, the Town Manager shall provide a budget preparation schedule outlining the preparation timelines for the proposed budget. Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to Town Departments in a timely manner for the Department's completion. Department Directors shall prepare and return their budget proposals to the Administration Department, as required in the budget preparation schedule.
- 4.8 Performance Measurement. Performance measurement indicators will be integrated into the budget process as appropriate.

- 4.9 Efficiency Analysis. Alternatives for improving the efficiency and effectiveness of the Town's programs and the productivity of its employees will be considered during the budget process. Duplication of services and inefficiency in service delivery should be eliminated wherever they are identified.
- 4.10 Department Responsibility. Department Directors are required to monitor revenues and control expenditures to prevent exceeding their total departmental expenditure budgets. Department Directors shall immediately notify the Town Manager of any exceptional circumstances that could cause a departmental expenditure budget to be exceeded.
- 4.11 Quarterly Report. A quarterly report on the status of the General Fund budget and trends will be prepared within 60 days of the end of each quarter by the Town Manager or authorized designee. In addition, the quarterly report shall include revenue and expenditure projections through the end of the fiscal year.
- 4.12 Deficit. If a deficit is projected during any fiscal year, the Town will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Rainy Day Fund, to the extent necessary to ensure a balanced budget at the close of the fiscal year. The Town Manager may institute a cessation during the fiscal year on hirings, promotions, transfers and capital equipment purchases. Such action will not be taken arbitrarily or without knowledge and support of the Town Council.

V. EXPENDITURE CONTROL

The Town Manager shall ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with all applicable legal requirements.

- 5.1 Budgeted Expenditures. Expenditures will be controlled by an annual budget at the departmental level. The Town Council shall adopt appropriations through the budget process. Written procedures will be maintained for administrative approval and processing of certain budget transfers within funds.
- 5.2 Purchasing System and Policies. The Town will maintain a purchasing system that provides needed materials in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the Town's purchasing policies, guidelines and procedures and applicable State and Federal laws. The Town will endeavor to obtain supplies, equipment and services as economically as possible.
- 5.3 Internal Controls. Expenditures will be controlled through appropriate internal controls and procedures in processing invoices for payment.
- 5.4 State Expenditure Limit. The State of Arizona sets a limit on the expenditures of local jurisdictions. The Town will comply with these expenditure limitations and will submit an audited expenditure limitation report, audited financial statements and audited reconciliation report as defined by the Uniform Expenditure Reporting System (ARIZ. REV. STAT. § 41-1279.07) to the State Auditor General each year.

- 5.5 Capitalized Assets. All assets of \$10,000 or more will be capitalized and recorded in the Town of Fountain Hills Summary of Capital Assets.

VI. REVENUES AND COLLECTIONS

All government employees are considered stewards of public funds. In order to provide funding for service delivery, the Town must have reliable revenue sources. These diverse revenues must be collected equitably, timely and efficiently.

- 6.1 Balanced Revenue Base. The Town's goal is a General Fund revenue base that is equally balanced between sales taxes, State shared revenues, property tax, service fees and other revenue sources.
- 6.2 Stable Revenue Base. The Town will strive for a diversified and stable revenue base to shelter it from economic changes or short-term fluctuations and in any one revenue source by doing the following:
- A. Establishing new charges and fees as needed and as permitted by law at reasonable levels.
 - B. Pursuing legislative change, when necessary, to permit changes or establishment of user charges and fees.
 - C. Aggressively collecting all revenues, late penalties, outstanding taxes owed and related interest as authorized by law.
- 6.3 Monitoring Collection. The Town Manager or authorized designee will monitor all taxes to ensure they are equitably administered and collections are timely and accurate. Fees and charges should be based on benefits and/or privileges granted by the Town, or based on costs of a particular service.
- 6.4 Intergovernmental Aid. The Town Manager or authorized designee should pursue intergovernmental aid for those programs and activities that address a recognized need and are consistent with the Town's long-range objectives. Any decision to pursue intergovernmental aid should include the consideration of the following:
- A. Present and future funding requirements.
 - B. Cost of administering the funds.
 - C. Costs associated with special conditions or regulations attached to the grant award.
- 6.5 Cost Recovery. The Town will attempt to recover all allowable costs (both direct and indirect) associated with the administration and implementation of programs funded through intergovernmental aid. In the case of the Fountain Hills Unified School District, the Town may determine to recover less than full cost of services provided. In the case of

State and Federally mandated programs, the Town will attempt to obtain full funding for the service from the governmental entity requiring the service be provided. Allowable costs will be determined based upon a “Cost Allocation Study” prepared periodically.

