

**TOWN OF FOUNTAIN HILLS
MINUTES OF THE SPECIAL MEETING OF THE
FOUNTAIN HILLS TOWN COUNCIL
APRIL 18, 2019**

1. CALL TO ORDER – Mayor Ginny Dickey

Mayor Dickey called the Special Meeting of April 18, 2019, to order at 6:01 p.m.

2. ROLL CALL – Mayor Ginny Dickey

COUNCILMEMBERS PRESENT: Mayor Ginny Dickey; Vice Mayor Art Tolis; Councilmembers Mike Scharnow, Dennis Brown, Alan Magazine, Sherry Leckrone and David Spelich.

COUNCILMEMBERS ABSENT: None.

STAFF PRESENT: Town Manager Grady Miller, Town Attorney Aaron D. Arnson, and Town Clerk Elizabeth A. Burke.

3. Discussion and direction to staff regarding the following proposed revenue options and user fees:

Mayor Dickey said that some on Council have navigated through this process in the past and those that have been there for a long time remember paying property taxes on the roads and Fire District. Since the Fire District was eliminated, the Town has been somewhat struggling to maintain that service. Through cuts and creative staffing, and success with funding, the budget has been balance, but the core issues remain—without revenue relief they will be unable to sustain their assets. She said that there were seven different individuals on the Council with different ideas, representing 24,000 people. It is time to look forward in good faith and all of them will take responsibility for where they go from here.

Mayor Dickey noted that the agenda for tonight is for revenues. Mr. Miller added that back during the retreat the Council did have an overall look at revenues and expenses. He said they went through a process of identifying future shortfalls a few years ago. At that time, the Council decided to move forward with a primary property tax which was referred to the voters last May and failed at a 2:1 ratio.

Mr. Miller said even before that time they had presented at the staff level revenue options they had hoped would take. They have revised their numbers and estimates. As part of the primary property tax discussions, they identified a lot of needs they have and they will see some of that tonight and next week. He said that Council had a workshop a few weeks ago where they had a lively discussion. Staff is hoping tonight that they will leave with some direction from Council.

Finance Director Craig Rudolph then began a PowerPoint presentation (Exhibit A attached hereto and made a part hereof by this reference) which addressed:

SUMMARY OF FINANCIAL CHALLENGES
REVENUES/EXPENDITURES
GENERAL FUND PROJECTIONS
FIVE YEAR FINANCIAL FORECAST – INCLUDING DEFERRED ITEMS
GENERAL FUND PROJECTIONS – MAJOR DEFERRED ITEMS – 5 YEAR TOTALS

He said that staffing is half of what it was 10 years ago. They have heard that they should issue bonds, which they could do, however they would not be tax-exempt bonds because if they were going to do maintenance, general obligation bonds could not be issued according to the IRC. He said that based on a meeting a month ago, Council gave staff direction to further explore different options.

SALES TAX
PUBLIC SAFETY FEE
ENVIRONMENTAL FEE

Mr. Rudolphy said that the Environmental Fee was not originally meant to cover the entire environmental costs. When the fee was adopted, they did not include all of the costs. This is a good representation of all of the costs and some of them have gone up since adopted five years ago. To cover all costs, the fee would need to increase to \$62 per year.

PUBLIC SAFETY/MAINTENANCE AND INFRASTRUCTURE FEE
OTHER POSSIBLE REVENUES
SUMMARY OF REVENUE OPTIONS
RECOMMENDED REVENUE ADJUSTMENTS FOR FY19-20

For process, Mr. Rudolphy said that he has not included any of the fees that Council may choose to adopt in the Tentative Budget which establishes the maximum amount for the year. Even if Council approves new or increased fees and collect money, they could not spend it this year.

NEXT STEPS

Staff was asked what the timetable would be if they were to implement a new Public Safety Fee. Mr. Rudolphy said that if that fee was selected, they would probably follow the same timeline as used for the Environmental Fee which is January. If they issued the bills in January, they would be looking at February and March for payment.

Brief discussion was held on the cell towers. Mr. Rudolphy said that currently the Town receives \$1,500 per month for lease per tower.

Vice Mayor Tolis said that he would like to review the bond options and clarify the different types of bonds that a municipality may consider, and the associated costs with general obligation bonds.

Mr. Rudolphy said that typically they issue general obligation bonds, but there other types such as the Municipal Property Corporation (MPC), revenue bonds for roads funded with future HURF monies. He said that the MPC currently has some outstanding; they were issued as an arm of the government to build buildings and then lease them back to the Town. At the end of the lease term, which coincides with the bonds, the property reverts to the Town of Fountain Hills.

He said that general obligation bonds are used for operating purposes or construction of projects. In the municipal world, this is by far the majority that are issued as tax-exempt. It was noted that currently the Town has a bond right now on Saguaro, which will be paid off as of 2020.

Vice Mayor Tolis said that if they were to explore one of the revenue options, to look at asking voter approval, to be used for maintenance it would allow the bonds to be amortized over a longer period of time, with the purpose of dealing with the maintenance issues that have continuously been deferred. It would be an opportunity for a one-time solution with a purpose and an end. In his thinking, this would allow the residents to approve a bond without increasing what they are already paying.

