

**TOWN OF FOUNTAIN HILLS  
MINUTES OF THE EXECUTIVE AND SPECIAL SESSIONS OF THE  
FOUNTAIN HILLS TOWN COUNCIL  
APRIL 23, 2018**

**EXECUTIVE SESSION**

Mayor Kavanagh called the Executive Session to order at 4:04 p.m. in the Fountain Conference Room - 2nd Floor, Town Hall.

**AGENDA ITEM#1 – ROLL CALL AND VOTE TO GO INTO EXECUTIVE SESSION: PURSUANT TO: (i) A.R.S. § 38-431.03(A)(1), DISCUSSION OR CONSIDERATION OF EMPLOYMENT, ASSIGNMENT, APPOINTMENT, PROMOTION, DISMISSAL, SALARIES, DISCIPLINING OR RESIGNATION OF A PUBLIC OFFICER (SPECIFICALLY, THE TOWN MANAGER’S ANNUAL PERFORMANCE EVALUATION).**

Present for roll call were the following members of the Town Council: Mayor Linda Kavanagh, Vice Mayor Dennis Brown, Councilmember Nick DePorter, Councilmember Alan Magazine, Councilmember Cecil Yates and Interim Town Attorney Mitesh Patel was also present.

Councilmember Art Tolis attended via conference call.

Mayor Kavanagh **MOVED** to go into Executive Session at 4:04 p.m. and Councilmember Magazine **SECONDED**, which **CARRIED UNANIMOUSLY** (7-0).

Town Manager Grady Miller entered the meeting at 4:38.

**AGENDA ITEM #2 - ADJOURNMENT.**

Mayor Kavanagh adjourned the Executive Session without objection at 4:55 p.m.

**SPECIAL SESSION**

\* **CALL TO ORDER AND ROLL CALL**

Mayor Kavanagh called the meeting to order at 5:06 p.m. in the Fountain Hills Town Council Chambers.

Present for roll call were the following members of the Town Council: Mayor Linda Kavanagh, Vice Mayor Dennis Brown, Councilmember Nick DePorter, Councilmember Alan Magazine, Councilmember Cecil Yates, Councilmember Art Tolis and Councilmember Henry Leger. Town Manager Grady E. Miller, Interim Town Attorney Mitesh Patel and Town Clerk Bevelyn Bender were also present.

Mayor Kavanagh reminded the public that the last informational meeting regarding the Town’s proposed Primary Property tax would be held on Monday, April 30, 2018 at 3:00 p.m. in the Community Center, Ballroom #1.

**DISCUSSION WITH POSSIBLE DIRECTION RELATING TO THE PROPOSED TOWN OF FOUNTAIN HILLS FY18-19 BUDGET, INCLUDING ALL PROPOSED REVENUES, EXPENDITURES AND PROGRAMS FOR ALL GOVERNMENTAL FUNDS.**

Town Manager Grady Miller discussed the Town’s proposed budget, which included setting the fiscal year 2018-19 budget for Town department plans, services, service levels and Capital Improvement Projects (CIP) program with Council’s recommendations and proposals. Mr. Miller encouraged questions from Councilmembers during the presentation and any recommendations or proposals occurring at the end of the meeting. Mr. Miller stated the process began in October 2017 and asked Council to reference the 2017-18 Budget Supplemental requests that totaled over \$1M of highly needed and requested items, additional personnel or projects noted in their departments and where approximately \$260K of those supplements recommended for approval with \$217K offsets received from projects.

Mr. Miller stressed there were a lot of supplemental requests not fulfilled due to the Town's projected revenue shortfall. Mr. Miller introduced Craig Rudolphy, Finance Director, who gave the budget presentation with the assistance of particular Department Managers, if needed.

Mr. Rudolphy reviewed the information using the following PowerPoint presentation (available on-line or in the office of the Town Clerk:

- Town's Vision Statement: Outlined direction from Council.
- Values Statement: Staff incorporated these values when considering the budget.
- 5-Year Financial Overview: State Statute required Cities and Towns to balance their budget and noted a 10-year projected budget was created after discussions with Department Managers who itemized what their departments believed was essential for their operation and included projects they felt should be addressed for a total of \$64M, which the Town currently lacked the revenue sources to fulfill. Mr. Rudolphy reported the Town finances were "status quo" and the \$64M requested items had been deferred and not included in the proposed budget and would continue to be deferred at this time, hence the reason for the 5-year projected budget.