- 6.6 Growth Revenues. Local sales tax revenues are derived from several sources with a significant portion from construction related activity. To ensure that the revenues from growth or development are targeted to costs related to development, or invested in improvements that will benefit future residents or make future service provision efficient, the Town will designate 50% of those one-time revenues to the Capital Projects Fund. Monthly, these revenues will be transferred from the General Fund to the Capital Projects Fund for future appropriation.

VII. USER FEE COST RECOVERY

User fees and charges are payments for voluntarily-purchased, publicly-provided services that benefit specific individuals. The Town relies on user fees and charges to supplement other revenue sources in order to provide public services.

- 7.1 Establishing Fees. The Town may establish user fees and charges for certain services provided to users receiving a specific benefit. User fees and charges will be established to recover as much as possible the direct and indirect costs of the program or service, unless the percentage of full cost recovery has been mandated by specific action of the Town Council. It is recognized that occasionally competing policy objectives may result in reduced user fees and charges that recover a smaller portion of service costs.
- 7.2 Recalculation. Periodically, the Town will recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs.

VIII. CASH HANDLING POLICY

Collecting and controlling cash at the Town are very important functions. The Customer Service Representatives and Permit Technicians are the Town’s cash handling agents. Strong internal controls for cash collection and handling are necessary to prevent mistreatment of Town funds and to safeguard and protect employees from unwarranted charges of mishandling funds.

Historical practices shall not constitute justification for deviation from these procedures. The material contained in this Section supersedes any previous policies and procedures regarding the handling of cash followed within the Town and/or within Departments. The Finance Division will conduct periodic reviews of cash handling procedures. Any amendments to the policies require Town Council approval, but the Town Manager may make interpretations and exceptions to the policies contained in this Section as more particularly set forth in Subsection 8.13 below.

- 8.1 Individual Responsibilities. All cash transactions are to be processed by Town staff (including cash, credit cards, checks, etc.) and not volunteers. Any Department Director or manager with responsibilities for managing Town cash receipts and those employees who are entrusted with the receipt, deposit and reconciliation of cash for Town-related

activities shall be responsible for knowledge of and compliance with this Section VIII. A reference to this Section should be included as part of all departmental policies and procedures.

8.2 Establishing Cash Handling Sites. Ideally, from a control perspective, collecting and controlling cash should be centralized in one location; however, that is not always possible or practical. As a result, the collection of money is, in part, decentralized. The Finance Division must authorize all cash handling sites, including one-time requests for cash for special events. Departments requesting status as a cash handling site (or special events where money is being collected and a cash float is needed) must submit a request to the Finance Division at least 24 hours prior to the special event that includes:

- A. Reason(s) why cash handling site or cash float is needed.
- B. A list of the personnel involved with the cash handling site, descriptions of their duties and how segregation of duties will be maintained.
- C. Whether a change drawer will be needed.
- D. A description of the reconciliation process, including frequency of reconciliation.
- E. A description of the process for safeguarding cash until it is deposited.
- F. A schedule of how often and where cash deposits will be made.

8.3 Procedures for Cash Collection.

- A. “Cash” is defined as any of the following accepted methods of payment for Town transactions:
 - (1) Cash (coin and currency).
 - (2) Checks (made payable to the Town, no third party checks).
 - (3) Credit Cards (MasterCard, Visa, Discover, American Express-ACTIVE Net only).
 - (4) Money Orders.
- B. Cash should be physically protected through the use of vaults, safes, cash registers, etc. Each Department is responsible to make the necessary provisions to properly safeguard the cash receipts in its area and maintain the necessary safe or vault that will ensure the security. Generally, any amount of cash on hand must be maintained in a vault or heavy safe (one which cannot be easily moved by two persons using a hand cart). Cash should not be retained in desk drawers or standard file cabinets without a locking mechanism; petty cash must be secured in a locked file cabinet and keys should be secured separately.

