

**TOWN OF FOUNTAIN HILLS
MINUTES OF THE EXECUTIVE AND SPECIAL BUDGET SESSION OF THE
FOUNTAIN HILLS TOWN COUNCIL
APRIL 19, 2016**

SPECIAL BUDGET SESSION

* **CALL TO ORDER AND ROLL CALL**

Mayor Kavanagh called the meeting to order at 5:31 p.m.

- * **ROLL CALL** - Present for roll call were the following members of the Town Council: Mayor Linda Kavanagh, Vice Mayor Leger, Councilmember Cecil Yates, Councilmember Dennis Brown, Councilmember Nick DePorter.

Town Manager Grady E. Miller, Town Attorney Andrew McGuire and Town Clerk Bevelyn Bender were also present.

Councilmember Alan Magazine and Councilmember Cassie Hansen arrived at 5:33 p.m.

Mayor Kavanagh announced that the Chairman of the McDowell Mountain Preservation Commission Bill Myers asked to speak regarding the McDowell Mountain trailhead.

Mr. Myers, a Fountain Hills resident thanked the Council for proposing \$1.8M in this year's budget for the trailhead. He expressed that the trailhead would be something the Town could be proud of and would also be an asset. Mr. Myers acknowledged the Town's limited budget and stated the Town should be able to complete the trailhead with the funds allocated within one to one and half years. Mayor Kavanagh thanked Mr. Myers for accompanying Councilmembers to view the location of the future trailhead.

AGENDA ITEM #1 – DISCUSSION WITH POSSIBLE DIRECTION RELATING TO THE PROPOSED TOWN OF FOUNTAIN HILLS FY2016-17 BUDGET, INCLUDING ALL PROPOSED REVENUES, EXPENDITURES AND PROGRAMS FOR ALL GOVERNMENTAL FUNDS.

Town Manager Grady Miller stated that one of the most important activities of our operating and municipal government was the annual budget process. He added that in cities and towns the budget was the expenditures and budget plan outlining the priorities of the Mayor and Council for the following year. Mr. Miller acknowledged the involvement of the Town's staff in the process and explained that this year's budget was somewhat different than in previous years because of his approach in several areas. Mr. Miller pointed out that in Council's budget books they would see the green sheet containing "Budget Supplements", which listed departments' requests and also showed what was able to be funded. He noted this saved the Finance Department a lot of work as done in past years when they included budget requests and then after Council's review Finance would have to eliminate what was not funded. He stated that this new approach made the process very transparent to Council. Mr. Miller also stated he introduced a budget category called Non-Departmental or General Government Fund. He explained that a new fund was created for the purpose of budgeting for Town-wide expenses that did not fit within a particular department. Mr. Miller added that some of these items were community contracts, memberships such as the Maricopa Association of Government and the League of Cities and Towns along with some of the debt services.

Mr. Miller presented in his proposal for next year to reestablish the Public Works Department. He explained that Public Works was merged into the Development Services Department several years ago and after evaluating their work load, he felt this department needed to be split into two functioning departments. Mr. Miller said he was proposing to stream-line the "ORG" codes where expenses were charged to and by consolidating the codes he expressed that would make the Town's system work more efficiently. Mr. Miller said that if Council noted a difference from previous budget items, he would be happy to explain them.

Mr. Miller reported that last year Council directed staff to reduce the Community Contracts by 10%, so staff continued with that direction this year and reduced those contracts again by 10% except for the Extended Hands Food Bank, which stayed the same since last year their contract was not reduced. Mr. Miller pointed out that Councilmembers had expressed concerns that the Public Art Fund was not supporting the maintenance and insurance for their art pieces, so

this year staff calculated the cost of insurance at \$12,000 and about \$13,000 for the cleaning and maintenance of the art. Mr. Miller expressed it should be the responsibility of the Public Art Fund to cover those cost and mentioned his meeting recently with the Art Committee letting them know the direction the Town was going with these cost. Mr. Miller stated the Committee received his explanation and announced quarterly meetings were planned with the Committee, which would include Director of Community Services Mark Mayer so that everyone was informed regarding future art projects.

Mr. Miller began the PowerPoint presentation (available on-line and in the office of the Town Clerk) by reading the Town's Mission Statement, Vision Statement and Values Statement. Mr. Miller then turned the session over to Finance Director Craig Rudolphy to review the Town's financial forecast.

5-YEAR FINANCIAL FORECAST

Mr. Rudolphy remarked that as in the past the Town was looking for and needed more revenue sources to maintain their current expenditure limit. He noted that the projects covered a 5-year period for both expenditures and revenues and explained that each year the Town's expenditures were exceeding revenues and to balance that out the Town needed to either reduce expenditures or create new revenues. Mr. Rudolphy explained through several graphs that showed the true revenues and expenditures without listing overages and as in the past using the General Fund or other funds services. He also pointed out that some graphs would state "excludes transfers" and those stats would be used when submitting the tentatively adopted Town Budget to the Audit General's Office.

GENERAL FUND PROJECTS

Mr. Rudolphy reported the General Fund Projections slide showed a trend analysis projection through 2021, including transfers. He added that State Shared Revenues were expected to decrease but surprisingly staff recently received the first projected revenues and the amount the Town would receive was higher than expected approximately \$500,000. He noted that these revenues were not reflected in the budget or the PowerPoint slide. Mr. Rudolphy explained that the unexpected revenues would be added to the tentative budget as uncommitted revenue in the Contingency Fund and would give Council the authority to use these funds, if necessary, and, if not used, would be moved to the General Reserves. Councilmember Yates wanted to clarify that there were no restrictions placed on these funds and Mr. Rudolphy said that was correct.