Mr. Rudolphy said that he was not aware of any government entity issuing taxable general obligation bonds. They all strive to issue tax-exempt bonds, but if they are tax-exempt they cannot be used for maintenance.

Discussion was held on the Town's bond rating of AA+, which is very good. Mr. Miller noted that if the credit reporting agencies see that the Town is using debt service for operating expenditures, they will downgrade their credit rating and he did think it would be a prudent way of handling things.

Further discussion was held on the Town's roads and how to address their repair and maintenance in the future. Mr. Miller reminded Council that staff will be coming back in September to address the Pavement Management Plan and have Council determine what level of roads they want in Town.

Councilmember Leckrone asked if staff had an estimate of what they could raise by selling the Town property or leases for the cell towers. Mr. Rudolphy said that he has their offers upstairs, but they were in excess of \$1 million. He said that those would be one-time revenues and the leases run for 20-25 years.

Mayor Dickey asked if they could raise their contingency fund to be able to spend some of the additional revenue if there should be another unexpected expense, such as last year's storm. Mr. Rudolphy said that they could do that, but it would need to be done prior to or at the May 7 adoption of the Tentative Budget.

Discussion was then held on the Public Safety Fee and what type of revenue could be raised with it. Mr. Miller said that there has been discussion among staff on whether to charge per household or per parcel. He prefers households, but Finance's recommendation is to bill by the parcel.

Councilmember Brown said that he sees this as being two-fold. The Town Council will have to come up with a plan to get them over the 10-year hump, but first they need to look at getting through the next 4-5 years. He said that nobody wants to ask for money, but Fountain Hills is a living, breathing town and they cannot live there for free. He has said for the last ten years that he wanted to be on the Council that shows the strength that makes Fountain Hills solid again. The most important issues are public safety and then roads.

He said that the Public Safety Fee is an equitable fee to everyone. They currently receive the same service from MCSO/Fire and it does not matter what the value is of their home.

Councilmember Brown said that he would support a \$150 Public Safety Fee per household or parcel and either eliminate the environmental fee or add it to the \$150 and have a \$185 Public Safety Fee. He said that he would support that along with raising the sales tax by .3%.

Councilmember Magazine said that it makes sense and it would get them through the next five years; however, he is extremely concerned as to how many homeowners will refuse to pay. He asked Mr. Arnson if there was any way to make the fee enforceable in terms of people paying. Mr. Rudolphy said that in conversations with prior counsel, unless the Council allows for the collection of a fee, such as to lien property, they do not have that ability. Councilmember Magazine said that he would hope that their present attorney would give them a different answer.

Councilmember Leckrone said that she knew coming into the meeting that what she wanted to conclude with multiple things that were fair, open and predictable and Councilmember Brown's explanation of the Public Safety Fee does apply to everyone and she finds that enticing. She was somewhat concerned with having an Environmental Fee one year and then doubling it the next. She liked the idea of either adding it to the Public Safety Fee or eliminating it.

Councilmember Scharnow said that he sees the recommendation as more fair and understandable. He has received so many questions on what the Environmental Fee is used for; the Public Safety Fee is easy to understand. He suggested that they take away the Environmental Fee and increase the public safety to \$200. His only concern is with enforceability and what they are left to deal with.

Vice Mayor Tolis said that Councilmember Brown did an excellent job in his evaluation and recommendation. The sad part about it is that they discussed this two years ago and asked for legal advice two years ago to look at different fees. He said that they are now looking at increases in the public safety fees, year after year. He said that he would be agreeable, but they need to do some serious planning as to whether their community would be better served by an intergovernmental agreement with another community. He said that it like the public is being taxed without a vote—taxation without representation.

Vice Mayor Tolis said that he is against an increase in their sales tax; it is a bad idea. He said that they have tremendous vacancies in the stores. They have a lot of mom and pop businesses that are struggling to be successful. Their biggest competition is Scottsdale and their sales tax is at 8%.

He asked if they could look at enterprise investment zones and tax-free investment zones for businesses to come to Fountain Hills. If they are having this financial strain, he asked if they could look at program opportunities that will generate the sales revenues that are needed. He said that they should keep the sales tax as is.

Councilmember Spelich said that he has sounded the alarm about the sky-rocketing costs of public safety over a year ago. He knew it was going to get worse, but he never expected it would go up \$600,000. He said that many are asking what more they are getting with those increased costs; the manpower will stay the same. He said that this is absolutely no

slight against law enforcement; these budgetary decisions are made well above the pay scale of those serving the community, and there is no town that is under contract that saw such a significant increase. He said that the idea of the Public Safety Fee is fair and everyone uses them.

He said that what they have lost sight of is that these fees are set, but they need to make a concerted effort to collect what is owed. He said that there is \$126,000 that is uncollected in the Environmental Fee and there are \$655,000 in uncollected court costs, of which \$286,000 would come to the Town.