- C. The cash drawer should be kept shut when not in use and after each transaction. The cash drawer, when open, should not be left unattended when it contains money. The contents of cash drawers should be placed in a safe, vault, or an approved, locked location after each day; all safes are to be kept locked.

8.4 Receipts.

- A. Procedures must be in place to record the daily beginning and ending receipt numbers of the cash register, and include safeguards to prevent manipulation of register totals, receipt numbers, etc. Automatic numbering of receipts through a computerized system is an acceptable alternative.
- B. Receipts should be generated from either receipt books or cash register receipt system.
- C. Cash registers must be programmed to issue receipts, which shall contain all information required by the accounting system to properly credit and track payments.
- D. Receipt books, if issued for special events, must be issued in sequential order. All books should be accounted for from the time of delivery and returned to the Finance Division.
- E. Only those receipt books that have been distributed by the Finance Division may be used.
- F. At a minimum, sequential, pre-numbered receipt forms must contain the following information:
 - (1) Date issued.
 - (2) Cashier and/or Department issuing the receipt.
 - (3) Name of payor (not the department name or revenue source).
 - (4) Net amount received.
 - (5) Sufficient information to identify the purpose of the payment.
 - (6) Form of payment (cash, check, credit card, etc.).
- G. The receipt forms should also:
 - (1) Contain all available identifying numbers and other pertinent, descriptive information including invoice numbers.

- (2) Be issued in a minimum of two copies, one for the payor and one to accompany the deposit.
- (3) Never be altered; if any type of change is necessary, all copies of the receipt must be clearly marked “void” and a new receipt issued.
- (4) Be filed sequentially and retained by the Department (including void receipts).

8.5 Cash Received in Person.

- A. When a customer produces a mutilated bill (where a portion is missing), the receiver should request that the customer have a bank redeem the bill. No bill will be considered for acceptance if both serial numbers are not present.
- B. A printed receipt must be issued for each payment received when the customer pays in person. At a remote location (for special events), manual pre-numbered receipts may be used when cash register receipts are not available.
- C. Departments may not accept post-dated checks, IOU’s, or third party checks.
- D. All cash received must be recorded through the computerized accounting system (MUNIS and/or ACTIVE Net) with computer-generated official Town cash receipts. When a cash handling site with a computerized accounting system has to use temporary cash receipts, those temporary receipts must be converted over to computerized receipts as soon as possible. If the conversion cannot be accomplished within 48 hours, the cash should be deposited into the Department’s safe and tracked in detail until it is recorded on the computerized accounting system.
- E. The customer must be presented an official Town receipt form with a duplicate record being retained by the receiving Department. All numbered receipts must be accounted for, including the original of voided receipts.
- F. The cash handling site must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing, disbursement and reconciling.
- G. The procedures below are to be followed to safeguard the employee and the cash:
 - (1) Account for cash as soon as it is received – count the cash in front of customer.
 - (2) Keep cash received in view of the customer until the transaction is complete.
 - (3) If change is required, count all cash and change in front of customer.

- (4) Reconcile the funds received to the computerized accounting system cash report or to the total of the temporary receipts at the end of the day or at the end of each shift and balance the receipts as set forth in Subsection 8.9.
- (5) Immediately place all cash in a cash drawer, safe or other secure place until deposited. A secure area for processing and safeguarding funds received should be provided and restricted to authorized personnel.
- (6) Personal transactions with Town cash funds are prohibited. Monies may never be borrowed nor loaned from cash funds, nor may personal checks be cashed from receipts.
- (7) All employees paying for Town services (rentals, movie tickets, animal license, business license, etc.) must be rung up by a different employee under a separate user ID.
- (8) Deposit all cash intact and not intermingled or substituted with other cash.
- (9) Pay refunds or expenditures through the appropriate Town bank account on a Town-generated check from the main accounts payable account or petty cash for the smaller accounts. If the original payment was made using credit/debit card, then refunds will be issued through the credit card per credit card regulations.
- (10) Provide printed receipts generated by the point of sale (POS) program for every transaction involving money.
- (11) Voided cash receipts must be approved and initialed by a supervisor before the daily deposit is done, noting the reason for voiding the transaction.
- (12) Deposit daily cash report and cash promptly at the end of each day into the Finance Division safe.
- (13) Place cash in amounts over \$500.00 in the Finance Division safe immediately following the transaction until the end of day close out.
- (14) Cashiers should enter transactions using their personal logins (switch user) during a single shift.
- (15) All packaged coin or strapped currency received as payment should be removed from the package or straps and verified.