Mr. Rudolphy noted the amount of local sales tax revenue projected and stated he believed the Town would see a healthy increase in sales tax revenues this quarter over last year and it appeared to be an upward trend.

HIGHWAY USER REVENUE FUND (HURF)

Mr. Rudolphy pointed out the proposed "HURF" transfers and explained that the State had not release any figures to date. He added the League of Cities and Towns did not see any surprises to "TOWN", but acknowledged that changes could occur at the last minute. He predicted that additional in-lieu funds would be received from Salt River Project's activities in various locations since the Town would be accepting in-lieu payment instead of requiring slurry seal applications in work zones.

FY 16-17 BUDGET ASSUMPTIONS

Mr. Rudolphy these assumptions included additional proposed staffing along with the increase in next year's contracts for the Maricopa County Sheriff's Department at 7% and a 3% increase requested by Rural Metro.

Mr. Rudolphy stated that in this current year 2015-16, there were no General Fund subsidiaries because the Town still had 2% of the excise tax dedicated to the preserve portion of the bonds going into the FPC Funds. Those bonds were for the preserve and would be paid off by July 1, 2016. He added that Council had directed after July 2016 the additional 2% placed in the Pavement Management "HURF" program.

Councilmember Magazine questioned the increase in MCSO and Rural Metro contracts and requested information on the total increase of 10% overall. Mr. Rudolphy answered that the increase was the result of their pension plans impact

and added that MCSO had expressed to expect a 10%, but when submitted the contract was for a 7% increase. He added that since MCSO was a pass-through contract, any expenses incurred were the Town's obligation to cover.

OUTSTANDING BONDS AT 7/1/17 – DEBIT OVERVIEW

Mr. Rudolphy noted the outstanding bonds at the end of the next fiscal year July 1, 2017 were HURF Bonds, GO Bonds. and primarily the Saguaro Boulevard Bonds. He explained that the revenue noted on the slide were MPC Bonds and partly for the preserve and the Community Center. He added that as of July 1st the \$1.4M would be solely for the Community Center. Mr. Rudolphy pointed out that Eagle Mountain was funded through the residents of that community.

Councilmember Magazine requested an explanation for the \$1.2M principal shown for the Community Center. Mr. Rudolphy stated that the amount was a combination of bonds and a portion of the series bonds that had been refinanced previously and included the Library, Museum and Preserve. He continued to explain that the Preserve was purchased in two pieces with MPC Bonds and the other with GO Bonds.

Mr. Rudolphy mentioned he did not have a slide presentation detailing the proposed levy for Eagle Mountain, Cottonwoods or the Town. He wanted Council to know that he would be recalculating the levy proposed for the Cottonwoods. His initial proposal was that Cottonwood's levy per property owner would be \$92.51, but wanted to inform Council that the levy would change by an additional \$2.00 making their levy \$94.51. Mr. Rudolphy requested Council take this information into consideration as they move forward with the budget.

Mr. Miller proposed that when the Revenue Bond was paid off in the next three years totaling \$1.2M, could the approximately \$400,000 per year debt payments could go into the General Fund. Mr. Rudolphy stated the funds could go into the General Fund and also mentioned that the \$1.4M refunding on the Revenue Bonds would free up future sales tax money currently collected and dedicated for the debt services; these funds then could be directed elsewhere.

OPERATIONAL PRIORITIES FY16-17

Mr. Miller stated that the operations priorities had been discussed at great length during the Council Retreat held on February 11, 2016, and the focus was to stabilize the Town's finances. Mr. Miller noted those priorities were the Pavement Management Program, Economic Development Program and its implementation, improving the Fountain Lake quality, Fire Station No. 2, Facilities Reserve Fund, traffic studies and the State Land and what could be strategically be done.

Mr. Miller listed the Town's plan goals as follows:

- C3 – Genuinely solicit and consider public and stakeholder feedback as part of the decision-making process.
- CR4 – Implement a comprehensive communications plan to encourage informed citizen participation in civic life.
- CR6 – Evaluate customer satisfaction with Town services on a regular basis and implement appropriate service improvements.
- CR7 – Communicate the role of local government and clearly define the trade-offs between service levels and amenities and the associated costs so residents can make informed choices.
- EV1 – Develop a comprehensive economic development strategy for the Town's future and work with our partners to forward economic growth and awareness.
- EV3 – Promote a mixed use core where residents can live, work, learn and play in an urban village setting, as depicted in the Downtown Area Specific Plan (Downtown Vision Master Plan).
- EV4 – Promote retention, expansion and relocation of quality businesses.
- I2 – Lower reliance on State revenues by developing a locally controlled, reliable funding source for infrastructure maintenance.
- I3 – Maintain a current condition assessment of all roadways and sidewalks and prioritize and implement maintenance efforts to minimize costly reconstruction.

Mr. Miller addressed the following operational priorities addressed in the budget.

- Stabilize Town Finances
- Pavement Management Program
- Continue to Implement the Town's Economic Development Plan
- Develop methods to improve the Water Quality of Fountain Lake
- Plan and Build Fire Station No. 2
- Create a Facilities Reserve Fund
- Work with the State Land Department on Future Development of State Lands
- Conduct Traffic Studies to focus on pedestrian and vehicular safety at key locations,

BUDGET OVERVIEW

Craig Rudolph stated the proposed budget was \$39,794,769 including transfers of approximately \$6M. He pointed out the slide listing the previous fiscal year budgets from FY12 through and including FY17 with transfers included and pointed out that the Town budget proposed increase was \$1.8M from last year.