Councilmember Yates asked, due to the requirement for the Town to create a balance budget, did that mean Council would have to cut the budget and Mr. Rudolphy replied "yes".

- General Fund Projections: Compared the General Fund Revenues FY2017-18 versus FY2018-19 included was the allocated portion of the proposed Primary Property Tax.
- General Fund Expenditures: Graph showing expenditures were rising faster than revenues.
- State Shared Revenues: Staff was not expecting a dramatic increase in revenues due to unknown tax cuts enacted in December 2017, along with the Town's population not expected to increase compared to other municipalities in the State, which would ultimately create a lesser amount due to the Town.
- Local Sales Tax: Would Increase, but not expected at a rapid pace.
- HURF or Street Fund: Expected to decrease.
- FY18-19 Budget Assumption: Over the next four years and included a recommendation for additional staff members or 1.5 FTE's, along with Maricopa County Sheriff's Office (MCSO) contract increase of 10 % with no foreseen decrease in MCSO's contract in future years. Rural Metro's contract had a 3% increase in their current contract and building permits were not expected to increase. Community Center debt subsidies paid from the General Fund to pay MPC Bonds and included a \$200K contingency.

#### **Outstanding Debit**

- Outstanding Bonds: As of July 1, 2019, MPC Bonds would be paid in its entirety in 2020 along with a \$5.3M outstanding GO Bond. When these bonds are paid in full, property owners Secondary Property Tax would be reduced. Eagle Mountain property owners' bond would be paid in its entirety in 2021.

Councilmember Magazine questioned what was involved in the \$5M GO Bond and Mr. Rudolphy replied primarily for the Saguro Bond and the Community Center.

- Town Manager's FY18-19 Proposed Budget: Totaling \$39,409,425 and included anticipated proceeds from the proposed Primary Property Tax in the amount of \$7M because Council adopted the tentative budget on May 1, 2018, the \$39,409,425 established the maximum amount allowed, and if the proposed Primary Property Tax did not pass, the maximum budget allowed would be reduced to \$32M and the \$7M would be removed from the budget. Councilmember Leger requested the \$7M be shown where it was allocated.

Councilmember Magazine questioned if the \$7M, was not approved, would it be taken from the Roads and Public Safety line items and Mr. Rudolph replied that was correct. Councilmember Magazine stated his preference for the opportunity for Council to discuss what areas in the budget would be affected, if the \$7M Property Tax was not approved. Mr. Rudolph replied if that happened, those funds must be removed due to the lack of revenue and he stated Council would decide how to reallocate the funds.

- Previous Fiscal Year Comparisons: Discussed the budget highlights.
- Budget Assumptions: Mr. Miller stated that no adjustments were recommended with the current 2.5% salary increase for Town staff allocated over the next two years.

Councilmember Magazine questioned the 5% increase over two years and Mr. Miller replied that the percentage was calculated over a 12 month period and averaged 3.75% over the next 12 months. Councilmember Magazine requested additional discussion on Mr. Miller's approach on this issue. Mr. Miller agreed and noted the total cost to the Town would be approximately \$130K and he would not recommend an increase the following year. Councilmember Magazine expressed he felt that the public would not understand and Mr. Miller added this was the reason he brought up the issue so to be transparent.

- Budget Assumptions (continued): Mr. Rudolph incorporated a 3% increase for inflation and declared staff hoped to maintain current service levels, with no new programs and did not see development of the State Trust Land within the next five years.
- FY18-19 Budget Highlights: Core Services for a total of \$1,023,932 in supplements, and Mr. Miller recommended \$462,697 with an offset of \$245,268 in new or accumulated revenue with a net increase requested of \$217,429.

Councilmember Yates mentioned that Core Services had requested ten new employees and Mr. Miller had recommended approval of only a 1.5 FTE.

- FY18-19 Capital Projects: Listed the CIP's proposed in the amount of \$4,299,922.
- Capital Projects (continued): CIP's were reviewed by Councilmembers previously.
- FY18-19 Budget Summary: a break-down by fund on how the Town's revenues and expenditures were proposed to be received and allocated and noted the \$7.1M of the Town's Reserve Fund would be used over the year with the majority coming out of the CIP Fund and HERF.
- Summary of Changes FY18-19 Budget: Listed by category with maintenance and utility costs that showing the largest increase.