Councilmember Spelich said that if they take Councilmember Brown's idea of a \$150 Public Safety Fee and show the residents they are going to collect what is owed, they need to set the standard that if they do not pay, they are taking it seriously. He said that Mr. Rudolphy's statement that they will probably see a decrease in collection percentage with a higher fee is probably true; there are always going to be people that will not pay. What people are looking for in Town is fairness and he believes that the Public Safety Fee is fair. He said that past councils made the error of charging \$36 for an Environmental Fee when it never covered the actual costs.

He said that he is not too excited with a sales tax increase; he agreed with the Vice Mayor, but he believed that the Environmental Fee needed to be added into the Public Safety Fee.

Councilmember Brown replied to the Vice Mayor that Scottsdale's sales tax may be at 8.05%, but they have a primary and secondary property tax. If the Town had that, they could probably cut their sales tax in half.

Councilmember Magazine said that he does not like raising sales tax as it hurts the poor, but if they face the facts, \$100 in sales would increase the amount by 30 cents. He said that it would cost more in gas to go to Scottsdale and they need to consider that as well. He asked if they could possibly have a hardship clause for the Public Safety Fee. Mr. Miller said that he would be happy to look into that, similar to what SRP uses.

Vice Mayor Tolis said that Mr. Rudolphy brought up the option of selling the cell tower contracts. He believes that would be more appropriate to be discussed in executive session, but he is very interested in picking the low-lying fruit in terms of revenue and before it is discussed, he would like the pros/cons of doing so. Councilmember Scharnow agreed.

With regard to the collections, Vice Mayor Tolis asked if that was being addressed in the proposed budget. Mr. Miller said that they did include funding for a contract person. He said that there are advantages to working under a contract to go after court fines and the Environmental Fee.

Councilmember Scharnow asked how much of the 14% increase with MCSO was attributed to pension. Mr. Miller said that pension played a big part of it, but the biggest part, other than the mandated 3% charges for administration, was based on last year's experiences where they had a lot of high-profile incidents in Fountain Hills. He said that they are still anticipating an average of a 10% increase annually, due to the pension. He said that all municipalities are facing this pension issue.

Councilmember Scharnow said that he would agree with being in competition with Scottsdale and its impact on sales tax, but that would only be on big-ticket items. He does not think it would affect the mom/pop stores to the degree it would hurt them. He said that sales tax has a very efficient way of collection. It has not been raised since 2003 when it went from 1.6% to 2.6%. To him, having it go up .3% is relatively minor. Mayor Dickey noted that it was raised in 2003 because that is when they lost the Fire District.

Councilmember Brown said that he wanted to point out that if they do not do something with the sales tax they will not have the total amount needed to turn the nut in the short term. He agreed that \$.30 on \$100 bill is not much.

Councilmember Spelich said that he is totally interested in finding out about the cell towers. He said that in Chicago, Mayor Daily received \$1 billion in parking meters, but blew through that money in six years. They need to consider the long-term leases and what could be generated in that amount of time.

Vice Mayor Tolis said that to Councilmember Scharnow's point, increasing the sales tax is no big deal on a \$100 ticket at the store, but his vision for this community is to be the best of the best with a high-end, step above downtown than is expected in other communities that draws people there to spend money. He said that they have Rex Foley, an auto dealer in town, selling higher-end vehicles. That is the type of businesses they need, and they may have second thoughts about growing their business if the sales tax increases too much.

Mayor Dickey said that over the years the Legislature has taken away tool after tool and before they go further, she would like to see them implement some type of increase. If they do not want to have a separate Environmental Fee, they should keep it on the books, but have it remain at \$0 so they could be grandfathered in case the Legislature makes future changes.

She said that she totally agrees with the hardship clause. She said that she also agreed with the need to be stronger in enforcement, and make sure that when someone comes in for some type of service from the Town, that any outstanding fees are paid.

Mayor Dickey said that for many years they have had the 10% increase included year after year for MCSO. Last year they had no increase and with the 14% increase this year, it still averages out to be conservative. That being said, she said, it still does not mean they do not look at other options for the future.

Michelle Webb, Fountain Hills resident, said that she was there on Monday for the open house on the budget, and she keeps thinking about the Public Safety Fee. She suggested that they consider a Public Safety Fee of \$365 a year, or \$1 a day. She said that she was concerned with the idea of a sales tax increase since they are trying to bring in business. She said that in New Jersey her father received \$36,000 or \$40,000 a year in cell tower leases.

Mr. Miller then reviewed the overall budget process.

Councilmember Brown **MOVED** to direct staff to raise the sales tax to .3%; **SECONDED** by Councilmember Magazine; motion passed (5-2) with the following roll call vote:

COUNCILMEMBER SPELICH	NAY
MAYOR DICKEY	AYE
VICE MAYOR TOLIS	NAY
COUNCILOMEMBER BROWN	AYE
COUNCILMEMBER SCHARNOW	AYE
COUNCILMEMBER MAGAZINE	AYE
COUNCILMEMBER LECKRONE	AYE

Councilmember Brown **MOVED** to direct staff to set up a Public Safety Fee of \$365 on an annual basis, to include a hardship clause, and suspend the Environmental Fee; **SECONDED** by Councilmember Scharnow.