Mr. Rudolph listed the budget assumption as follows:

- Revenue projections determined using trend analyses and flat percentage increases as well as estimates of building activity; they are best guesses for future revenues.
- 2% reduction in distribution of State Shared Revenues – the mid-decade census would affect our proportionate share of distributions (negatively) – impact of Governor Ducey's Budget on State Shared revenues was unknown at this time. **NOTE:** (This item will be adjusted to the recently received information that the Town would see \$500,000 in distributions of State Shared Revenues)
- Building permit activity projected to include permits for Adero Canyon, Firerock and Summit at Crestview.
- Additional priority staffing levels were considered based on necessity.
- A cost of living adjustment of 2.5% would go into effect July 1, 2016 for all full-time and part-time employees.
- No inflation factor for FY17, 2.5% for FY18 and 3.5% for FY19, FY20 and FY21 **NOTE:** Mr. Rudolph believed this may be somewhat conservative.
- Annual General Fund payment for the Community Center was required beginning in FY16-17 to pay off this debt.
- Adherence to the State-imposed Expenditure Limitation Law may limit the Town's ability to budget proposed capital projects, which we must do. **NOTE:** Town Council had received a revised reference document to replace and address the revisions to the Expenditure Limitation calculations do to the change when handling transfers by excluding transfers twice as described in the original document and therefore correcting the issue.
- Maintaining existing levels of service although challenging (no new programs).
- Public safety contracts increase 3.0% - 10% through FY21:
 - MCSO has a 7.0% increase
 - Rural Metro Fire had a 3.0% increase
- TPT Construction Sales Tax Revenue included in projections (impact of legislation was unknown at this time).
- The projections do not presume development of the former State Trust Land within the next five years. **NOTE:** Formerly known as the Ellman Property had been placed back into the State's Land Trust.

Mr. Rudolph noted that 10 new positions were requested by department heads with 1.63 employee positions ultimately budgeted for a total of \$149,850. He also reported that an adjustment to employees' salaries was proposed at a cost of \$75,843. Mr. Miller pointed out that at the Town's peak employment there were 120 positions and he expressed that the work load had not changed since staff reductions were made and in fact may have increased for current employees. He added that coverage was sometimes an issue since there was limited back-up and expressed all the additional staff requests were worthy, but he had to make a decision upon need versus other Town needs and wished he could have proposed more positions. Councilmember Magazine asked what the repercussions were and would the citizens see or feel the affect if the positions were not approved. Mr. Miller answered that for the most part the citizens would not and do not see the lack in their services except their waiting times for serve may be longer. Mr. Miller also pointed out that some staff members, such as in Finance, worked on Fridays and week-ends to meet the

needs in their department and he also mentioned that there were times directors would use outside contractors to cover services in lieu of employee services. He also pointed out that the costs of contractors used for these services in some areas are now outpacing savings. Mr. Miller maintained that staff had tried to continue a service level that had always been maintained. Mayor Kavanagh added that the Town was very fortunate to have highly qualified volunteers but noted that the Town could not depend on the length of service or the time they were willing to offer to volunteer and Mr. Miller agreed. Councilmember Yates asked how many additional staff members Mr. Miller believed the Town needed. Mr. Miller answered that he could see 10-15 additional employees needed based on his experience.

Mr. Rudolphy explained that the base budget was considered; then department heads were asked to recommend supplements that had ultimately totaled \$1.5M, only 1/3 of those supplements were approved. He pointed out the slide listing the departmental funding requests proposed at \$551,424, which would come from the General Fund and other funds. Mr. Miller informed the Council that approximately \$72,000 of these proposed expenses are one-time, one-year expenses.

2016-17 BUDGET HIGHLIGHTS

Mr. Rudolphy explained that the Public Safety Budget increased by \$453,062 with no increases proposed for utilities (Salt River Project or Chaparral City Water Company/EPCOR).

Mr. Rudolphy stated that the continued focus was on initiating and/or completing the Capital Improvement Plan projects as approved by Council and listed as follows:

• Ashbrook Wash Project	\$ 700,000
• Drainage - Miscellaneous	\$ 50,000
• Downtown Master Plan	\$ 400,000
• Downtown Lighting Improvements	\$ 200,000
• Fire Station No. 2 Relocation Project	\$3,800,000
• Purchase and Install Chiller	\$ 300,000
• Fountain Lake Water Quality Project	\$ 205,000
• Adero Canyon Trailhead	\$2,285,000
• Fountain Park Access Improvements	\$ 375,000
• Four Peaks Park – Phase I (bus barn demolition)	\$ 75,000
• Unpaved Alley Paving Projects	\$ 255,000
• Fountain Hills Boulevard Shoulder Paving	\$ 500,000
• McDowell Mountain Road Repairs	\$ 75,000
• Contingency	<u>\$ 92,200</u>
Total	\$9,312,200

Mr. Rudolphy explained the budget summary of Town funds, Revenues, Expenditures and the Town’s source or use of reserves. He added that the Town was using reserves of almost \$10M and predicted the Town was quickly running out of reserves. Next slide detailed by category expenditures, a summary of changes in those expenditures, with the largest increases for internal services, transfers and contingency that totals about \$5.5M higher than the prior year. He continued that the General Fund slide listed the Town’s Operational Budgets broken down by various departments or divisions within the organization and noted that all showed decreases in their core services except for Public Safety.