H. Cashing checks from Town deposits, borrowing cash for personal use, lapping receipts to cover shortages in cash receipts, withholding checks for deposit in order to float checks, commingling personal and Town funds and modifying cash

records are all serious offenses and may result in discipline up to and including immediate discharge from employment.

8.6 Cash Received Through the Mail.

- A. When mail is opened, if the cash received is not credited directly into the appropriate Town account or issued a receipt through a computerized accounting system, a log of the checks, credit card transactions and or cash should be prepared and submitted to the Finance Division. The log should include the customer's name, amount received, check number and any other information available that may assist in proper allocation of the funds. The envelope also should be retained as part of the records.
- B. When mail is opened, checks must be endorsed promptly with a restrictive endorsement stamp. Checks must be stored in a safe or other secure place approved by the Finance Division until deposited.
- C. Unidentified receipts must be deposited to a depository account approved for such purposes. All reasonable attempts should be made to identify the correct account and transfer the funds.

8.7 Check Acceptance.

- A. The Federal Reserve has established a regulation to standardize check endorsements:
 - (1) Checks must be made payable to the Town of Fountain Hills and endorsed promptly with a restrictive endorsement stamp payable to the Town of Fountain Hills. The endorsement stamps must be distributed by the Finance Division; this stamp protects the check if lost or stolen.
 - (2) All depositor's endorsements are limited to the top 1.5 inches on the back side of the check, at the trailing edge of the check. This area is where endorsements are normally placed. If you look at the face of the check, the endorsement area is directly behind where "Pay to the Order of" is printed.
 - (3) Any check that has been endorsed may not be returned to the customer. Any marks below the 1.5 inches on the check may obscure the bank routing number, cause delays in returning checks, and forfeit the Town's right to recovery. The purpose of this regulation is to speed collection and returns.
 - (4) The endorsement must include the following:

FOR DEPOSIT ONLY
TOWN OF FOUNTAIN HILLS
[Account Number]

- (5) Checks should have the customer information pre-printed on the face of the check. Bank issued/generated checks are acceptable.
 - (6) Personal checks from employees for cash may not be cashed at any counter in a Town facility.
 - (7) Checks or credit card transactions will not be cashed or processed for more than the amount of purchase. Departments are not authorized to return currency to the payor in the event that the check exceeds the amount due to the Town.
- B. Be sure that the name, branch, city and state where the drawer's bank is located is printed on the check.
- C. The Town will not accept a check that is:
- (1) Illegible or not written out clearly; checks should be written out in blue or black ink only.
 - (2) For anything other than the exact amount (no change will be given).
 - (3) A third party check (that is, checks made out to someone other than the Town).
 - (4) Altered or changed.
 - (5) Undated, post-dated or stale dated (older than six months).
 - (6) Not signed.
 - (7) A starter check, i.e. a check without the name, address and check number on the face of the check.
 - (8) Not in U.S. funds.
 - (9) From a foreign bank, even if payable in U.S. funds.
 - (10) Transfer checks.
- D. If the written amount on a check does not match the numerical amount, the written amount will govern.
- E. Money orders should be filled out by the customer in the presence of Town staff; the customer must countersign and write Town of Fountain Hills in the payee section.

8.8 Credit Card Acceptance.

- A. Credit cards accepted are Visa, MasterCard, Discover and American Express (ACTIVE Net only).
- B. When presented with a credit card, the Department cashier shall:
 - (1) Verify that the card has not been altered and is not expired.
 - (2) Check customer identification to verify that the name on the card and the account name are the same, unless someone is paying for other family members.
 - (3) Retain the credit card until the transaction is complete.
 - (4) Enter the credit card transaction by swiping the card through the terminal on the keyboard; if the keyboard does not have a terminal, the swipe reader is not functioning or payment is being taken over the telephone, the credit card number should be entered manually when prompted by ACTIVE Net or Class software programs.
 - (5) If the credit card information is being input from a paper registration form that includes the card number and payor signature, shred or permanently mark over the portion of the form that includes the credit card information as soon as the transaction is complete and the card is accepted.
 - (6) If receiving credit card information over the phone, verify the caller's name as it appears on the card, verify the amount to be processed, enter the credit card number, expiration date and security code directly into the ACTIVE Net or Class program – immediately shred any piece of paper where the information can be viewed or taken.