Councilmember Leckrone said that is a big jump and is a lot to grasp. If they are considering raising the sales tax, this is more money than proposed.

Councilmember Magazine said that he could not support a \$365 fee.

After brief discussion, Councilmember Brown **WITHDREW** his motion; Councilmember Scharnow **WITHDREW** his second.

Councilmember Brown **MOVED** to direct staff to initiate a \$185 annual fee for public safety, to include a hardship clause and suspend the Environmental Fee (with no sunset); **SECONDED** by Councilmember Magazine; motion passed (6-1) with the following roll call vote:

MAYOR DICKEY	AYE
VICE MAYOR TOLIS	AYE
COUNCILOMEMBER BROWN	AYE
COUNCILMEMBER SCHARNOW	AYE
COUNCILMEMBER MAGAZINE	AYE
COUNCILMEMBER LECKRONE	AYE
COUNCILMEMBER SPELICH	NAY

Vice Mayor Tolis said that he would like to see a proposal come forward from staff on a bond package that would be consistent with the payment residents are currently paying on the Saguaro bond. Mr. Miller clarified that this will not be coming back to the Council until September, when staff brings back the Pavement Management Plan for further consideration.

Mayor Dickey noted that there will be a hearing on June 18, 2019, for the public to share any comments on the sales tax increase.

4. **Adjournment**

Councilmember Brown **MOVED** to adjourn; **SECONDED** by Councilmember Magazine; passed unanimously.

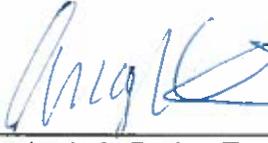
The Special Meeting of the Fountain Hills Town Council held April 18, 2019, adjourned at 7:54 p.m.

TOWN OF FOUNTAIN HILLS



Ginny Dickey, Mayor

ATTEST AND PREPARED BY:


Acting Town Clerk

Elizabeth A. Burke, Town Clerk

TOWN OF FOUNTAIN HILLS

Revenue Options - Revisited



April 18, 2019

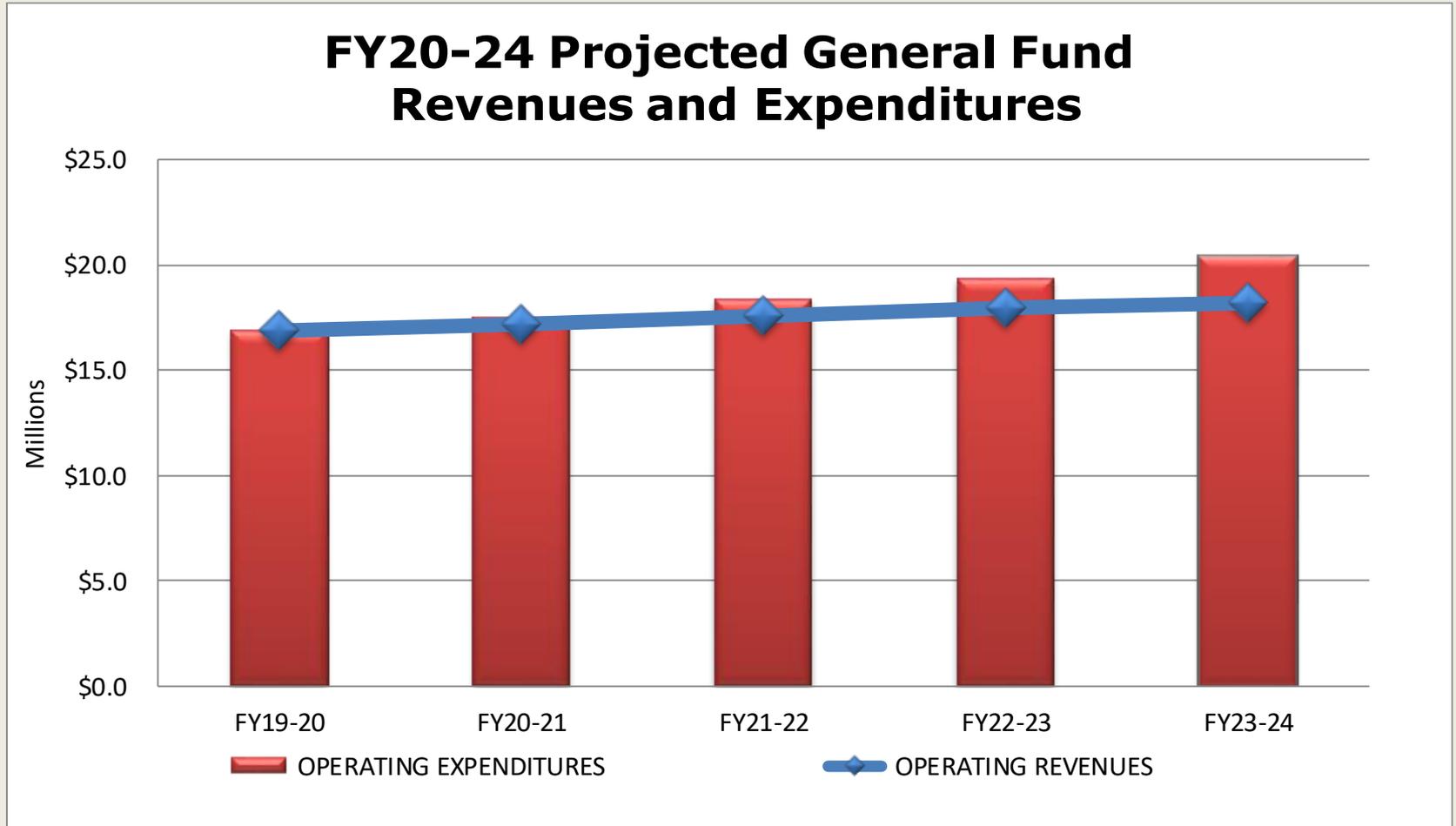
Financial Challenges

Summary of Financial Challenges

- Fountain Hills is projecting a \$4.6 million cumulative revenue shortfall over the next 5 years – assuming the status quo
- In the past, the Town has made significant cuts in staffing and has contracted out numerous services (62% of General Fund expenditures are contracted out)
- Any future cuts will be drastic and will involve reductions in services that will negatively impact residents
- The structural issue is a revenue problem, not an expenditure problem
- Council had taken action to refer a ballot question to voters in May of 2018 regarding a primary property tax to address the revenue shortfall issue

**Five Year Financial
Forecast –
assuming status
quo**

General Fund Projections



General Fund Projections - continued

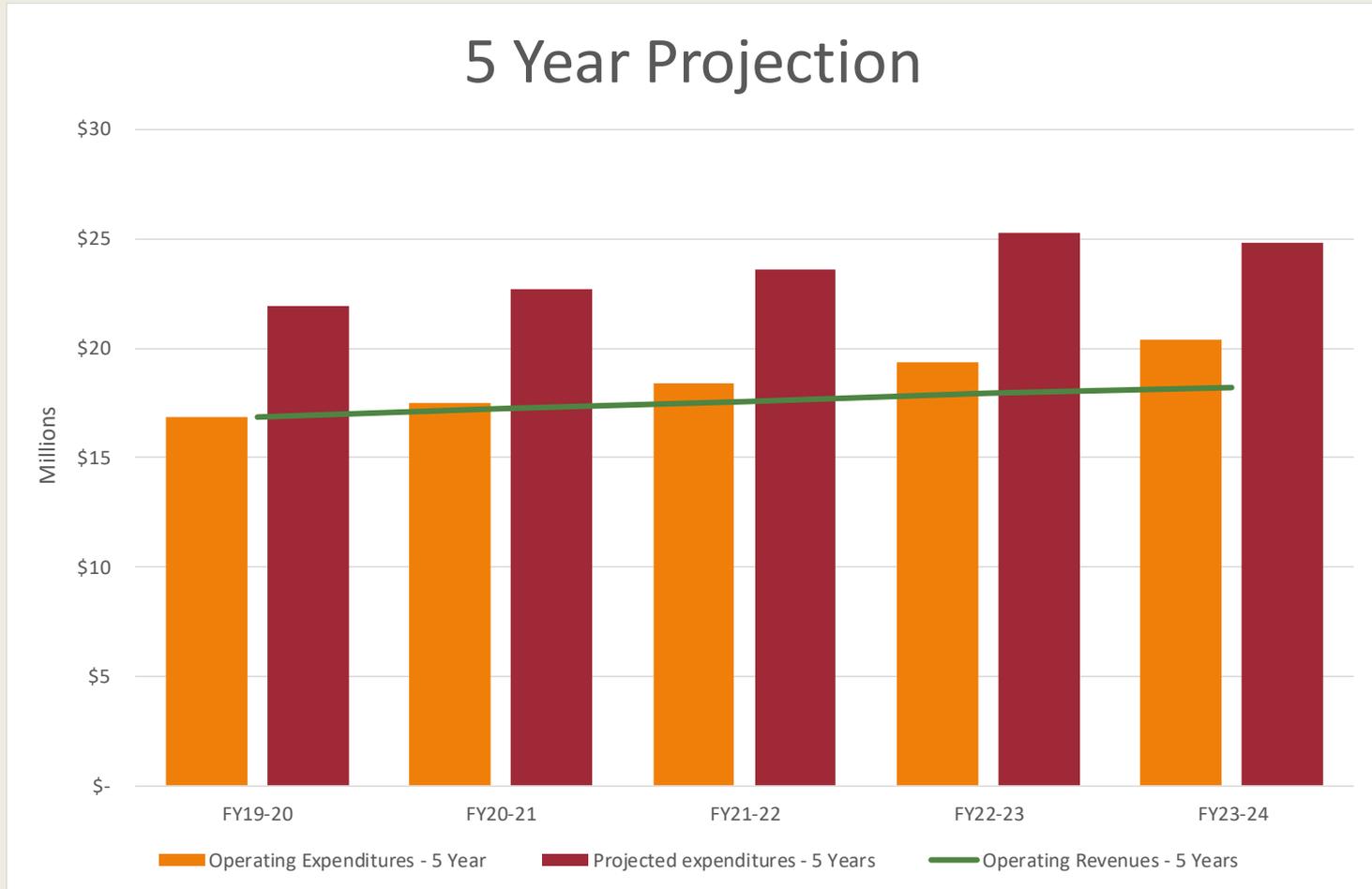
FISCAL YEAR (July to June)	STATE SHARED REVENUES	LOCAL REVENUES	TOTAL GF EXPEND.	SURPLUS/ (SHORTFALL)
2019-20	6,220,134	10,664,296	16,884,430	-
2020-21	6,251,977	10,972,228	17,517,485	(293,280)
2021-22	6,290,174	11,286,317	18,383,723	(807,232)
2022-23	6,329,033	11,636,713	19,365,602	(1,399,856)
2023-24	6,368,936	11,860,365	20,369,674	(2,140,373)
				(4,640,741)