Mr. Rudolphy explained that the slide listing the General Fund (excluding transfers) Operating Budgets charges were as follows:

• Supplemental Budget Requests	\$ 551,424
• Contingency Increase	\$ 316,345
• Rural Metro Increase	\$ 206,921
• MCSO Increase	\$ 246,141
• Other Changes	<u>(\$ 286,398)</u>

Changes FY15-16 to FY16-17 \$1,034,433

Mr. Rudolphy reported the budget by core services from all funds including transfers were listed as follows:

• Public Safety	\$ 7,638,828
• General Government	\$ 2,929,260
• Administration	\$ 2,818,264
• Excise Tax-Downtown/ED/Tourism	\$ 1,546,775
• Public Works	\$ 827,304
• Development Services	\$ 921,010
• Community Services	\$ 2,172,749
• Debt Service	\$ 2,922,266
• Special Revenue Funds	\$ 5,821,931
• Capital	<u>\$ 12,196,382</u>
Total	\$ 39,794,769

RESERVE FUNDS (FUND BALANCES)

Mr. Rudolphy stated it was projected that the Reserve Fund balance at the end of next fiscal year would total about \$5.5M and were listed as follows:

• General Fund (includes Rainy Day Fund)	\$ 7,458,539
• Highway User Revenue Fund	\$ 1,226,600
• Downtown Strategy Fund	\$ (35,455)
• Economic Development/Tourism Funds	\$ 179,356
• Special Revenue Funds	\$ 631,178
• Debt Service Funds	\$ 420,571
• Capital Projects Fund	<u>\$ 1,676,542</u>
Total	\$11,557,391

5-YEAR FINANCIAL OVERVIEW

Mr. Rudolphy remarked that the Town oversees 22 different funds as required and noted the next slide indicated the five-year General Fund Revenue projections and his prediction the Town's deficient would begin FY2016-17 through 2020-21 and would amount to approximately \$5.5M to \$6M over the next five-years.

Mr. Rudolphy explained that the operational priority had always been Pavement Management and he showed in a slide the funding as previously noted. The next slide showed projections excluding transfers and noted that the Town would balance the budget with transfers. He also pointed out a comparison FY15-16 General Fund Operating cost percapita and stated that compared to the cities listed on the slide we were at the low end the funding.

Mr. Rudolphy also presented the General Fund projection graph that showed over one half of the Town's revenue would come from taxes with intergovernmental at about a third.

ORGANIZATIONAL CHARTS

Mr. Miller presented an organizational chart, which included the new Public Works Department, and explained that the new department would handle streets and facilities along with all their activities and would also included the Capital Improvement Program management and overseeing along with maintaining the Paving Management Program. He added that the Public Works Department would become more important in the future during the planning of the Town's next potential bond election.

FIRE DEPARTMENT

Mr. Miller stated there were no changes on the Fire Departments organizational chart and that interviews involving the final three candidates were planned to hopefully replace retiring Fire Chief Roberts. He stated that Rural Metro performed the candidate recruitment and had provided the Town with three finalists that would be interviewed by management. Mr. Miller continued to point out that the Fire and Emergency Medical costs totaled \$3,708,718 and proposed the total included a 5.9% increase. He further explained that Rural Metro had a 3% proposed increase but did not allow for additional equipment needed thus explaining the additional 2.9% added to their budget to cover those costs. Mr. Miller also noted that the "CARE" program was discontinued last year and replaced with an all volunteer based "Crisis Response Team". Mr. Miller pointed out that the next slide showed the \$206,948 increase to the Fire Budget and explained that all fire facility expenses were moved to the Operations Program allowing the Town to show true facilities expenses and the total fire services costs.

LAW ENFORCEMENT

Mr. Miller continued on to Public Safety noting that the Law Enforcement organizational chart had not changed and stated that MCSO Captain Letourneau had previously announced MCSO staff would be changing to a 4-10 work week schedule. Mr. Miller expressed that the Town would have better coverage. Mr. Miller continued that the total amount requested for Law Enforcement was \$3,930,111 up by 6.7%. Mr. Miller said the Town saw a 7% increase in the MCSO contract of \$246,141 and listed the reasons and services provided as follows:

- 3.8 beats plus a School Resource Officer.
- Increase to County benefits that were a major drive to this increase and passed on to the Town.
- Services included in the contract with the County are animal control and jail fees.
- \$15,000 for their MCSO Posse vehicle maintenance on a reimbursement basis.

The next slide described the break-down of Law Enforcement expenses and showed a \$7,000 decrease in the animal control portion of this budget.

MUNICIPAL COURT

Mr. Miller noted that no changes were made to the Municipal Court organizational chart and stated there was an increase of \$42,372. He also informed Council that the Court would be continuing the "Teen Court" program. Councilmember Magazine noted that the Court requested an increase of \$22,500 and wanted to know why the difference was added. Mr. Rudolphy answered that in the current budget there was an error and the Judges salary was not included, which had caused the approximately \$20,000 increase. Councilmember Magazine asked about the facility maintenance charges of \$13,000 to their budget when other items were rejected. Mr. Miller stated that the Town had a Court Enhancement Fund, which was to be used exclusively by the Court.

NEW GENERAL GOVERNMENT FUND

Mr. Miller stated that the proposed a new General Government Fund was created as a cost center for Town-wide expenses and not for a single department and would also include some debt services that ultimately allowed departments the benefit to place those funds in other areas in their budget. The slide listed the following examples:

- Community Service Contracts totaling \$120,522
- League of Cities and Town dues
- Maricopa Association of Governments dues
- East Valley Partnership dues
- GPEC dues
- Sister Cities membership
- Contingency of \$421,488

Mr. Miller explained that the Contingency Fund had been previously placed in the Town Manager's budget and since these Town-wide costs were not attributed to one department, they should be separated out; however, the fund was managed by the Town Manager and Finance Director. Furthermore any unexpected funds received such as grants could be placed in this fund in case they were needed or an emergency occurred.