8.9 Balancing of Cash Receipts.

- A. All funds collected must be balanced daily, by mode of payment, by comparing the total of the cash, checks and credit cards to the computerized accounting reports, to the manual receipts totals, including the totals of the money received by mail. All cash receipts and supporting documentation (daily deposit slip, system receipts, and system reports) should be transferred daily to the accounting system and all discrepancies should be resolved before the end of the day/shift.
- B. Daily cash counts and reconciliations will be performed on a random basis by the Accountant or other senior Finance Division staff member. These reconciliations should be signed and dated by the reviewer. The total monthly receipts should be balanced with the monthly bank account statements and accounting system monthly reports and all discrepancies should be resolved.

- C. Currency and coin must be reconciled separately from checks, credit cards and money orders by comparing actual cash received to the cash total from the cash report or to the sum of the cash sales from the manual receipts.
- D. Over/short amounts must be separately recorded, investigated and resolved to the extent possible as set out in the over/short portion of this Section.
- E. Because balancing can be a time-consuming task and requires attention to detail, it is recommended that each cashier pre-balance his/her own drawer periodically during the day.

NOTE: On the rare occasion that a check needs to be forwarded to another party by the Town of Fountain Hills, the check cannot be endorsed. Any of the following positions are authorized to approve this receipt without endorsement: the Town Manager, the Finance Director and the Town Clerk. Approval to accept this instrument in this manner requires approval from one of the Town's authorized signatories in writing prior to the presentation of the instrument.

- F. End of day close out process for cash collection points includes the following:
 - (1) Two signatures on the daily cash report before submitting to the Finance Division.
 - (2) Total deposit must match the printed report from the software program.
 - (3) Deposits are turned in daily and deposited in the Finance Division safe by the responsible party.

8.10 Cash Over & Short.

- A. A daily accounting of cash received should be balanced against the total amount on the daily reports run by the Department. Any amount that is over or short shall be reported on the same day to the Department Director and the Accountant.
- B. The discipline procedures set forth below should be followed if the established dollar limits and frequency of overages and/or shortages are exceeded. The current established dollar limit is five dollars. A log should be established to record any overages and shortages, and the employee's name and date. Patterns, frequencies and inconsistencies should be noted on the employee's performance review. Overages or shortages of \$50.00 or more are to be reported to the Finance Director.
- C. Warnings or exceptions involving cash overages or shortages shall be retained in the employee's permanent file.

- D. If the shortage is the result of a suspected or documented theft, the shortage must be reported immediately and in writing to the Accountant, the Finance Director and the Town Manager who will submit to law enforcement for investigation, regardless of amount.
- E. Employees who handle cash are expected to be careful and accurate and to balance their funds each day without overages or shortages. Failure to follow internal controls and checks and balances as approved by the Finance Division is considered to be at least negligence and could be considered misconduct subject to the following disciplinary procedures:
 - (1) Verbal Warning. A verbal warning will be given if an employee has:
 - (i) Two or more over/shorts in any 90-day period (regardless of the amount).
 - (ii) Cumulative over/shorts of \$75.00 or more in any 30-day period.
 - (2) Written Warning.
 - (i) After an employee has received two verbal warnings, the third warning will be in the form of a written warning. A fourth warning will be subject to disciplinary action as determined by the Department Director.
 - (ii) A written warning will be issued if an employee exceeds a cumulative total of \$100.00 or more cash short in any month regardless of the number of verbal warnings.

8.11 Returned Check Procedures.

- A. Any checks returned by the Town's depository bank as uncollected shall be sent to the Finance Division. Examples of returned checks include: non-sufficient funds (NSF), account closed, payor's signature missing, refer to maker and post-dated or stale-dated checks.
- B. When a check is returned, the Finance Division prepares a negative entry to the revenue journal, debiting the originating account for the amount of the check and at the same time assessing a service fee in the amount set forth in the Town's adopted fee schedule. It is the responsibility of the Department that was credited with the revenue to notify the check writer and use due diligence to collect the amount of the check and the service fee. The check writer will be prohibited from receiving Town services until the Town is paid the full amount, plus the returned check fee. Restitution should be in the form of currency, money order, cashier's check or certified check. The Finance Division will maintain an aging report on all non-collectable items; this report will be submitted monthly to the Finance Director.