**Five Year Financial
Forecast –
including deferred
items**

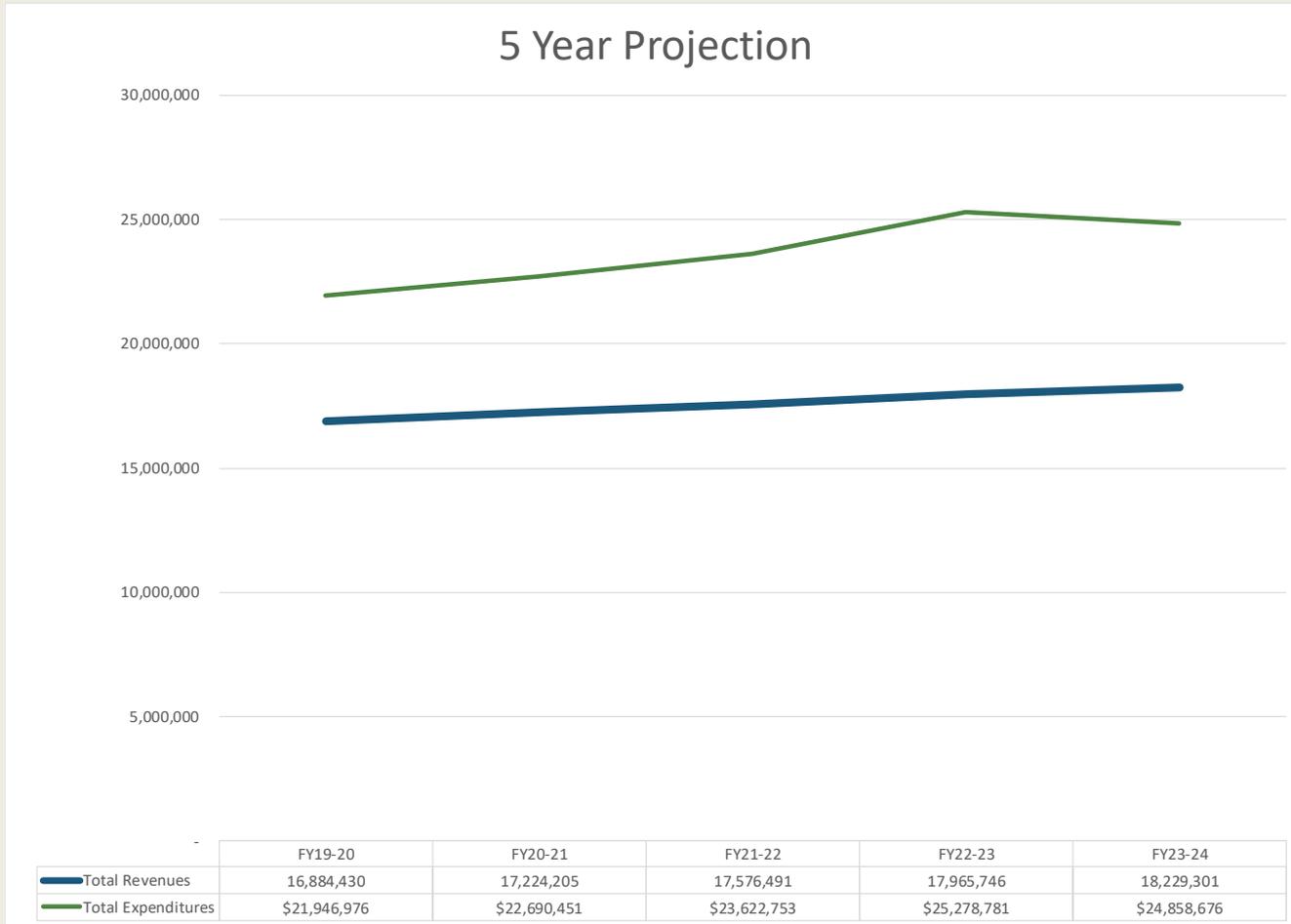
General Fund Projections – major deferred items – 5 year totals