Councilmember Hansen requested staff create additional detail for parks to better explain what was requested. Mr. Miller noted that her request would be addressed before the tentative budget was adopted.

ADMINISTRATION

Mr. Miller confirmed the following core positions were held in the Administration's Organizational chart as follows:

- Town Manager
- Legal Services
- Town Clerk, Finance
- Administrative Services
- Information Technology
- Economic Development
- Volunteer Program

Mr. Miller noted that the department's budget totaled \$2,084,662 with a decrease of 1.9%.

Services performed included the following:

- Finance/Budget, banking, asset tracking, licensing, purchasing, audit, customer services, Channel 11, websites.
- Employee policies/procedures, employee benefits, payroll/compensation, Loss Control/Risk Management, Employee Relations, Employee Training.
- Public records administration, elections, general administration, legislative administration.
- Town Council, Strategic Planning Advisory Commission, Municipal Property Corporation.
- Volunteer Program coordinates 26 programs; 750 volunteers; 25,000 hours; \$450,000 savings.

ECONOMIC DEVELOPMENT

Mr. Miller touch on the Economic Development approach that Council was already familiar with and had been previously discussed and noted the budget proposed was \$317,467. Activities included business attraction, business retention and expansion and entrepreneurial development. Mr. Miller added that the budget highlights included the following:

- Budget decrease of \$3,634
- Transfers out to General Government
 - JumpStartBiz \$ 3,645
 - Fountain Hills Community Theatre \$28,798
 - GPEC Dues \$10,265
- Increase external marketing activities; trade shows, sales missions and corporate visits
- Membership and involvement in International Council for Shopping Centers (ICSC) for retail recruitment that held a large annual convention in Las Vegas each year and would be attended by staff and added that this membership was only recently joined, which would be an asset for the Town.

Councilmember Yates spoke in support of the Town's ICSC membership and explained some of the benefits and results with staff attending the convention. Mr. Miller added that the Town's Economic Development Specialist Scott Cooper would also be working closely with Target Center Management and hopefully with convention contacts and scheduled appointments already, Mr. Cooper would yield benefits to the Town. Mayor Kavanagh expressed that at the Economic Development Committee Meeting at MAG they encouraged municipalities to attend this huge conference because of the contacts that were made and attending would also be an opportunity to show off our Town and what it offers.

Councilmember Magazine wondered if this was a change in emphasis due to the fact Council had decided to encourage non-retail businesses into Town with higher paying salaries with young families with children to help support our schools. Mr. Miller suggested that this was just one tool the Town could use to encourage businesses. Mr. Cooper addressed the question and stated this was not a shift in priorities but part of the Town's Economic Development Plan that had not been addressed recently. He added the membership cost was minimal at \$99 and included one conference each year and regional meetings located in Phoenix and San Diego with expenses totally approximately one to two thousand dollars and a couple of days time. Mr. Cooper expressed his opinion the ICSC membership was well worth the time and expense. Councilmember Magazine stated it was not about the money but how Mr. Cooper spent his time since he was a one-person department and Council's request to focus on small businesses. Mr. Cooper proposed that this membership should not take a lot of his time and that encouraging retail business was part of the Economic Development Plan, and that he felt this membership was very valuable. He added that his shift was not to go away from finding higher paying jobs and small businesses.

DEVELOPMENT SERVICES DEPARTMENT

Mr. Miller continued and explained that the previous Development Services Department included streets and facilities but his proposal would split it into two separate departments. Development Services Department would include Planning and Zoning, Building Safety, Code Enforcement, Engineering, Mapping and Graphics and the new Public Works would cover streets and facilities. Mr. Miller explained his driver was that if Paul Mood the current Director left, the Town would have an issue finding someone with all the experience necessary to fill the current position. He also explained that the current Executive Assistant would be shared between Development Services Department and Public Works.

Mr. Miller pointed out that the Development Services budget proposal was \$921,010. He also stated the highlights of the department were as follows:

- Budget increase of \$138,186
- Responsible for review of building plans and inspections
- Responsible for the "Annual Land Use Analysis Report"
- Estimated to perform approximately 2,200 building inspections
- Estimated to address 725 Code Enforcement cases

PROPOSED PUBLIC WORKS DEPARTMENT (NEW)

Mr. Miller announced that Paul Mood would be the director with the shared Executive Assistant along with the Civil Engineer Inspector, the Streets Superintendent who would oversee the Traffic Signal Tech, Fleet Mechanic/Open Space Specialist along with the Streets Maintenance Tech. Facilities/Environmental Supervisor would still be Raymond Rees who would oversee the Maintenance Tech and Custodians (full-time and part-time).

Mr. Miller noted that the Public Works proposed budget was \$827,304 with an increase of 24.1% and the highlights of the department were as follows:

- Budget decrease of \$255,397
- Responsible for inspection and maintenance of six ADWR Dams
- Solid waste/recycling contract administration
- Estimated 70 acres of wash maintenance annually
- Maintenance of ten Town-owned buildings
- Responsible for overall Capital Improvement Program Administration
- Oversee, update, and implement Pavement Management Program
- Oversee the street sweeping contract administration

Mr. Miller stated that the difference between the FY15-16 and FY16-17 was because of the addition of a director's position.