- C. When restitution is obtained, the same account should be used that was used on the negative entry and the deposit should be transferred to the Customer Service Representative for inclusion in the daily deposit.
- D. If after proper due diligence is performed, collection has not been made, the Accountant may be consulted regarding returned items that remain uncollected for further action through the State.

8.12 Preparation of Deposits (performed by the Finance Division).

- A. The Finance Division shall prepare all deposits.
- B. All checks must be made payable to Town of Fountain Hills and endorsed. A calculator tape of the checks should be included with the checks bundled together.
- C. Cash must be recorded on the deposit slip in the appropriate space.
- D. Only depository-issued deposit slips, including the appropriate account number(s) and sub-code(s) are to be used.
- E. Someone not involved with collecting the cash, opening the mail or reconciling the deposit must prepare the deposit.
- F. Deposit from the Municipal Court should be secured in locking deposit bags, which are available from the bank.
- G. Trips to the bank should be at random times during each day.

8.13 Exceptions to Cash Handling Policy.

- A. Any exception to this Section **must** be approved in writing by the Department Director and requires the concurrence of the Finance Director. For example, in cases where there is not enough staff available to maintain complete separation of duties, an alternate process to safeguard Town funds must be established and approved by the Finance Director. Requests for exceptions to these procedures must be submitted to the Finance Director in writing.
- B. Town personnel are prohibited from depositing Town cash into checking or other bank accounts unless the account has been set up by the Finance Division.

8.14 Records Retention. All cash receipts and related documents must be maintained in accordance with Records Retention Schedules pursuant to ARIZ. REV. STAT. §§ 39-101 through 39-103 and 41-151.15 through 41-151.19. Accounting reports, deposit slips, credit card receipts, copies of manual cash receipts, etc. should be kept for the period specified by the Records Retention Schedules.

IX. DEBT POLICY

The purpose of this debt policy is to provide for the preservation and enhancement of the Town's bond ratings, the maintenance of adequate debt service reserves, compliance with debt instrument covenants and provisions and required disclosures to investors, underwriters and rating agencies. The Town's overall debt management policy is to ensure that financial resources are adequate in any general economic situation to not preclude the Town's ability to pay its debt when due.

These policies are meant to supplement the legal framework of public debt laws provided by the Arizona Constitution, State Statutes, Federal tax laws and the Town's current bond resolutions and covenants.

9.1 General.

- A. The Town will (1) use current revenues to pay for short-term capital projects, repair and maintenance items and (2) reserve long-term debt for capital improvements with useful lives of ten years or more. The Town will not use long-term debt to fund current governmental operations and will manage its cash flow in a fashion that will prevent any borrowing to meet working capital needs. However, exclusive reliance upon "pay-as-you-go" funds for capital improvements requires existing residents to pay for improvements that will benefit new residents who relocate to the area after the expenditure is made. Financing capital projects with debt provides for an "intergenerational equity," as the actual users of the capital asset pay for its cost over time, rather than one group of users paying in advance for the costs of the asset. Where there is a benefit to all future residents, debt financing should be given consideration.
- B. To increase its reliance on current revenue to finance its capital improvements, and promote a "pay-as-you-go" philosophy, the Town will appropriate each year a percentage of current revenues to maintain a minimum 10% of average actual General Fund revenues for the preceding five fiscal years in the assigned fund balance.

9.2 Capital Improvement Plan.

- A. As part of the budget process each year, the Town Manager or authorized designee will prepare a capital spending plan that provides a detailed summary of specific capital projects for the five fiscal years subsequent to the fiscal year presented. The plan will include the name of the project, project schedule, capital cost by fiscal year and a recommended specific funding source. The five year capital improvement plan will be developed within the constraints of the Town's ability to finance the plan.
- B. The Town Manager and Department Directors will develop formal ranking criteria that will be used in the evaluation of all capital projects. The ranking criteria will give greatest weight to those projects that protect the health and

safety of its citizens. “Pay-as-you-go” project financing shall be given the highest priority. Capital improvements that must rely upon debt financing shall be accorded a lower priority and projects with a useful life of less than ten years shall not be eligible for inclusion in bond issues except in extraordinary circumstances.