- Additional Staffing - \$5.2 million
- Contractual Services - \$11.5 million
- Capital Expenditures - \$8.7 million

General Fund Projections - continued



General Fund Projections - continued



General Fund Projections - continued

FISCAL YEAR (July to June)	STATE SHARED REVENUES	LOCAL REVENUES	TOTAL GF EXPEND.	SURPLUS/ (SHORTFALL)
2019-20	6,220,134	10,664,296	21,946,976	(5,062,546)
2020-21	6,251,977	10,972,228	22,690,451	(5,466,246)
2021-22	6,290,174	11,286,317	23,622,753	(6,046,262)
2022-23	6,329,033	11,636,713	25,278,781	(7,313,035)
2023-24	6,368,936	11,860,365	24,858,676	(6,629,375)
				(30,517,464)

Comments

- Accepted practice for general obligation bonds is to only issue bonds as tax exempt. If tax exempt, bonds cannot be used for maintenance.
- All bonds require interest payments in addition to the cost of the projects, resulting in a higher cost to residents over time.

Possible Revenue Options to Address Financial Challenges

Sales Tax

- Increase sales tax rate (on some or all tax categories)
- Estimate that each one tenth of one percent (0.1%) increase in rates (all categories) would generate approximately \$340,000 in additional revenue
 - Current rate for Town is 2.6%
 - Total State tax rate is 8.9%
- Unclear if Proposition 126 will have any impact on the Council's authority, now or in the future
- A 0.3% increase to 2.9% would generate \$1,020,000
- A 0.4% increase to 3.0% would generate \$1,360,000

Sales Tax - continued

- Actual FY17-18 sales tax revenue was \$10,311,582
- \$10,311,582 in revenue translates to \$396,599,308 in gross sales
- To generate an additional \$1,000,000 in sales tax revenue would require an additional \$38,461,538 in gross sales

		Retail Rate		
TPT (Sales) Tax Rates - effective February 1, 2019				
<u>City/Town Name</u>	<u>Location</u>	<u>Retail Tax Rate</u>	<u>Total Rate</u>	<u>P-Primary</u> <u>S-Secondary</u>
	<u>E-East Valley</u> <u>W-West Valley</u>			
Guadalupe	E	4.0%	10.3%	-
Gila Bend	W	3.5%	9.8%	P - S
Buckeye	W	3.0%	9.3%	P - S
Carefree	E	3.0%	9.3%	-
Cave Creek	E	3.0%	9.3%	-
El Mirage	W	3.0%	9.3%	P - S
Youngtown	W	3.0%	9.3%	-
Glendale	W	2.9%	9.2%	P - S
Litchfield Park	W	2.8%	9.1%	-
Fountain Hills	E	2.6%	8.9%	S
Avondale	W	2.5%	8.8%	P - S
Goodyear	W	2.5%	8.8%	P - S

		Retail Rate		
TPT (Sales) Tax Rates - effective February 1, 2019				
<u>City/Town Name</u>	<u>Location</u>	<u>Retail Tax Rate</u>	<u>Total Rate</u>	<u>P-Primary</u> <u>S-Secondary</u>
	<u>E-East Valley</u> <u>W-West Valley</u>			
Paradise Valley	E	2.5%	8.8%	-
Tolleson	W	2.5%	8.8%	P - S
Apache Junction	E	2.4%	9.1%	-
Phoenix	E/W	2.3%	8.6%	P - S
Queen Creek	E	2.25%	8.55%	P
Surprise	W	2.2%	8.5%	P
Wickenburg	W	2.2%	8.5%	P
Peoria	W	1.8%	8.1%	P - S
Tempe	E	1.8%	8.1%	P - S
Mesa	E	1.75%	8.05%	S
Scottsdale	E	1.75%	8.05%	P - S
Chandler	E	1.5%	7.8%	P - S
Gilbert	E	1.5%	7.8%	S

Public Safety Fee

- Implement public safety fee to recover increasing costs of MCSO and Rural Metro
- Town businesses – 600 (not including 557 home-based businesses)
- Town households – 11,699 (per Sites USA data)
- Town parcels – approximately 15,600

Public Safety Fee - continued

- A fee of \$150 (per household, not parcel) would generate \$1,844,850 in revenue assuming 100% collection; \$1,660,365 at 90% collection

Increases in Contract Costs

	FY20-21	FY21-22	FY22-23	FY23-24	TOTAL
Fire	\$ 120,639	\$ 244,897	\$ 372,883	\$ 504,708	\$1,243,128
Police	\$ 478,592	\$ 1,005,043	\$ 1,584,140	\$ 2,221,145	\$5,288,920
	<u>\$ 599,231</u>	<u>\$ 1,249,940</u>	<u>\$ 1,957,023</u>	<u>\$ 2,725,854</u>	<u>\$6,532,048</u>