STREET FUND (HURF)

Mr. Miller noted that the budget for the Streets Fund or “TOWN” was \$3,534,386 and stated that the highlights were as follows:

- Funds street division operation – 4.0 full time employees (FTEs)
- Helps maintain 390 lane miles; 3.5 million square yards of asphalt
- Maintaining 68 acres of medians
- Zone No. 1 pavement maintenance

Mr. Miller added that Zone No. 1 pavement maintenance would be the focus of next year and added that the budget increased for the FY15-16 from \$2,848,121 to FY16-17 \$3,534,386. Mr. Miller also stated that the 2016-17 pavement maintenance expenditures would cover Zone No. 1, which was the 2nd phase and was scheduled as the next pavement maintenance project along with mill and overlay on Bainbridge Avenue and La Montana Drive, numerous locations for pavement replacements and potential slurry seal as the budget allowed.

COMMUNITY SERVICES

Mr. Miller presented the organizational chart and listed the different divisions under the Mark Mayer’s direction. He stated that the Community Services budget was proposed at \$2,170,279, which was a decrease of 4.2%. Mr. Miller also explained that their activities included the Tourism Program, Parks, Trails, Community Center, Recreation Programs, Senior Programs and Home Delivered Meals. Mr. Miller pointed out the highlights of the department were as follows:

- Tourism Program
- Responsible for 119 acres of parks, the dog park and five ball parks
- 740 acres of preserve and 16.4 miles of trails and the number was growing
- Recreation Programs included are the adult, youth, senior services
- Facility rentals of the Community Center

Mr. Miller mentioned that in this year’s budget proposal was an adjustment in the Grounds Keepers title and salaries. He explained that since those positions were the lowest Town paid positions, management had noticed a high turn-over of employees. Mr. Miller explained that while the Town was saving money, they were not able to keep the positions filled. He proposed that these positions be restored in the budget process from Grounds Keeper to Park Operations Leads and he recommended Council’s approval.

CAPITAL IMPROVEMENT PLAN

The 2016-17 Major Capital Projects were addressed previously in this presentation by Craig Rudolphy, Finance Director and totaled \$9,312,200. Mr. Miller pointed out that the Fire Station was the largest item and was a work in progress. He continued to explain that the Fountain Hills Boulevard Shoulder Paving Project would help with erosion issues along the washes on Fountain Hills Boulevard along with some issues on McDowell Mountain Road, which will begin after completion of truck hauling by contractors in the area. Mr. Miller also pointed out the Fountain Park Access Improvements involving connectivity from the Avenue to the Park and he added this project was going through the planning stage at this time. He also mentioned the Fountain Lake Water Quality Project and informed Council a request for a work-study session would be received sometime in June 2016 to review the consultant’s recommendations to improve the water quality of Fountain Lake and finally the Adero Canyon Trailhead would commence next fiscal year.

Mayor Kavanagh expressed that the bus barn demolition was very important to the residents of the Four Peaks community and stated how excited they were. Mr. Miller added that along with the removal of the barn other ways were planned to beautify the site.

FEE SCHEDULED CHANGES

Mr. Miller explained that each year staff reviewed the Town’s fee schedule to make sure what was charged was the true cost with cost recovery. He wanted to point out some of those fee changes or new fees proposed as follows:

- 36 x 36 Zoning Map increased from \$10.00 to \$30.00 (Supplies and staff time were costly and had not been adjusted for a long time and hopefully would make people think before they requested this map).
- Event date request submittal 59 days or less prior to an event date would be charged \$200.00.
- Events such as the “Trump” event would now be categorized as a mega event encompassing all the green space and the amphitheater and charged at \$3,500 per day.
- Festival Events such as the October Festival or Saint Patrick’s Day would be charged \$2,500 per day to recover staff time along with wear and tear on the park.
- Special Events Deposit Fees were recommended and calculated by the total attendance ranging in cost from \$500 for 1,000 and a mega event of 5,000 in attendance charged \$5,000.
- Special Event Road Closure Administration Fees would be adjusted and charge on the total attendance and cost would range from \$500 - \$1,500 to pay for not only areas involving the park but requiring road closures. ***NOTE:** The Town’s usually contracts an outside vendor with the assistance of Town staff and this fee would help to recover staff’s time.*
- Special Event Vendor Compliance Fine penalty for the first time offender would be \$250.00 with recurring offender fined \$750.00.
- Oversize/Overweight Vehicle/Haul Permit would cost \$210.00 and would recover staff time and found necessary because more dirt hauling had been requested through Town.
- Development Agreements proposed to be increased from \$2,500 plus \$100 per acre or portion thereof to \$5,000 plus \$100 per acre or portion thereof to cover the cost of staff time and legal fees involved, which were not being recovered previously.

Mr. Miller mentioned that Town staff and one of the utilities were in the process of discussing the billings for the Environmental Fee and added more information would be forthcoming to Council hopefully in June 2016. He also pointed out that the fee would stay the same next year, with the same billing cycle and billed one-time in December or January. Councilmember Magazine asked how much of the Environmental Fee had currently been collected. Craig Rudolphy answered approximately \$455,000 representing 86% of the billings.

Mayor Kavanagh asked what a Vendor Compliance Fine entailed. Rachael Goodwin, Recreation Supervisor explained that this fee was suggested in an attempt to encourage organizers of events to make sure all vendors apply for a business license. Currently Administration staff had attended and checked each vendor to make sure they were in compliance and, if not staff, would collect fees and issue a permit to them at that time. She added that eventually staff would not be able to visit these events and hopefully this fee would make them aware that there was a penalty for not following the Town’s Code requirements.