Mayor Kavanagh asked what the maintenance expenditure involved and Mr. Miller replied possibly streets at \$2M and Councilmember Yates added it included the delta in Pavement Management and Mr. Rudolph replied "Yes".

- General Fund Operating Budgets: Listed by department with the General Government Fund increased by \$1.7M and \$1.5M an allocated portion of the proposed Primary Property Tax dedicated to public safety along with a decrease in staff due to a realignment of the Engineering Division from Development Services to Public Works.
- General Fund Operating Budgets – Changes: Mayor Kavanagh asked if a separate category could be created to show the difference between the funds with approval of the proposed Primary Property Tax and another without the tax funding and Mr. Rudolph replied the only portion that involved the proposed Primary Property Tax was located in the General Government Fund for \$5M. Mayor Kavanagh asked if the additional office operating cost for MCSO passed on to the Town was included and Mr. Rudolph replied the 10.11% included all increases. Mayor Kavanagh asked if it was known if MCSO's contract increases for the next few

years would be stable and Mr. Rudolphy replied 10% was his best guess and Mr. Miller added that he understood that for each dollar of salaries or 64% next year was dedicated to benefits and the following year as much as 69%. Mr. Miller further explained the reasons for MCSO's increases and stated the Town could see double digits in the future.

Councilmember DePorter mentioned that the Town should further explore creating its own fire department and possibly law enforcement and Mr. Miller replied staff compared Fountain Hills to other east valley municipalities and found Fountain Hills was the second lowest to Queen Creek, with others much higher. Mr. Miller stated that staff had researched this option and at this time current contracted services looked favorable at this point and noted the cost of Fountain Hill's own fire services would increase the cost between 20% - 30% from current costs. Councilmember Leger agreed. Mayor Kavanagh asked if Queen Creek also contracted with MCSO and Mr. Miller replied "yes". Mr. Rudolphy commented that the cost currently was \$3.9M annually compared to the Town owning its fire services at \$800K - \$1M in additional costs.

- FY18-19 Budget by Core Services from all Funds: Special Revenue Funds included the \$4M for increased street maintenance if the proposed Primary Property Tax passed and \$1M for Facilities Replacement Fund.

**Reserve Funds**  
**(Fund Balances)**

Mr. Rudolphy presented his projections for the end of fiscal year 2019 totaling \$13.5M.

Councilmember Magazine asked if \$7M was currently in the Reserve Fund and how that compared with previously years. Mr. Rudolphy replied lower due to the previous recession that drew down the General Fund with transfers to sustain other funds.

Councilmember Leger pointed out that if the proposed Primary Property Tax was approved and was all used for roads, the funds would be depleted and Mr. Rudolphy replied the formula was 20% of the average five years of General Fund Expenditures that allowed good financial stewardship and Mr. Miller added that rating agencies considered the Town's "Times Coverage" that consisted of the revenues the Town received compared to the amount of debt outstanding and the type of debt. Mr. Miller pointed out a high rating kept the Town's finance rates down and Mr. Rudolphy added at this time Fountain Hill's rating by "Moody's" was AA2 and higher than most municipalities. Councilmember Yates stated the recommended reserve used by municipalities was prudent and Mr. Rudolphy replied the concept was the same.

Councilmember Magazine questioned the \$7M Council had approved in a proposed Primary Property Tax and asked since there was \$7M held in the Rainy Day Fund, could the Rainy Day Fund be used in an emergency, such as a new fountain liner. Mr. Rudolphy replied the amount available in the Rainy Day Fund that could be allocated would be \$2.8M and would not cover the cost of a liner; he noted that once these funds were depleted, the funds would be gone and that it had taken many years to build up the fund to its current level. Mr. Rudolphy explained that \$1.4M of that fund was an assigned fund balance held for unexpected expenditures and for very specific items such as a national disaster by declaration. Councilmember Magazine requested the Rainy Day Fund broken down on the presentation for clarification. Mr. Miller mentioned that funds used from the Rainy Day Fund must be repaid within five years.

- Five Year Overview: Involved 20 different funds for specific purposes with varying restrictions.
- Five Year General Fund Revenue Projections: Showed the accrual dollars of the Town's revenue shortage going forward, excluding all the projections considered in the ten-year financial forecast and lacked items currently deferred in the five-year projection.
- Pavement Management Program: Funding expedited over the years.
- General Fund Projections: Displayed the past and current funding.