Environmental Fee

- 15,192 invoices mailed - \$3.00 per month per parcel
- Approximately 90% collection on the invoices equals 13,673 payments received or \$492,228
- \$854,145 Environmental Fund costs for FY19-20 (see next slide)

Stormwater/Environmental Fee Costs

Annual Program Administration	\$24,415
New Employee (salary & benefits)	\$60,000
Environmental Program Material	\$2,000
Billing Company	\$50,000
Maricopa County Dust Control Block Permit	\$2,000
Golden Eagle & Fountain Park Reclaimed Water Discharge Permits	\$715
ADEQ Storm Water Permit	\$5,000
STORM (Storm Water Outreach for Municipalities) Annual Dues	\$1,500
Water Use It Wisely Annual Dues	\$2,000
Illegal Dumping Cleanup	\$5,000
ADWR Dam Inspection & Maintenance	\$20,400
Wash Maintenance	\$210,000
Electronics Recycling Event	\$1,000
On-Call Storm Debris Cleanup & Repairs	\$30,000
Storm Damage and Repairs	\$170,000
Internal Service Fund charges	\$115
Drainage Parcel Inspection and Cleaning	\$90,000
Storm Drain & Culvert Inspection & Cleaning	\$90,000
Street Sweeping	\$90,000
Total =	\$854,145

Environmental Fee - continued

- \$62.50 fee required to cover costs in FY19-20; current fee is \$36.00
- If fee were doubled to \$6.00 per month per parcel, assuming 90% collection rate, revenue would received would be \$984,456 (FY19-20 estimated costs are \$854,145)

Public Safety/Maintenance and Infrastructure Fee

- Implement a public safety/maintenance and infrastructure fee to provide for increasing public safety/maintenance and infrastructure costs
- Town businesses – 600 (not including 557 home-based businesses)
- Town households – 11,699 (per Sites USA data)
- Town parcels – approximately 15,600

Public Safety/Maintenance and Infrastructure Fee - continued

- Residential - \$350 per year for four years
- Commercial - \$400 per year for four years
- Using households (not parcels) residential would generate \$4,094,650 per year or \$16,378,600 for the four years
- Commercial would generate \$240,000 per year or \$960,000 for the four years

Public Safety/Maintenance and Infrastructure Fee - continued

Category	FY19-20	FY20-21	FY21-22	FY22-23	Total
Households	\$4,094,650	\$4,094,650	\$4,094,650	\$4,094,650	\$16,378,600
Businesses	240,000	240,000	240,000	240,000	960,000
TOTAL	\$4,334,650	\$4,334,650	\$4,334,650	\$4,334,650	\$17,338,600

Collection rate for current \$36 environmental fee is approximately 90%. Without an effective collection enforcement mechanism, collection rate probably will be less.

Other Possible Revenues

- Currently undertaking a comprehensive user fee study as well as a development impact fee study
- Sell cell towers on Town-owned property (one-time revenue) – the Town has been approached by two different firms
- Franchise Fees for EPCOR and Southwest Gas would generate about \$200,000 annually (requires a ballot measure)
- Consider another primary property tax levy
- Hire a financial advisor to assess Town's finances and recommend strategies to address future shortfalls

Summary of Revenue Options

- Raise local sales tax rate
- Implement a public safety fee
- Raise environmental fee
- Implement a public safety/maintenance and infrastructure fee
- Sell Town property or leases for cell towers
- Adopt franchise fees for water and gas
- Approve another primary property tax election

Recommended Revenue Adjustments for FY 19-20

- Raise local sales tax rate to 3.0 percent from current 2.6 percent – will generate approximately \$1,360,000 in additional revenue annually
- Implement a public safety fee of \$150. Revenue generated is dependent upon collection of fee – could range from \$1.6 million to \$1.8 million per year
- Increase the environment fee from \$36 to \$72 which will generate an additional \$492,228 and reduce General Fund contributions to Environmental Fund each year

Recommended Revenue Adjustments for FY 19-20 - continued

- Early next fiscal year, take Council action on user fee adjustments after the completion of the cost of service study
- Any new fees will not be included in the FY19-20 Final Budget amounts since the Tentative Budget will be adopted on May 7 which establishes the maximum budget amount.
- Collectability of any new fees is unknown, except for transaction privilege tax (sales tax)

Recommended Revenue Adjustments for FY 19-20 - continued

- Due to the timing of any fee implementation, monies will be collected from the fees. Excess revenues collected will be transferred to the Capital Improvement Fund at the end of FY19-20, thereby increasing the amount available for projects.
- Any adjustments to sales tax (TPT) rates will become effective September 1, 2019.

Next Steps

- Any action to implement new fees or raise existing fees requires, per statute, a 60 day notice/posting period before a public hearing and Council action
- Council needs to direct staff tonight to prepare for any possible fee changes
- June 18 Council meeting will be a public hearing before voting on any proposed fee changes