Mayor Kavanagh asked how this would be arranged. Ms. Goodwin stated that the goal was to work with vendors in good faith and get about 90% compliance and noted that new events would be given the chance to work with staff until they understood the rules and added that any organizer that continued to avoid the process would be charged this secondary fee. Mayor Kavanagh acknowledged this process would take the burden off the Town’s staff and Ms. Goodwin agreed.

Councilmember Hansen asked about the increase in the Development Fee and Mr. Mood answered that the Town was one of the cheapest in the valley.

Mr. Miller added that along with the Sanitary District’s Impact Fee the developer takes a big hit and stressed that the Town was limited under law on the Impact Fees they could collect to pay for growth.

- Avenue of the Fountain Rental Fee previously did not take in consideration that those requesting this rental sometimes wanted to use a larger portion of the Avenue, so it was decided to split the areas into six sections as open park space, including the amphitheater, Avenue of the Fountains Plaza, great lawn and other lawns and would be charged separately. Mayor Kavanagh asked if that included Centennial Circle and Mark Mayer, Director of Community Services answered that Centennial Circle was considered as open park space.
- Ballroom Rental had not been adjusted for seven or eight years at the Community Center and a 10% increase to all fees was proposed and would reflect the increase cost of living and utilities to help fully recover operation fees. Mayor Kavanagh asked if there were still separate rental fees for residents because she wanted to make sure those stayed in place. Mr. Rudolph answered that there was a separate fee and that those fees were listed on another sheet in the fee schedule. Mayor Kavanagh also asked if there was an additional charge to use the kitchen when renting a ballroom. Mike Fenzel, Community Center Events and Operations Supervisor answered that previously the Town had charged, but had discontinued charging for use of the kitchen.

PERSONNEL

Mr. Miller stated that personnel requests from Development Services, Public Works, Finance and Community Services were received resulting in 1.63 new staff positions recommended, which included were a full-time Director of Public Works and one part-time Accounting Clerk for the Finance Department. He noted the Town employed 43 full-time and 23 part-time employees for a total of 53.95 FTE employees. Mr. Miller proposed an salary increase of 2.5% for all employees taking affect on July 1, 2016 at the cost of 75,843 with the total personnel cost of \$3,931,043 with an total increase of 2.9% over last budget year. Mr. Miller added that changing the Town's insurance provider to the Arizona Metropolitan Trust saved the Town \$100,000 annually in medical, dental, vision, and other employee benefit costs.

Councilmember Magazine wanted to know the methodology used in determining the 2.5% proposed salary increase and stated he had a problem with the 2.5% because of the additional work load each staff member has taken on and the limited staff employed, he suggested finding a source to add more to the proposal for an additional ½% or 1% as a reward and to help retain current staff. Mr. Miller agreed with Councilmember Magazine but added that the ability to pay was foremost in his thoughts. Vice Mayor Leger stated that he understood the Town had eliminated positions in the past and how they wanted to bring the staff numbers back up but this had not happened. He noted the 10 requests for additional staff and that only 1.63 FTEs were proposed in the budget. Vice Mayor Leger did not support the merit system and suggested Council approve a 3% increase instead of the proposed 2 ½%. He suggested using some of the newly acquired State Revenue money to fund this increase. Councilmember Brown agreed and noted staff's production and he would like to see even more of an increase by another ½%. Councilmember DePorter expressed his support for a 3½% increase for the Town's employees. Councilmember Yates also agreed and requested a rule to follow in the coming years when evaluating salary increases by using resources such as the League of Cities and Towns as a guideline.

Mr. Miller was appreciative for what Council had proposed because he also felt staff was very dedicated to the organization and agreed with Councilmember Yates that the League would be a great source for information and he noted the time was right to look at a 3-3 ½% increase in salaries. Mr. Miller declared he would bring back to Council a proposal for an additional percentage that included salaries and benefits during the tentative budget preparation. He also noted that a methodology would also be suggested for salary increases going forward. Councilmember DePorter also pointed out he too did not want to lose good employees because of salary and Mayor Kavanagh agreed. Vice Mayor Leger stated he wanted the Council to reward staff and not compare increases to other municipalities. Councilmember Magazine concurred and urged caution with looking at other communities.

FY2016-17 ANNUAL BUDGET

Town Manager Miller's recommendation as of tonight was to approve the 2016-17 annual budget in the amount of \$39,794,769 including transfers and noted that this annual budget could be adjusted due to the proposal of an additional salary and benefits adjustment.

Councilmember Yates addressed the Town's legal services budget and expressed that this budget keeps going up by 20% and noted that this year the amount budgeted was \$400,000. He stated that Council had recently discussed how the Town could cut costs and raise revenue. Councilmember Yates expressed he understood this was a touchy subject

and wanted it known that this was not about the quality of the Town's legal services received but the rising costs since building and growth had been flat in Fountain Hills and he stated the opinion costs were "out of control." Councilmember Yates said he understood that the Town did not have a formal contract for legal services and the last time the Town had an engagement letter for legal services was in 2005. He expressed concern that with a \$40M Town budget and a legal budget expected to reach \$400,000; he proposed that the Town could possibly hire a full-time Attorney on staff with an assistant for about \$200,000. Councilmember Yates said he was looking at this from an organizational stand point. Councilmember Yates requested a work-study session to address this issue and wanted to compare services received and cost to comparable cities and towns that appear to pay under \$200,000 per year for their legal services and noted this information was received from the League of Cities and Towns. He also requested a summary of the monies spent and what were the results when the Town ultimately did go to court. He also stressed that he believed the Town needed to restructure their legal services. Councilmember Yates requested input from the League of Cities and Towns, litigation summary, scope of work for an Attorney and a legal assistant or secretary,