- Operating Costs Per Capita: Compared operating costs and listed Fountain Hill as falling second to lowest with Queen Creek being the lowest.
- Employees Per Capita: Number of Full Time Employees (FTE) and included fire personnel for comparables to other municipalities and Fountain Hills was in the 1-1/2 – 2 range.

Councilmember Tolis asked what the population number was in 2015 and Mr. Rudolphy replied staff used mid-decade censuses numbers from the Department of Revenue totaling 23,899.

Mr. Rudolphy stated that the projections included in the local tax numbers and included the proposed Primary Property Tax of \$7M. Councilmember Tolis asked if the local tax projection could be broken down, specifically, the bed tax. Mr. Rudolphy replied the information was not with him at this time, but could provide the data. Councilmember Tolis asked what segment of the taxes were growing in projections and Mr. Rudolphy replied retail and wholesale, which was 50% of the Town's total tax revenue. Councilmember Yates added that on-line sales were taking over retail and wholesale sales and all local retail and wholesale were trending downward; Mr. Rudolphy agreed.

- Organizational Chart: Presented and had not changed significantly.

### **Public Safety**

Mr. Rudolphy noted that the following information covered individual departments.

- Fire Department: Organizational chart.
- Fire and Emergency Medical: Rural Metro Contract costs increased 9%.

Councilmember DePorter wanted to know the reason for the Town negotiating a five-year contract and Mr. Miller replied the Town, at that time, was facing a revenue shortfall and it was important to know future costs. Councilmember Leger added Council locked in an annual 3% increase annually avoiding negotiations after three-years where increases could have been higher. Mr. Miller pointed out that the Town could opt-out of the contract, if necessary, with a 12-month notification from either party. Mayor Kavanagh pointed out that fire personnel were crossed trained to address medical or fire.

Councilmember Tolis asked why the Town could not return to a Fire District and Town Attorney Patel replied he could not answer that question at this time, but could provide further information. Councilmember Yates explained that he had researched the process and found there were layers of processes and would require Legislation approval along with a vote of the property owners. Councilmember Yates referred to Paradise Valley; the only municipality that received approval and by subscription only. Mr. Miller added if the Town received all required approvals, the Fire District would have their own governing body such as the Sanitary District Board with no possible direction from Council.

- Fire and Emergency Programs: Listed.
- Law Enforcement: Organizational chart.
- Law Enforcement: Maricopa County Sherriff's Office (MCSO) costs increased 9.2%.

Councilmember Magazine asked why there was an increase and Mr. Rudolphy replied Animal Control offset along with a School Resource Officer were included. Mayor Kavanagh asked Mr. Rudolphy to provide information involving the intergovernmental agreements. Mr. Rudolphy replied the two intergovernmental agreements were the County Animal Care and Control along with a shelter agreement for loose dogs.

### **Municipal Court**

- Municipal Court: Organizational Chart.
- Municipal Court Budget: Listed items with a 0.6% increase.
- Municipal Court: No changes and listed core responsibilities.

### **General Government**

- Administration Department: Organization Chart.
- Administration: Listed all services provided with an increase of 1.9% and also covered the department's Volunteer Program that saved the Town approximately \$500K annually.

Councilmember Magazine asked what the legal services assumptions were and Mr. Rudolph replied "status quo" while averaging current monthly billings from our Interim Town Attorney and averaging on a 12 month basis, the finding was that the cost was higher than the previous attorney. Mr. Miller added staff believed the future costs would be less. Mr. Miller informed Council there was a planned work-study to request Council's direction on a "Request for Proposal" (RFP) and Councilmember Leger added he found three-years ago legal services averaged \$350K.

- Administration: Listed and showed a decrease due to previous supplemental requests not seen in the 2018-19 budgets.

Mr. Miller asked Mr. Rudolph to explain the increase in the Town Manager's Budget and Mr. Rudolph replied that the increase involved the proposed additional 1.5 full-time employees (FTE's) with the added Communication Director and .5 FTE for IT support.

### **Economic Development**

- Economic Development Planning Approach: Plan of action explained.
- Economic Development: Costs increased by 10.1% with an additional year added to the contracted marketing agency assistance totaling \$50K. Mr. Miller stated the cost included a full-time position with an offset from the Excise Tax. Mr. Rudolph replied the amount was calculated on 80% of .1% of the Excise Tax collected and approved by Town Council for Economic Development.