- C. Lease-purchase financing shall be undertaken only when the project is considered essential to the efficient operation of the Town or to remove expenditures that would exceed the State-imposed expenditure limitation. The Town Manager or authorized designee shall be responsible for ensuring that “pay-as-you-go” expenditures do not cause the State-imposed expenditure limitation to be exceeded in any fiscal year.
- D. All capital project requests will be accompanied by a description of the sources of funding to cover project costs. Where borrowing is recommended, a dedicated source of funds to cover debt service requirements must be identified. All capital project requests will be required to identify any impact the project may have on future operating costs of the Town. The Town will seek grants to finance capital improvements and will favor those projects that are likely to receive grant money.
- E. All capital project appropriations and amendments to the capital improvement plan must be approved by the Town Council.
- F. The capital plan will include all equipment and facilities with a useful life of greater than ten years and a cost greater than \$50,000. Debt financing shall not exceed the useful life of the infrastructure improvement or asset.
- G. The following steps shall be used to prepare the Capital Improvement Program (“CIP”):
 - (1) Establish Capital Improvement policies, including:
 - (a) Time period the CIP will cover.
 - (b) Facilities/equipment that will be included in the CIP.
 - (c) How acquisition of multiple items (e.g., computers) will be treated.
 - (d) Identification of projects that are expected to be undertaken, but fall outside the time horizon of the plan.
 - (2) Adopt standards to rank project requests.
 - (a) Projects that address a public health or safety concern are given top priority.

- (b) Projects mandated by a court of competent jurisdiction or a government with authority over the Town are equal with public health or safety.
 - (c) Major maintenance (preservation of assets).
 - (d) Replacement of obsolete equipment (improving efficiency).
 - (e) Expansion to meet demand caused by growth.
 - (f) Coordination of projects to achieve cost savings.
 - (g) Availability of cash to finance improvements from current revenues.
 - (h) Acquisition of open space.
- (3) Perform and maintain a capital inventory and identify useful life.
 - (4) Identify projects.
 - (a) Status review of previously approved projects.
 - (b) Identification of new projects.
 - (c) Assess capital project alternatives.
 - (d) Complete project request forms.
 - (5) Assess funding sources.
 - (a) Available grants.
 - (b) Development fees shall be utilized to fund capital projects before “pay-as-you-go” and bond issuance financing.
 - (c) Developer contributions.
 - (d) Private contributions.
 - (e) Issuance of securities.
 - (f) Capital leases.
 - (6) Approve the CIP and Budget.
 - (a) Town Council review.

- (b) Public hearing.
- (c) Adoption of the CIP and capital budget.

All capital project requests will be accompanied by a description of the sources of funding to cover project costs. Where borrowing is recommended, the source of funds to cover debt service requirements must be identified. All capital project requests will be required to identify any impact the project may have on future operating costs of the Town.

Department Directors will submit detailed descriptions of the useful life of capital projects submitted in conjunction with the preparation of the Town's CIP. The Town Manager shall incorporate an estimate of the useful life of proposal capital improvements in developing an amortization schedule for each bond issue. If a short-lived asset or project (less than ten years) is included in a bond issue then the bond amortization schedule shall be adjusted to reflect the asset's rapid depreciation. At no time shall the amortization exceed the life of the asset.

9.3 Financing Alternatives.

- A. Financing alternatives include, but are not limited to:
 - (1) Grants.
 - (2) Developer Contributions.
 - (3) General Obligation ("GO") Bond – requires voter approval, supported by an ad valorem (property) tax.
 - (4) Revenue Bonds – repaid with dedicated revenue source (HURF, revenue generated by project).
 - (5) Municipal Property Corporation ("MPC") Bonds – repaid with a dedicated revenue source.
 - (6) Community Facilities District ("CFD") or Special District Bonds – supported by an ad valorem property tax, revenues of the district or assessments of the cost of public infrastructure or enhanced municipal services.
 - (7) Capital Leases – repaid within operating budget.
 - (8) Commercial Paper (CP) or Bond Anticipation Notes (BAN) with terms less than two years.
- B. Town debt service costs (GO Bonds, Revenue Bonds, MPC Bonds, Leases) shall not exceed 20% of the Town's operating revenue in order to control fixed costs and ensure expenditure flexibility. Improvement District, CFD and Special

District debt service is not included in this calculation because it is paid by district property owners and is not an obligation of the general citizenry. Separate criteria for CFDs have been established and included within the Town's CFD policy.