Councilmember Magazine agreed to the work-study because the issue had been brought up before and discussed. He stated his opposition for a cheaper attorney that may not have the skills needed and pointed out that the Town was not only paying for an Attorney but a firm and he also requested information for the work-study on how much work Mr. McGuire handles personally verse other members of their firm. Mayor Kavanagh agreed the legal services budget deserved to be addressed along with other aspects and requested current information from the League of Cities and Towns for comparison. Mayor Kavanagh also agreed a work-study session was needed and requested the session be scheduled with some consideration for staff having enough time to retrieve the information needed,

Vice Mayor Leger brought up that within the \$396,000 legal fee budget, \$100,000 went towards the prosecutor and noted that the work load numbers had increased over the years. He also stated that staff and Council had completed numerous analyses over the years addressing the Town's cost for legal services and found the current budget was more cost effective than most municipalities and if the Town wanted to cut cost they needed to cut down on their demands. Councilmember Hansen added that in previous years access to legal was limited to the Town Manager and Town Council was asked to limit their requests. Mr. Miller expressed that Mr. McGuire would often refer individuals back to get clearance from the Town Manager before addressing an issue and then, if their request was approved, they would be instructed to complete a "Request for Legal Services" form, which helped contain legal costs. Mr. Miller also complimented the Town's legal services from Gust Rosenfield and particularly Town Attorney Andrew McGuire.

Councilmember Hansen stated that there were a variety of attorneys with specialties within their firm to draw from if needed.

Mr. Miller acknowledged the Council's request to schedule work-study to discuss the Town's legal services.

NEXT STEPS

Mr. Miller noted the next steps to the budget as follows:

- Approval of two Budget Resolutions:
 - 1st Resolution adopts the proposed budget on May 5, 2016
 - Includes adoption of the fees schedule as proposed
 - 2nd Resolution adopts the final budget on June 2, 2016 and clarifies the implementation of adopting the 2016-17 budget
 - Assists Staff with policy direction as to administering policies and procedures governing planned budgeted expenditures
 - Assists the Mayor and Town Council and Citizens with a clear understanding of parameters of the various departmental and program expenditures for the final adopted budget
 - Approves the Organizations Charts, FTE Schedule, Job Descriptions and Pay Plans for FY2016-17
 - Asphalt Replacement Policy added to the Pavement Management Program

Councilmember Magazine complimented staff on their work on the budget and expressed that the additional information Council received this evening was extremely helpful. Mr. Miller thanked Finance Director Craig

Rudolph along with Accountant Beata Bogdan both Finance Department Staff along with all other staff members who contributed to this budget process.

Mayor Kavanagh also thanked staff for the budget format as presented that really helped the Town's residents understand the process and where their money was going. Mayor Kavanagh also reminded Council that immediately following this session they would be going into Executive Session in the Fountain Conference Room. *The tentative Wednesday, April 20, 2016, for the continuation of this budget discussion was deemed to be unnecessary.*

AGENDA ITEM #2 - ADJOURNMENT

Councilmember Yates **MOVED** to adjourn the meeting and Councilmember DePorter **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0). The Regular Session adjourned at 7:42 p.m.

EXECUTIVE SESSION

*** CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

Mayor Kavanagh called the Executive Session to order at 7:53 p.m. in the Fountain Conference Room - 2nd Floor.

AGENDA ITEM #1 - ROLL CALL AND VOTE TO GO INTO EXECUTIVE SESSION: PURSUANT TO : (1) A.R.S. § 38-431.03(A)(3), DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEY OR ATTORNEYS OF THE PUBLIC BODY, AND (2) A.R.S. § 38-431.03(A)(4), DISCUSSION OR CONSULTATION WITH THE ATTORNEYS OF THE PUBLIC BODY IN ORDER TO CONSIDER ITS POSITION AND INSTRUCT ITS ATTORNEYS REGARDING THE PUBLIC BODY'S POSITION REGARDING CONTRACTS THAT ARE THE SUBJECT OF NEGOTIATIONS, IN PENDING OR CONTEMPLATED LITIGATION OR IN SETTLEMENT DISCUSSIONS CONDUCTED IN ORDER TO AVOID OR RESOLVE LITIGATION (SPECIALLY, PARK PLACE DEVELOPMENT AGREEMENT).

Present for roll call were the following members of the Town Council: Mayor Linda Kavanagh, Vice Mayor Henry Leger, Councilmember Alan Magazine, Councilmember Cecil Yates, Councilmember Dennis Brown, and Councilmember Nick DePorter. Town Manager Grady E. Miller, Town Attorney Andrew McGuire, Senior Planner and Zoning Administrator Robert Rodgers and Town Clerk Bevelyn Bender were also present.

Councilmember DePorter **MOVED** to go into Executive Session at 7:53 p.m. and Councilmember Yates **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (6-0), by those present.

Councilmember Cassie Hansen entered the meeting at 7:54 p.m.

AGENDA ITEM #2 - ADJOURNMENT.

The Mayor adjourned the Executive Session without objection at 9:29 p.m.

TOWN OF FOUNTAIN HILLS

By _____
Linda M. Kavanagh, Mayor

ATTEST AND
PREPARED BY:

Bevelyn J. Bender, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Executive Session, held in the Fountain Conference Room – 2nd Floor and Regular Session held by the Town Council of Fountain Hills in the Town Hall Council Chambers on the 19th day of April, 2016. I further certify that the meeting was duly called and that a quorum was present.

DATED this 5th day of May, 2016. _____
Bevelyn J. Bender, Town Clerk