### **Development Services**

- Development Services: Organizational Chart.
- Development Services: Budget reduced by 16.7% and listed the department's projected activities and mentioned they were responsible for the General Plan update due by 2020.
- Development Services: Divisions listed with an overall total of 7.5 FTE's and a budget decrease in Building Safety due to a revised process with third party inspectors paid directly by the building developers.

Councilmember DePorter left the dais at 6:14 p.m.

### **Public Works**

- Public Works: Organizational Chart.
- Public Works: Budget increased by 0.7% and reported staff maintained 70 acres of Town washes with the Public Works Director responsible for the overall Capital Improvement Projects program; administration and the Pavement Management Program.

- Public Works Divisions: Listed by division with 5.95 FTE's and now included the Engineering Division shown as moved from the Development Services Department to the Public Works Department.
- Streets Fund (HURF): Budget increased by 148.5% with 4.85 FTE's and staff was currently working in Zone 1 pavement section of roads and mentioned this program may change in the future.
- HURF/Street Programs: Outlined funding with an additional fund included as part of the proposed Primary Property Tax, if passed in May 2018.

Councilmember DePorter returned to the dais at 6:16 p.m.

### Community Services

- Community Services: Organizational Chart.
- Community Services: Budget increased by 4.8%.
- Community Services Budget Highlights: Staff maintained 118 acres of parks, 740 acres of preserve and other Town services.
- Community Services Division: Listed with 20.7 FTE's.

### Capital Improvement Plan \$4,299,922

- Capital Projects: Listed in five different categories.
- Capital Projects: Listed.

### Four Peaks Park Capital Improvement Projects Recommendations and Discussion of Options

Community Services Director Rachael Goodwin gave the presentation on a five-year vision plan for this park and noted there were extensive proposed renovations.

- Current Issues to address: Listed with photos.
- Additional Issues to address: Vandalism, no seating or ramadas, no pedestrian accessibility, no parking to access park areas and no public restrooms.
- Four Peaks Park Master Plan: Initially developed in 2012 through the Community Services Advisory Commission and displayed a picture of the area that involved a \$5M investment, with no current funding available.
- Four Peaks Neighborhood Park: Staff requested to complete renovations.
- Four Peaks Neighborhood Park: Listed with diagram of the proposed necessary items for renovations.
- Option 1 - Four Peaks Park Renovation: Reorient layout with applied grant funding, if awarded, and presented a diagram of the staff proposal. Mayor Kavanagh asked if the grant funding of \$50K would go towards this proposed plan and Ms. Goodwin replied "yes" and added this option was the best solution to address issues in the park. Councilmember Magazine asked if the renovation plan included a path to the bridge and Ms. Goodwin replied "ideally yes".

- Option 1 – Reorient Park Layout: Cost estimated at \$485K and Mr. Miller expressed his support for this option and added this was also Town staff recommendation.
- Option 2: Displayed in a diagram.
- Option 2 - Maintain Current Park Layout: Listed work to revamp the current site and noted this option did not address the vandalism problem in the park.
- Option 2 – Maintain Current Park Layout: Cost projected the same as in Option 1, with estimates totaling \$485K.

Councilmember Magazine asked that the parks grass issues be addressed and Ms. Goodwin replied the ball fields redo hopefully would be addressed through a grant opportunity. Councilmember Magazine questioned if the only issue was watering and Ms. Goodwin replied there were more weeds in the fields than grass. Ms. Goodwin stated at Council’s first meeting in June 2018 there could be another grant opportunity to present to Council for their approval to make application and specifically address the ball fields, with grant results awarded in December 2018. Mr. Miller added the entity that was granting these funds only focused on baseball fields.

- Future Options – Pending Funding: Listed future renovation plans with and displayed options “A” and “B” and mentioned staff was open to other options. Councilmember Tolis suggested staff research a low cost option by creating mounds for an “RC” car racing track to draw youth and adults to the park and Ms. Goodwin stated that staff would check this option out.
- Funding and Priorities: Listed the five-year plan of action. Councilmember DePorter thanked Community Services staff for their plan of action to make this park assessable and complete for the neighborhood.