- C. The Town shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
- D. Where applicable, the Town will structure GO bond issues to create level debt service payments over the life of the issue. The goal will be to strive for a debt repayment schedule to be no more than 15 years; at no time will the debt exceed 25 years.
- E. Refunding bonds will be measured against a standard of the net present value debt service savings exceeding 3% of the principal amount of the bonds being refunded, or if savings exceed \$750,000, or for the purposes of modifying restrictive covenants or to modify the existing debt structure to the benefit of the Town. Refinancings undertaken for other reasons should proceed only when the advantages have been clearly shown in a cost/benefit analysis of the transaction.
- F. The Town will seek to maintain and, if possible, improve the current bond rating in order to minimize borrowing costs and preserve access to credit.
- G. An analysis showing how a new issue combined with current debt impacts the Town's debt capacity and conformance with Town debt policies will accompany every future bond issue proposal. The debt capacity analysis should reflect a positive trend and include:
 - (1) Percent of debt outstanding as a percent of the legal debt limit.
 - (2) Measures of the tax and revenue base.
 - (3) Evaluation of trends relating to expenditures and fund balance.
 - (4) Debt service as a percentage of assessed valuation.
 - (5) Measures of debt burden on the community.
 - (6) Tax-exempt market factors affecting interest costs.
 - (7) Debt ratios.
- H. MPC and contractual debt, which is non-voter approved, will be utilized only when a dedicated revenue source (e.g., excise taxes) can be identified to pay debt service expenses. The project to be financed will generate net positive revenues (i.e., the additional revenues generated by the project will be greater than the debt service requirements).

- I. The Town's privilege/excise tax to debt service goal will be a ratio of at least 2.5:1 to ensure the Town's ability to pay for long-term debt from this elastic revenue source.

9.4 Issuance of Obligations.

- A. The Town shall select the underwriter and the paying agent/registrar for each debt issuance based on competitive bid. The underwriter must be a firm with an office in the Phoenix area and a record of prior working relationships.
- B. The request for proposals process will be designed to select the service providers that offer the Town the best combination of expertise and price. The Town is not required to select the firm offering the lowest price, but a report must be prepared by the Town Manager providing justification to the Town Council for a recommendation when other than the lowest bidder is chosen. The review of all proposals submitted shall be the responsibility of the Town Manager.
- C. The Town will sell bonds through public sale, online bidding process or an accelerated bidding process unless the Town Council authorizes the bond to be sold by negotiated sale or private placement.
- D. The Town Manager or designee and Town Attorney will coordinate their activities to ensure that all securities are issued in the most efficient and cost-effective manner and in compliance with the governing statutes and regulations. The Town Manager and the Town Attorney shall consult and jointly select the bond counsel for a bond issue.
- E. The Town Manager or authorized designee will seek a rating on all new issues which are being sold in the public market if economically feasible.
- F. The Town will report all financial information on an annual basis and notices of listed events in a timely manner, not in excess of ten business days after the occurrence of event, to the rating agencies and the Municipal Securities Rulemaking Board's ("MSRB's") Electronic Municipal Market Access (EMMA) system. The annual report will include but not be limited to the Town's annual Comprehensive Annual Financial Report (CAFR) and other items specified in the Town's continuing disclosure undertakings.
- G. Any institution or individual investing monies as an agent for the Town shall do so in a manner consistent and in compliance with the Town's adopted Investment Policy.
- H. The Town Manager or authorized designee will provide detailed draw schedules for any project to be funded with borrowed monies. The Town will invest the proceeds or direct a trustee to invest the proceeds of all borrowings in a manner that will ensure the availability of funds as described in the draw schedules.

- I. The Town acknowledges the responsibilities of the underwriting community and pledges to make all reasonable efforts to assist underwriters in their efforts to comply with Securities and Exchange Commission Rule 15c2-12 and MSRB Rule G-36. The Town will follow its adopted issuance and post-issuance compliance procedures relating to its tax-exempt financings.