Councilmember Leger acknowledged that the \$485K necessary for the park renovation was not currently allocated in the 2018-19 budgets and Ms. Goodwin replied there was \$100K currently placed in the CIP budget for this project and Councilmember Leger proposed approval of the \$100K and asked what work could be accomplish with this funding. Ms. Goodwin replied basketball court demolition due to safety concerns and possibly addressing the playground equipment by using the additional \$50K grant funding, if awarded. Mr. Miller reminded Council that a request was made for staff to return to Council and present a five-year park plan for their approval and possibly add additional funding with the \$116K removed previously from the budget for the Economic Development Town Hall office space. Mr. Miller also mentioned the \$50K grant was a match by the Town and would only leave \$50K for additional allocations for the project. Mr. Miller added if Council recommended the \$116K placed in this project fund the total would become \$216K to start the renovations in Four Peaks Park.

Councilmember Yates commended Ms. Goodwin and staff for their excellent plan and proposed use of funds.

Councilmember Leger asked if staff had considered a partnership with the Boys and Girls Club and Ms. Goodwin replied there was a tentative meeting date set and the Club was supportive to discuss the possibilities. Councilmember Leger asked if the “Diamondbacks” ball Team support had been considered and Ms. Goodwin replied that more information on a possible partnership would be presented in June 2018.

Councilmember Tolis requested staff to contact other community partners and asked for their support and Ms. Goodwin replied “absolutely”,

Councilmember Yates left the dais at 6:41 p.m. and returned at 6:43 p.m.

Councilmember Magazine asked if any of the funds listed under the Community Services Department and CIP’s were related and Mr. Rudolph replied the budgets under Community Services were operating costs only and not Capital Funds. Councilmember Magazine questioned funds allocated in the budget report on

page 41 totaling \$1M, page 42 totaling \$448K and page 102 for \$1.2M and Mr. Rudolphy replied all funding involved parks and he would provide that information.

Mr. Miller brought up the project listed in the CIP's that was deferred for the Plaza Fountainside project approved by Council as a multi-year/multi-phase project beginning in 2020-21, with a "Request for Proposal" (RFP) returned with a design cost between \$89K - \$117K for a total amount for project completion of \$500K - \$600K. The people involved in this project requested the Town address south of the courtyard be paved at a cost of \$80K. Mr. Miller reported that a presentation was placed on Council's May 1, 2018 agenda to request Council's approval. Mr. Miller understood this was a late request for their consideration and if approved, would also add a bocce ball court funded with grant money and placed next to the splash pad. Mr. Miller added grant funding needed to be added to the budget documents and would affect the CIP's and possibly could create policy issues. Ms. Goodwin stated that more information would be presented along with further discussion on the bocce court, which was only a portion of the plan that was approved by Council last year. Mayor Kavanagh stated she did not remember a suggestion for a bocce ball court. Mr. Miller indicated he only wanted to inform Council of this item coming forward. Mayor Kavanagh felt a more appropriate place for a bocce ball court would be at Golden Eagle Park and Ms. Goodwin replied there was already a horseshoe area in that park. Mayor Kavanagh asked if a bocce ball court was in-line with the master plan for Fountain Park and if the Town would supply the equipment and Ms. Goodwin replied it was a supply your own equipment area.

Councilmember Tolis asked if the Plaza Fountainside business owners were involved in the discussion and agreed to this plan. He indicated he supported increased commerce for these businesses to increase revenues for both the businesses and the Town. Mr. Miller replied that was the original plan. Councilmember Leger pointed out that in Council's CIP meetings it was clear that Council did not wish to pursue this project.

Mr. Rudolphy asked for clarification on the Four Peaks Park funding with Council direction and also Council's decision on the deferred Economic Development Remodeling Fund in the amount of \$116K and if those funds would be moved to the Four Peak Park improvement Fund. Mr. Miller replied it was decided that the \$116K would be held in a fund until Council received a five-year park plan before a decision was made.

Councilmember Yates clarified the \$116K was unallocated and unbudgeted. Mayor Kavanagh asked how Council could proceed with transferring this funding into parks and Mr. Miller suggested action at this time.

Councilmember Magazine informed Council that he was going to make a motion to remove proposed budgeted items totaling \$275K and Councilmember Leger pointed out that currently the budget exceed spending limitations by \$330K and requested this issue be addressed before adding \$116K to the budget.

Mr. Rudolphy explained the expenditure limitation and stated he was confident all budgeted amounts overall would not exceed the Town's budget limitation and Mr. Miller acknowledged the Town's budget limitations would have to be raised in the near future.

Vice Mayor Brown said the optics of Council approving a budget that exceeded the limitation by \$330K was not good and stated the budget should be balanced.

Councilmember Magazine presented his suggested cuts in the budget as \$10K for courtroom benches, Communications Director for \$115K and Wayfinding Signs for \$150K that totaled \$275K.

Mayor Kavanagh requested Council address the court benches and Mr. Rudolphy explained the benches would be paid from the Courtroom Enhancement Fund and not General Fund Expenditure, but noted it was still an expenditure.

Councilmember Magazine **MOVED** to remove courtroom benches in the amount of \$10K from the fiscal year 2018-19 budget. Mayor Kavanagh asked for a second to the motion and the motion **FAILED** due to lack of a second.

Councilmember Magazine **MOVED** to remove the expenditure for a proposed Communications Director in the amount of \$115K and Councilmember Leger **SECONDED** the motion.

Mayor Kavanagh asked for a discussion from Council.

Councilmember Yates proposed it was important that a Communications Director was added to create a plan to sell our community brand and perform other important tasks in Town and Councilmember Magazine replied that he appreciated and supported Councilmember Yates comments, but not at this time.

Mayor Kavanagh asked for a roll call vote.

Councilmember Yates	Nay
Councilmember Tolis	Aye
Councilmember Leger	Aye
Councilmember DePorter	Aye
Councilmember Magazine	Aye
Vice Mayor Brown	Aye
Mayor Kavanagh	Aye

The motion **CARRIED** (6-1) on a vote of those members present, with Councilmember Yates voting “Nay”.

Councilmember Yates pointed out the legal services budget was greatly elevated and could conservatively be cut, after several considerations, by \$50K from the proposed budget.

Councilmember Yates **MOVED** to remove \$50K from the Legal Services Budget line item 524 and Vice Mayor Brown **SECONDED** the motion. Mayor Kavanagh asked for further discussion.

Mr. Rudolph reminded Council that the Legal Services Budget also covered the cost of the Town’s Prosecutor.

Mayor Kavanagh asked for a roll call vote.

Councilmember Yates	Aye
Councilmember DePorter	Aye
Councilmember Tolis	Aye
Vice Mayor Brown	Aye
Councilmember Magazine	Aye
Councilmember Leger	Aye
Mayor Kavanagh	Aye

The motion **CARRIED UNANIMOUSLY** (7-0) by a vote of members present.

Councilmember Magazine **MOVED** to defer the Wayfinding Signs in the amount of \$150K and remove from the 2018-19 tentative budgets and Councilmember DePorter **SECONDED** the motion.

Mayor Kavanagh asked for a discussion.

Mr. Miller stated the monument signs were the only part proposed in the 2018-19 budget year with the final overall Wayfinding Signs placement deferred until 2020-21. Mr. Miller suggested pushing back the monument signs for an additional year at \$315K, with design concept completed until funding was available.

Councilmember Magazine restated his motion.

Councilmember Magazine **MOVED** to remove Wayfinding Signs/Monuments from the budget and defer the \$300K by one-year, respectively and Councilmember DePorter **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0).

Mr. Rudolphy stated that the Wayfinding Sign design may not be completed in this fiscal year and the remainder of funds allocated would carryover into the new budget year 2018-19 and Mr. Miller explained that out of the allocated \$75K approved for design concept, \$25K required carryover if the work was not completed by the end of June 2018.

Councilmember Yates **MOVED** to approve a carryover of \$25K from the fiscal year 2017-18 budget years to the 2018-19 budget years and Councilmember Magazine **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0).

Vice Mayor Brown announced that Council had removed a total amount in cuts of \$440K at this time.

Councilmember Tolis requested clarification on for the unpaved alley project budgeted at \$250K.

Councilmember Magazine left the dais at 7:12 p.m.

Mr. Miller explained the alley projects had been deferred before and his recommendation was to not remove this item and move towards completing the Town's agreement with Maricopa Association of Governments (MAG) and Vice Mayor Brown added the alley project was monitored by MAG and an unfunded Federal mandate; Public Works Director Justin Weldy agreed.

Councilmember Magazine returned to the dais at 7:13 p.m.

Mr. Weldy continued to explain that the Town entered into a contract with the County for these heavily used allies to be paved and Mr. Miller added MAG did monitor progress and if not completed as agreed in the contract, Federal Funding could be pulled from the Town due to air quality violations. Mr. Weldy stated he believed the Town had deferred this project the last four to five years and Vice Mayor Brown added the overall alley pavement project had been going on closer to 10-years.

Councilmember Leger asked for clarification on the scope of work for \$255K and Mr. Weldy replied funding for the current alley would address Phase IV and noted there was also a phase V.

Vice Mayor Brown requested to hold off on a final decision on this project until Council had more information and Mr. Miller replied it was important to leave this project in the tentative budget to allow Council a chance to decide before the final budget approval and Vice Mayor Brown agreed.

Mayor Kavanagh asked for additional suggested allocations removed and none were initiated.

Mayor Kavanagh requested a discussion on the \$116K discussed to be added to the Four Peaks Park project and mentioned this transferred amount would leave a budget total of \$324K and would balance the budget. Mr. Miller suggested moving \$100K into the Four Peaks Park project.

Councilmember Yates **MOVED** to move \$100K from the Economic Development deferred budget item into the Four Peaks Park project and Vice Mayor Brown **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0).

Mr. Rudolphy stated the budget would now be under the limitations required.

Councilmember Tolis asked what the Contingency Fund could be used for and Mr. Rudolphy replied at Council's discretion. Councilmember Tolis asked if Contingency Funds could be transferred for Town projects and Mr. Rudolphy replied that it was better to keep in the same fund and Mr. Miller added it took years to build the up the Contingency Fund to its current balance and was only used for Town Departments that ran over and in certain situations.

- **Fee Schedule Changes**: Reviewed.

- Personnel: Removed the Communications Director request and would keep in the budget a .5 FTE for an IT Support Specialist, as suggested by the Town’s external auditor for back-up support.
- Personnel and Benefits: Reviewed for 55.69 FTE’s plus .5 FTE for an IT Support Specialists.

Councilmember Magazine expressed his concern for the optics of a 5% personnel increase to wages and stressed it may be found a mistake when residents reviewed this request.

Councilmember Leger pointed out the increase was over a two year period and pointed out he was strongly in favor of removing the Communication Director proposed new position and felt the 5% was a reward to staff for working so hard. Councilmember Leger stated he agreed with Councilmember Magazine until the Town had stated freezing raises the following year.

Councilmember Yates added that staff was asked to increase their work load and he did not want current personnel to relocate to another municipality. Councilmember Yates added the increase would be 3.7% over the next 12 months and then capped. Mr. Miller observed that other municipalities restored a merit system and Fountain Hills had not and mentioned that the Town also did not contribute to staff’s Social Security for a savings to the Town of 6.25%. Councilmember Magazine suggested a 2.5% raise for the next two –years and was in agreement that staff warranted a raise. Mr. Miller explained the future was unknown for funding suggested raises and stressed raises would average 3.75% over 12 months. Councilmember Magazine still questioned how this would be received by residents overall.

Mr. Rudolphy pointed out savings currently seen in overall health insurance costs to the Town.

Mr. Rudolphy stated a new budget total would be presented at the May 1, 2018, Town Council meeting for Councils consideration and approval.

- Next Steps: Listed beginning with the May 1, 2018, adoption of the tentative budget.

Mayor Kavanagh thanked Mr. Rudolphy for his transparent presentation and stressed that anyone could contract Town personnel to answer additional questions. Mayor Kavanagh suggested Town residents who wanted to be better informed, register for the next “Academy” class next fall for further understanding of the Town functions.

Councilmember Leger pointed out that revenues from the proposed Primary Property Tax had been incorporated into the current tentative budget and as promised and unanimously approved by Council.

**AGENDA ITEM #2 – ADJOURNMENT**

Mayor Kavanagh asked for a motion to adjourn.

Councilmember Yates made a **MOTION** to adjourn the meeting and Councilmember DePorter **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0). The Special Session adjourned at 7:29 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 and Special Sessions held by the Town Council of Fountain Hills in the Fountain Conference Room and the Town Hall Council Chambers on the 23<sup>rd</sup> day of April, 2018. I further certify that the meeting was duly called and that a quorum was present.

DATED this 19<sup>th</sup> day of June 2018.

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Bevelyn J. Bender, Town Clerk